

ANNUAL FINANCIAL REPORT
MADISON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

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

**ANNUAL FINANCIAL REPORT
MADISON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005**

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Comptroller of the Treasury***

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

MADISON COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Madison County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Madison County as of and for the year ended June 30, 2005.

Results

Our report on the governmental activities is qualified because the county did not provide sufficient documentation to support the amounts recorded for the historical costs and the related depreciation for some capital assets. Our report on each major fund and the aggregate remaining fund information is unqualified. Our report on the aggregate discretely presented component units is qualified because an actuarial valuation was not performed for the City of Jackson Retirement Plan.

Our audit resulted in 26 findings and recommendations, which we have reviewed with Madison County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

Findings

The following are summaries of the audit findings:

GOVERNMENT-WIDE STATEMENTS

- ◆ Sufficient documentation was not provided to support the establishment of historical costs of some capital assets.

OFFICE OF COUNTY MAYOR

- ◆ The office had several deficiencies in budget operations.
- ◆ In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Receipts for meals purchased with credit cards were not itemized. In several instances, invoices were paid after the due date resulting in late charges.
- ◆ The economic benefit derived from the use of employer provided vehicles by certain employees to commute to and from work was not calculated and reported on federal W-2 Forms.

OFFICE OF COUNTY MAYOR (CONT.)

- ◆ The county mayor, his assistant, and some county commissioners did not complete travel claim forms documenting their travel expenses in accordance with county travel policies.
 - ◆ The Parks and Recreation Department purchased 16 Sam's Club memberships for employees. Only eight of these employees were authorized to make purchases on behalf of the department.
-

OFFICE OF DIRECTOR OF THE HEALTH DEPARTMENT

- ◆ The director of the Health Department received additional compensation over and above his regular salary.
 - ◆ The office did not properly document payments to a part-time employee.
 - ◆ The director granted an employee a sabbatical leave. Personnel policies adopted by the County Commission do not provide for sabbaticals.
 - ◆ The Health Department did not follow the county's leave policies. Health Department employees were allowed to earn and accumulate more annual leave than provided by the county's leave policies.
-

OFFICE OF PURCHASING AGENT

- ◆ The office did not solicit competitive bids on some applicable purchases.
 - ◆ In most instances, the office issued purchase orders after purchases were made.
 - ◆ Policies and procedures for credit cards had not been fully implemented. Only three of 17 departments using county credit cards had returned the signed agreements to the county purchasing agent.
-

OFFICE OF HIGHWAY ENGINEER

- ◆ In several instances, the office did not issue purchase orders or issued purchase orders after purchases were made.
 - ◆ Competitive bids were not solicited for some applicable purchases.
 - ◆ The office did not maintain records of maintenance and repair work performed on department vehicles.
 - ◆ The office did not have a system to determine the use of road materials on some types of road projects.
 - ◆ The economic benefit derived from the use of county-owned vehicles by certain employees to commute to and from work was not calculated and reported on federal W-2 Forms.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The General Purpose School Fund had a fund deficit of \$5,334,295 at June 30, 2005.
 - ◆ Tax anticipation notes totaling \$5,000,000 were not retired in compliance with state statutes.
 - ◆ The office had deficiencies in budget operations.
-

OFFICE OF JUVENILE COURT CLERK

- ◆ The execution docket trial balance did not reconcile with cash journal accounts as required by state statutes.
-

OFFICE OF COUNTY SHERIFF

- ◆ The Sheriff's Department had numerous deficiencies in controls over travel.
- ◆ Itemized receipts were not submitted for meals purchased with the county's credit card.
- ◆ Travel expenses were paid for spouses, employees, and a retired employee who were not on official business status.
- ◆ The sheriff received an honorarium and a travel reimbursement for a speaking engagement.

INTRODUCTORY SECTION

Madison County Officials

June 30, 2005

Officials:

Jerry Gist, County Mayor
Fred Bowyer, Highway Engineer
Roy Weaver, Director of Schools
Wilma Allen, Trustee
Frances Hunley, Assessor of Property
Freddie Pruitt, County Clerk
Judy Barnhill, Circuit and General Sessions Courts Clerk
Lacy Bond, Juvenile Court Clerk
Pam Carter, Clerk and Master
Linda Waldon, Register
David Woolfork, Sheriff
Bill Vinson, Purchasing Agent

Board of County Commissioners:

Charles Byrd, Chairman	Don Lindsey
Jimmy Arnold	William Martin
Richard Beach, Sr.	Luther Mercer
Fred Birmingham	Dale Morton
Katie Brantley	John Newman
Claudell Brown, Jr.	James Pearson
Aaron Ellison	Joe Roland
Bill Hall	R. Lacy Rose
Jim Ed Hart	Bart Swift
Arthur D. Johnson, Jr.	Bill Walls
Mark Johnstone	James Wilson
Terry Kuykendall	

Board of Education:

Ben Rudd, Chairman	David Clift
Robert Alvey, Jr.	Dr. Joe Mays
Karen Bell	Dr. Robert Smith
Gene Cain	Keith Turner
Carol Carter-Estes	

Budget Committee:

Wayne Powers, Chairman	Luther Mercer
Jerry Gist	Jack Naylor
Gary Ligon	

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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JAMES K. POLK STATE OFFICE BUILDING
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INDEPENDENT AUDITOR'S REPORT

March 16, 2006

Madison County Mayor and
Board of County Commissioners
Madison 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 Madison County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Madison County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Madison 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 discretely presented Madison County Emergency Communications District, which represent 1.81 percent and .65 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 Madison County Emergency Communications District is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 reports of other auditors provide a reasonable basis for our opinions.

The management of Madison County, Tennessee, has not provided sufficient documentation to support the amounts recorded for the historical costs and related depreciation amounts of some capital assets reflected in the governmental activities. The effects on the governmental activities are not reasonably determinable.

Also, an actuarial valuation has not been performed for the City of Jackson Teacher Retirement Plan, which is presented as the Pension Trust Fund of the discretely presented Madison County School Department. Without an actuarial valuation, the required disclosures to the Notes to the Financial Statements for this plan could not be included to conform with accounting principles generally accepted in the United States of America. The effects on the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had sufficient documentation of the historical cost and related depreciation of all capital assets have been presented, 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, each major fund, and the aggregate remaining fund information of Madison County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of not presenting the required actuarial valuation for the City of Jackson Teacher Retirement Plan in the notes to the financial statements, as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Madison County, Tennessee, as of June 30, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2006, on our consideration of Madison 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.

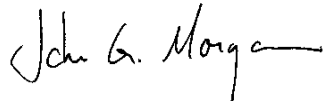
As described in Note V.B., Madison County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

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

The budgetary comparison information on pages 71 through 77 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Madison County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Madison 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 and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Madison County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government Governmental Activities	Component Units	
		Madison County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 156,252	\$ 0	\$ 1,870,551
Equity in Pooled Cash and Investments	8,300,231	11,571,940	0
Accounts Receivable	594,830	197,848	88,573
Due from Other Governments	1,683,853	8,578,010	0
Due from Component Units	3,000,000	0	0
Property Taxes Receivable	22,868,403	14,482,316	0
Allowance for Uncollectible Property Taxes	(1,142,451)	(635,561)	0
Cash Shortage	1,159	0	0
Notes Receivable - Long-Term	209,000	0	0
Deferred Charges - Debt Issuance Costs	619,081	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	4,745,483	2,091,562	0
Construction in Progress	479,703	4,767,198	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	19,441,037	71,270,436	0
Infrastructure	14,778,518	0	0
Other Capital Assets	4,201,797	4,395,041	188,936
Total Assets	<u>\$ 79,936,896</u>	<u>\$ 116,718,790</u>	<u>\$ 2,148,060</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 922,274	\$ 1,575,279	\$ 31,680
Accrued Payroll	0	2,353,657	0
Payroll Deductions Payable	0	3,111,788	0
Due to Primary Government	0	3,000,000	0
Accrued Interest Payable	558,559	0	0
Revenue Anticipation Notes Payable	0	2,000,000	0
Deferred Revenue - Current Property Taxes	20,816,335	13,408,386	0
Noncurrent Liabilities:			
Due Within One Year	9,144,026	317,388	0
Due In More Than One Year (net of deferred amount on refunding and unamortized premiums on debt)	75,318,356	0	0
Total Liabilities	<u>\$ 106,759,550</u>	<u>\$ 25,766,498</u>	<u>\$ 31,680</u>

(Continued)

Exhibit A

Madison County, Tennessee
Statement of Net Assets (Cont.)

	Primary Government Governmental Activities	Component Units	
		Madison County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 21,259,841	\$ 0	\$ 188,936
Invested in Capital Assets	0	82,524,237	0
Restricted for:			
Capital Projects	645,377	790,025	0
Debt Service	7,974,767	0	0
Other Purposes	3,124,523	8,094,007	0
Unrestricted	(59,827,162)	(455,977)	1,927,444
Total Net Assets	<u>\$ (26,822,654)</u>	<u>\$ 90,952,292</u>	<u>\$ 2,116,380</u>

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

Exhibit B

Madison County, Tennessee
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Total Governmental Activities	Madison County School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 2,519,941	\$ 1,196,776	\$ 478,879	\$ 0	\$ (844,286)	\$ 0	\$ 0
Finance	2,497,223	2,614,469	48,074	0	165,320	0	0
Administration of Justice	3,377,092	2,202,069	322,482	0	(852,541)	0	0
Public Safety	19,319,200	4,898,864	317,621	605,485	(13,497,230)	0	0
Public Health and Welfare	8,618,178	1,461,471	6,417,044	0	(739,663)	0	0
Social, Cultural, and Recreational Services	2,163,298	322,277	0	0	(1,841,021)	0	0
Agriculture & Natural Resources	363,535	36,030	0	0	(327,505)	0	0
Other Operations	1,505,062	154,836	0	235,929	(1,114,297)	0	0
Highways/Public Works	3,492,838	292,652	2,451,618	357,093	(391,475)	0	0
Interest on Long-term Debt	3,258,975	0	455,018	0	(2,803,957)	0	0
Other Debt Service	544,652	0	0	0	(544,652)	0	0
Total Primary Government	\$ 47,659,994	\$ 13,179,444	\$ 10,490,736	\$ 1,198,507	\$ (22,791,307)	\$ 0	\$ 0
Component Units:							
Madison County School Department	\$ 113,259,187	\$ 5,861,583	\$ 15,140,785	\$ 40,990	\$ 0	\$ (92,215,829)	\$ 0
Emergency Communications District	508,877	634,465	0	0	0	0	125,588
Total Component Units	\$ 113,768,064	\$ 6,496,048	\$ 15,140,785	\$ 40,990	\$ 0	\$ (92,215,829)	\$ 125,588

(Continued)

Exhibit B

Madison County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Total Governmental Activities	Madison County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property taxes levied for general purposes					\$ 16,877,336	\$ 11,967,298	\$ 0
Property taxes levied for debt service					7,651,504	0	0
Local option sales tax					1,108,208	31,363,929	0
Other local taxes					2,839,991	15,335	0
Grants & Contributions not restricted for specific programs					1,143,675	40,471,886	10,000
Unrestricted Investment Earnings					275,719	229,087	52,716
Miscellaneous					389,056	207,688	4,842
Extraordinary Item - Tornado Damage					1,093,995	2,770,595	0
Total General Revenues					<u>\$ 31,379,484</u>	<u>\$ 87,025,818</u>	<u>\$ 67,558</u>
Change in Net Assets					\$ 8,588,177	\$ (5,190,011)	\$ 193,146
Net Assets, July 1, 2004					(47,341,223)	96,142,303	1,923,234
Prior Period Adjustment					11,930,392	0	0
Net Assets, June 30, 2005					<u>\$ (26,822,654)</u>	<u>\$ 90,952,292</u>	<u>\$ 2,116,380</u>

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

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 156,252	\$ 156,252
Equity in Pooled Cash and Investments	2,388,757	1,596,314	2,514,753	1,289,091	7,788,915
Accounts Receivable	349,336	15,670	120,943	108,881	594,830
Due from Other Governments	1,212,104	471,663	0	86	1,683,853
Due from Other Funds	164,489	0	0	500,000	664,489
Due from Component Units	0	0	3,000,000	0	3,000,000
Property Taxes Receivable	13,110,727	1,781,236	5,638,283	2,338,157	22,868,403
Allowance for Uncollectible Property Taxes	(657,888)	(85,731)	(318,678)	(80,154)	(1,142,451)
Cash Shortage	1,159	0	0	0	1,159
Notes Receivable - Long-Term	209,000	0	0	0	209,000
Total Assets	<u>\$ 16,777,684</u>	<u>\$ 3,779,152</u>	<u>\$ 10,955,301</u>	<u>\$ 4,312,313</u>	<u>\$ 35,824,450</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 170,946	\$ 0	\$ 0	\$ 549,294	\$ 720,240
Due to Other Funds	500,000	0	0	157,562	657,562
Deferred Revenue - Current Property Taxes	11,926,796	1,629,749	5,037,405	2,222,385	20,816,335
Deferred Revenue - Delinquent Property Taxes	422,045	52,756	226,409	28,576	729,786
Other Deferred Revenues	519,902	219,075	0	0	738,977
Total Liabilities	<u>\$ 13,539,689</u>	<u>\$ 1,901,580</u>	<u>\$ 5,263,814</u>	<u>\$ 2,957,817</u>	<u>\$ 23,662,900</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 34,408	\$ 489,712	\$ 0	\$ 95,764	\$ 619,884
Reserved for Litter Enforcement Awards	1,050	0	0	0	1,050
Reserved for Drug Court	5,353	0	0	0	5,353
Reserved for Computer System - Register	125,798	0	0	0	125,798
Reserved for Automation Purposes - Circuit Court	84,707	0	0	0	84,707
Reserved for Automation Purposes - Chancery Court	6,062	0	0	0	6,062
Reserved for Long-Term Notes Receivable	209,000	0	0	0	209,000
Unreserved, Reported In:					
General Fund	2,771,617	0	0	0	2,771,617
Special Revenue Funds	0	1,387,860	0	709,119	2,096,979
Debt Service Funds	0	0	5,691,487	0	5,691,487
Capital Projects Funds	0	0	0	549,613	549,613
Total Fund Balances	<u>\$ 3,237,995</u>	<u>\$ 1,877,572</u>	<u>\$ 5,691,487</u>	<u>\$ 1,354,496</u>	<u>\$ 12,161,550</u>
Total Liabilities and Fund Balances	<u>\$ 16,777,684</u>	<u>\$ 3,779,152</u>	<u>\$ 10,955,301</u>	<u>\$ 4,312,313</u>	<u>\$ 35,824,450</u>

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

Exhibit C-2

Madison County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2005

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)	\$ 12,161,550
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	43,646,538
(2) Internal service funds are used by management to charge the costs of employee health benefits to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	302,355
(3) Debt issuance costs of long-term debt are expensed when due in governmental funds. The unamortized portion of these charges is reflected on the statement of net assets.	619,081
(4) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.	(558,559)
(5) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.	
Less: Bonds payable	\$ (44,460,000)
Less: Notes payable	(36,441,532)
Less: Compensated absences payable	(1,500,552)
Less: Deferred amount on unamortized debt premium	(4,675,728)
Add: Deferred amount on refunding	<u>2,615,430</u>
	(84,462,382)
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	<u>1,468,763</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ (26,822,654)</u></u>

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

Exhibit D-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 18,068,798	\$ 1,861,285	\$ 7,925,094	\$ 971,721	\$ 28,826,898
Licenses and Permits	260,188	0	0	0	260,188
Fines, Forfeitures, and Penalties	448,314	0	0	42,231	490,545
Charges for Current Services	1,272,688	0	0	720	1,273,408
Other Local Revenues	844,984	4,178	25,248	40,277	914,687
Fees Received from County Officials	4,236,411	0	0	300	4,236,711
State of Tennessee	5,356,178	2,945,583	0	515,515	8,817,276
Federal Government	830,327	0	0	137,197	967,524
Other Governments and Citizens Groups	1,306,204	0	0	24,464	1,330,668
Total Revenues	\$ 32,624,092	\$ 4,811,046	\$ 7,950,342	\$ 1,732,425	\$ 47,117,905
Expenditures					
Current:					
General Government	\$ 1,466,155	\$ 0	\$ 0	\$ 25,740	\$ 1,491,895
Finance	1,610,528	0	0	30,995	1,641,523
Administration of Justice	1,913,369	0	0	139,963	2,053,332
Public Safety	11,746,461	0	0	1,738,436	13,484,897
Public Health and Welfare	5,069,935	0	0	2,983,169	8,053,104
Social, Cultural, and Recreational Services	1,744,256	0	0	190,982	1,935,238
Agricultural and Natural Resources	258,345	0	0	0	258,345
Other Operations	6,631,659	0	0	382,305	7,013,964
Highways	0	4,700,299	0	0	4,700,299
Debt Service:					
Principal	0	0	4,115,000	0	4,115,000
Interest	0	0	3,647,700	0	3,647,700
Other Debt Service	0	0	474,808	0	474,808
Total Expenditures	\$ 30,440,708	\$ 4,700,299	\$ 8,237,508	\$ 5,491,590	\$ 48,870,105
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,183,384	\$ 110,747	\$ (287,166)	\$ (3,759,165)	\$ (1,752,200)
Other Financing Sources (Uses)					
Refunding Debt Issued	\$ 0	\$ 0	\$ 25,745,000	\$ 0	\$ 25,745,000
Premiums on Debt Issued	0	0	1,784,798	0	1,784,798
Transfers In	0	0	562,746	3,723,322	4,286,068
Transfers Out	(3,030,275)	0	0	(1,255,793)	(4,286,068)
Payments to Refunded Debt Escrow Agent	0	0	(27,404,717)	0	(27,404,717)
Extraordinary Item - Tornado Damage	1,093,995	0	0	0	1,093,995
Total Other Financing Sources (Uses)	\$ (1,936,280)	\$ 0	\$ 687,827	\$ 2,467,529	\$ 1,219,076
Net Change in Fund Balances	\$ 247,104	\$ 110,747	\$ 400,661	\$ (1,291,636)	\$ (533,124)
Fund Balance, July 1, 2004	2,990,891	1,766,825	5,290,826	2,646,132	12,694,674
Fund Balance, June 30, 2005	\$ 3,237,995	\$ 1,877,572	\$ 5,691,487	\$ 1,354,496	\$ 12,161,550

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

Madison 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, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)		\$ (533,124)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is itemized as follows:		
Add: Assets purchased and capitalized	\$ 3,646,051	
Less: Depreciation expense	<u>(2,158,953)</u>	1,487,098
(2) The net effect of various miscellaneous transactions involving capital assets (donations and disposals) is itemized as follows:		
Add: Assets donated and capitalized	\$ 3,638,566	
Add: Gain on disposal of capital assets	14,145	
Less: Proceeds received from the disposal of assets	<u>(23,325)</u>	3,629,386
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: For the year ended June 30, 2004	\$ (1,953,865)	
Add: For the year ended June 30, 2005	<u>1,468,763</u>	(485,102)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans) 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: Refunding bonds issued	\$ (25,745,000)	
Less: Premium on debt issuances	(1,329,780)	
Add: Current amount of deferred refunding costs	1,076,864	
Add: Deferred charges - debt issuance costs	268,009	
Add: Principal payments on notes	2,952,684	
Add: Principal payments on bonds	1,175,000	
Add: Payment to refunding debt escrow agent	<u>25,990,000</u>	4,387,777
(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 on bonds	\$ 325,034	
Change in accrued interest on notes	38,443	
Change in compensated absences	<u>(22,421)</u>	341,056
(6) Internal service funds are used by management to charge the costs of employee insurance to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities in the statement of activities.		<u>(238,914)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 8,588,177</u>

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

Exhibit E-1

Madison County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 504,389
Total Assets	<u>\$ 504,389</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 202,034
Total Liabilities	<u>\$ 202,034</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 302,355</u>
Total Net Assets	<u><u>\$ 302,355</u></u>

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

Exhibit E-2

Madison County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance <hr/>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 5,896,676
Total Operating Revenues	<u>\$ 5,896,676</u>
<u>Operating Expenses</u>	
Excess Risk Insurance	\$ 345,022
Medical Claims	5,739,779
Other Charges	66,864
Total Operating Expenses	<u>\$ 6,151,665</u>
Operating Loss	<u>\$ (254,989)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 16,075
Total Nonoperating Revenues	<u>\$ 16,075</u>
Change in Net Assets	\$ (238,914)
Net Assets, July 1, 2004	<u>541,269</u>
Net Assets, June 30, 2005	<u><u>\$ 302,355</u></u>

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

Exhibit E-3

Madison County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance <hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Self-Insurance Premiums/Contributions	\$ 5,896,676
Excess Risk Insurance Payments	(345,022)
Medical Claims Payments	(5,697,735)
Administrative Payments	(66,864)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (212,945)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	\$ 16,075
Net Cash Provided By (Used In) Investing Activities	<u>\$ 16,075</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (196,870)
Cash and Cash Equivalents, July 1, 2004	<u>701,259</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 504,389</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (254,989)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Increase (Decrease) in Accounts Payable	<u>42,044</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (212,945)</u></u>

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

Exhibit F

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 83,029
Cash	3,485,004
Accounts Receivable	69,053
Due from Other Governments	<u>3,329,756</u>
Total Assets	<u>\$ 6,966,842</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 3,409,016
Due to Litigants, Heirs, and Others	3,485,004
Other Current Liabilities	<u>72,822</u>
Total Liabilities	<u>\$ 6,966,842</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Madison 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 Madison County:

A. Reporting Entity

Madison County is a public municipal corporation governed by an elected 25-member board. As required by GAAP, these financial statements present Madison County (the primary government) and its component units. 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.

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

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 Madison County School Department operates the public school system in the county, and the voters of Madison 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 Madison County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Madison County, and the Madison 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 Madison County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Madison County School Department are included in this report as listed

in the table of contents. Complete financial statements of the Madison County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Madison County Emergency Communications District
546 E. College St., Room 219
Jackson, Tennessee 38301

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. 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 primary government of Madison County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Madison 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.

Separate financial statements are provided for governmental funds, proprietary funds (internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and 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

proprietary funds and fiduciary fund financial statements. 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 Madison County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Madison County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report. Separate financial statements are provided for governmental funds, the proprietary fund, 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 internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of

accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Madison County reports the following major governmental funds:

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

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

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

Additionally, Madison County reports the following fund types:

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

Internal Service Fund – This fund is used to account for the self-insured employee health insurance program.

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

The discretely presented Madison County School Department reports the following major governmental fund:

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

Additionally, the Madison County School Department reports the following fund types:

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

Education Capital Projects Fund – This fund accounts for transactions involving building construction and renovations of the School Department.

Internal Service Fund – This fund is used to account for the self-insured employee health insurance program for School Department employees.

Pension Trust Fund – This fund is used to account for a former city teacher retirement plan, which was assumed by the Madison County Board of Education as a result of the consolidation of the city and county school systems.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund (internal service fund) used to account for employee health insurance coverage. The discretely presented School Department has one proprietary fund (internal service fund) used to account for transactions pertaining to the School Department's health, dental, and vision insurance plan. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's and the discretely presented School Department's internal service funds are insurance premiums. Operating expenses for the internal service funds include administrative expenses and medical claims.

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

For purposes of the statement of cash flows of the primary government and the discretely presented Madison County School Department, cash consists entirely of Equity in Pooled Cash and Investments with the county trustee.

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

bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.46 percent of total taxes levied.

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

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

an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

3. Capital Assets

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

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 \$5,000 or more (infrastructure \$50,000) and an estimated useful life of more than one year. Capital assets are defined by the discretely presented Madison County School Departments as assets with an initial, individual cost of more than \$5,000 (buildings \$100,000) and an estimated useful life of more than one year. 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	5-30
Infrastructure:	
Roads	5-30
Bridges	30

4. Compensated Absences

Madison County and the discretely presented Madison County School Department permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. All vacation leave is accrued when incurred in the government-wide statements for the county. 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. The granting of sick leave has no guaranteed payment attached for employees other than employees of the Highway Department and therefore is not required to be accrued or recorded. Sick leave has been accrued for Highway Department employees.

5. 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 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, claims and judgments, special termination benefits, and landfill closure/postclosure care costs

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

6. Net Assets and Fund Equity

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

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

As of June 30, 2005, Madison County had \$59,075,135 in outstanding debt for capital purposes for the discretely presented Madison County School Department. The debt is a liability of Madison County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Madison 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. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Health Department - Local Current Services	\$ 984,048
Health Department - WIC Program	377,882
Health Department - Hotel, Pools, & Food Services	157,538
Health Department - STD Program	179,686

7. Prior-period Adjustment

Capital assets were restated (\$11,930,392) from the prior year because the Highway Department added infrastructure back to fiscal year 1981.

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 fund balances reported on the governmental funds balance sheet (Exhibit C-1) to net assets reported in the primary government – governmental activities column of the statement of net assets (Exhibit A).

Discretely Presented Madison County School Department

Exhibit K-3 includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the governmental funds balance sheet (Exhibit K-2) to net assets reported in the discretely presented component unit – Madison County School Department column of the statement of net assets (Exhibit A).

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 D-2 in the basic financial statement includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances – governmental funds (Exhibit D-1) to changes in net assets reported in the primary government – governmental activities column on the statement of activities (Exhibit B).

Discretely Presented Madison County School Department

Exhibit K-5 includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances – governmental funds (Exhibit K-4) to changes in net assets reported in the discretely presented component unit – Madison County School Department column of the statement of activities (Exhibit B).

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The discretely presented General Purpose School Fund had a fund deficit of \$5,334,295, at June 30, 2005. This fund deficit resulted from a Basic Education Program (BEP) reserve totaling \$3,408,323 being set up in accordance with BEP guidelines, actual local revenues falling short of budgeted local revenues, and from expenditures exceeding available funds.

B. Cash Shortage Had Not Been Liquidated

The General Fund had a cash shortage of \$1,159 as of June 30, 2005. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of the Annual Financial Report for the year ended June 30, 2002.

C. Expenditures Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
Primary Government:		
General	Property Assessor's Office	\$ 14,863
"	Drug Court	3,618
"	Libraries	212
Community Development/ Industrial Park	Industrial Development	201,622
School Department Component Unit:		
General Purpose School	Transfers Out	3,269,921

Expenditures exceeded appropriations approved by the County Commission in the Community Development/Industrial Park Fund by \$201,622.

Such overexpenditures are a violation of state statute. These overexpenditures were funded by available fund balances.

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments submitted to and approved by the County Commission for the General Purpose School Fund and the

Community Development/Industrial Park Fund resulted in appropriations exceeding estimated funding by \$4,221,622 and \$50,000, respectively.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Madison County and the Madison County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, 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 on 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

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

Investment Balances. As of June 30, 2005, Madison County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Madison County and the discretely presented Madison County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 21,801,472

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. Madison 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. Madison County has no investment policy that would further limit its investment choices. As of June 30, 2005, Madison County's investment in the State Treasurer's Investment Pool was unrated.

B. Note Receivable

The note receivable in the General Fund represents a long-term loan made to the Pinson Utility District (\$209,000) and is offset by a reservation of fund balance.

C. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 4,285,714	\$ 459,769	\$ 0	\$ 4,745,483
Construction in Progress	117,636	479,703	(117,636)	479,703
Total Capital Assets Not Depreciated	\$ 4,403,350	\$ 939,472	\$ (117,636)	\$ 5,225,186

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 21,306,379	\$ 2,994,568	\$ 0	\$ 24,300,947
Roads and Bridges	20,374,340	1,860,711	117,636	22,352,687
Other Capital Assets	10,915,551	1,489,866	(56,485)	12,348,932
Total Capital Assets				
Depreciated	<u>\$ 52,596,270</u>	<u>\$ 6,345,145</u>	<u>\$ 61,151</u>	<u>\$ 59,002,566</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,297,930	\$ 561,980	\$ 0	\$ 4,859,910
Roads and Bridges	6,852,831	721,338	0	7,574,169
Other Capital Assets	7,318,805	875,635	(47,305)	8,147,135
Total Accumulated				
Depreciation	<u>\$ 18,469,566</u>	<u>\$ 2,158,953</u>	<u>\$ (47,305)</u>	<u>\$ 20,581,214</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 34,126,704</u>	<u>\$ 4,186,192</u>	<u>\$ 108,456</u>	<u>\$ 38,421,352</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 38,530,054</u>	<u>\$ 5,125,664</u>	<u>\$ (9,180)</u>	<u>\$ 43,646,538</u>

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

Governmental Activities:

General Government	\$ 32,392
Finance	8,292
Administration of Justice	172,363
Public Safety	788,152
Public Health and Welfare	162,102
Social, Cultural, and Recreational Services	93,006
Agriculture and Natural Resources	8,150
Other Operations	21,852
General Administration	890
Highways/Public Works	<u>871,754</u>
Total Depreciation Expense -	
Governmental Activities	<u><u>\$ 2,158,953</u></u>

Discretely Presented Madison County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 2,091,562	\$ 0	\$ 0	\$ 2,091,562
Construction in Progress	843,108	4,767,198	(843,108)	4,767,198
Total Capital Assets Not Depreciated	<u>\$ 2,934,670</u>	<u>\$ 4,767,198</u>	<u>\$ (843,108)</u>	<u>\$ 6,858,760</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 94,771,547	\$ 5,852,971	\$ 843,108	\$ 101,467,626
Total Capital Assets Depreciated	<u>\$ 94,771,547</u>	<u>\$ 5,852,971</u>	<u>\$ 843,108</u>	<u>\$ 101,467,626</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 28,000,628	\$ 2,196,562	\$ 0	\$ 30,197,190
Other Capital Assets	5,025,210	622,101	(580,829)	5,066,482
Total Accumulated Depreciation	<u>\$ 33,025,838</u>	<u>\$ 2,818,663</u>	<u>\$ (580,829)</u>	<u>\$ 35,263,672</u>
Total Capital Assets Depreciated, Net	<u>\$ 61,745,709</u>	<u>\$ 3,034,308</u>	<u>\$ 1,423,937</u>	<u>\$ 66,203,954</u>
Governmental Activities Capital Assets, Net	<u>\$ 64,680,379</u>	<u>\$ 7,801,506</u>	<u>\$ 580,829</u>	<u>\$ 73,062,714</u>

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

Governmental Activities:

Instruction	\$ 1,999,311
Support Services	646,193
Operation of Non-Instructional Services	<u>173,159</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 2,818,663</u></u>

D. Construction Commitments

At June 30, 2005, the Highway Department had uncompleted construction contracts of approximately \$489,712 for bridge construction and road paving projects. Funding has been received for these future expenditures.

At June 30, 2005, the discretely presented Madison County School Department's General Purpose School Fund had uncompleted construction contracts of \$1,387,930 for school construction. Funding for these future expenditures will come from funds available in the General Purpose School Fund.

At June 30, 2005, the discretely presented Madison County School Department's Education Capital Projects Fund had uncompleted construction contracts of \$256,465 for school construction. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 164,489
Nonmajor governmental	General	500,000
Discretely Presented School Department:		
Nonmajor governmental	General Purpose School	236,430
Internal Service Fund	"	341,486

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.

In the General Fund, \$6,927 of the receivable was in transit from the Solid Waste/Sanitation Fund (\$5,000) and the General Capital Projects Fund (\$1,927) at June 30, 2005.

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary Government: General Debt Service	Component Unit: General Purpose School	\$ 3,000,000

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 3,030,275
Nonmajor governmental funds	562,746	693,047
Total	\$ 562,746	\$ 3,723,322

Discretely Presented Madison County School Department

Transfers Out	<u>Transfers In</u> School Employee Insurance Fund
General Purpose School Fund	\$ 4,534,921
Total	\$ 4,534,921

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. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

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 were issued for original terms of up to 14 years for bonds and up to 21 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 and notes included in long-term debt as of June 30, 2005, will be retired from the General Fund and the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	2 to 5 %	\$ 35,900,000	\$ 12,050,000
General Obligation Bonds - Refunding	3.8 to 5.52	44,425,000	32,410,000
Capital Outlay Notes	3.3 to 5.65	8,495,000	5,876,532
Capital Outlay Notes - Refunding	2 to 5	32,275,000	30,565,000

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 3,600,000	\$ 2,007,538	\$ 4,773,116	\$ 1,572,692
2007	650,000	1,843,727	8,058,548	1,297,810
2008	690,000	1,811,250	4,709,004	1,076,379
2009	1,050,000	1,797,350	4,444,472	899,066
2010	1,000,000	1,758,600	4,534,964	721,374
2011-2015	19,095,000	7,484,750	9,921,428	856,634
2016-2018	18,375,000	1,867,750	0	0
Total	\$ 44,460,000	\$ 18,570,965	\$ 36,441,532	\$ 6,423,955

There is \$5,691,487 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$484, based on the 2000 federal census. Total debt per capita, including bonds and notes, amounted to \$881, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2004	\$ 45,880,000	\$ 39,394,216
Additions	25,745,000	0
Deductions	<u>(27,165,000)</u>	<u>(2,952,684)</u>
Balance, June 30, 2005	<u>\$ 44,460,000</u>	<u>\$ 36,441,532</u>
Balance Due Within One Year	<u>\$ 3,600,000</u>	<u>\$ 4,773,116</u>

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 1,478,131
Additions	883,841
Deductions	<u>(861,420)</u>
Balance, June 30, 2005	<u>\$ 1,500,552</u>
Balance Due Within One Year	<u>\$ 770,910</u>

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

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 82,402,084
Add: Unamortized Premium on Debt	4,675,728
Less: Balance Due Within One Year	(9,144,026)
Less: Deferred Amount on Refunding	<u>(2,615,430)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 75,318,356</u>

Current Refunding

On January 4, 2005, Madison County issued \$2,125,000 in general obligation bonds for a current refunding of \$2,240,000 for a portion (\$1,170,000) of the General Obligation Refunding Bonds – Series 1997 and a portion (\$1,070,000) of School Refunding Bonds – Series 1998. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. The refunded bonds had a maturity date of April 1, 2005, and the refunding bonds issued in January 2005 have a maturity date of April 1, 2014. As a result of the refunding, total debt service payments over

the next nine years will be increased by \$825,949, and an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$27,889.

Advanced Refunding

On December 1, 2004, Madison County advanced refunded a portion (\$23,750,000) of the General Obligation School and Public Improvement Bonds, Series 2002 with a separate general obligation bond issue. The county issued \$23,620,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. Madison County paid \$202,448 in addition to the general obligation bonds to the refunding agent. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next 13 years will be increased by \$3,185,575 and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$23,096.

Discretely Presented Madison County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Madison County School Department for the year ended June 30, 2005, was as follows:

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 307,459
Additions	342,826
Deductions	<u>(332,897)</u>
Balance, June 30, 2005	<u>\$ 317,388</u>
Balance Due Within One Year	<u>\$ 317,388</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects Funds.

G. Short-term Debt

Primary Government

During the year, Madison County borrowed \$3,000,000 from the General Debt Service Fund to provide temporary operating funds for the General

Fund. This loan was necessary because funds were not available for operating expenses coming due before current tax collections. This loan was retired prior to June 30, 2005, as required by state statutes, and therefore has not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 3,000,000	\$ (3,000,000)	\$ 0

Discretely Presented Madison County School Department

During the year, Madison County issued tax anticipation notes (\$2,000,000) in advance of property tax collections and deposited the proceeds in the discretely presented Madison County School Department's General Purpose School Fund. Also, during the year Madison County borrowed \$3,000,000 from the General Debt Service Fund to provide temporary operating funds for the General Purpose School Fund. These notes and loans were necessary because funds were not available for operating expenses coming due before current tax collections. The notes and loans were not retired prior to June 30, 2005, as required by state statutes, and therefore have been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 5,000,000	\$ 0	\$ 5,000,000

On January 10, 2006, the General Purpose School Fund retired \$2,000,000 of the \$5,000,000 balance.

H. Extraordinary Items

On May 4, 2003, Madison County received damage from a tornado. The Federal Emergency Management Agency (FEMA) through the Tennessee Emergency Management Agency agreed by contract to give Madison County disaster assistance. During the 2003-04 year, the General Fund received \$3,348,619 in disaster relief funds from FEMA and the General Fund and the discretely presented Madison County School Department's General Purpose School Fund received insurance recovery funds of \$4,368,594 and \$7,166,547, respectively. During the 2004-2005 year, the General Fund and the discretely presented Madison County School Department's General Purpose School

Fund received insurance recovery funds of \$1,093,995 and \$2,770,595 respectively.

I. Prior-period Adjustments

Capital assets were restated from the prior period in the net amount of \$11,930,392 because the Highway Department added infrastructure back to fiscal year 1981.

V. OTHER INFORMATION

A. Risk Management

Primary Government

The county has chosen to establish the Employee Insurance – General Fund for risks associated with the employees’ health insurance plan. The Employee Insurance – General Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$75,000 per specific loss and 125 percent of expected claims. The county obtained an excess risk insurance policy to cover claims beyond any amounts exceeding these limits. The premiums for the excess risk insurance and administration fees are paid directly to the administrator of the county’s employee insurance plan by the various funds and departments participating in the plan. Total excess risk insurance premiums and administration fees paid for the 2004-2005 year amount to \$411,886.

All full-time employees of the primary government are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on the demographics of the group, the cost of medical care, the prior claim experience, and expected liability during the 2004-2005 year. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance – General Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

Employee Insurance - General Fund

	Beginning of Fiscal- Year Liability	Current- Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2003-04	\$ 158,784	\$ 6,616,212	\$(6,615,006)	159,990
2004-05	159,990	5,739,779	(5,697,735)	202,034

The county continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, and workers' compensation. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Madison County School Department

The discretely presented Madison County School Department has chosen to establish the Employee Insurance – School Fund for risks associated with the School Department employees' health insurance plan. The Employee Insurance – School Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The discretely presented Madison County School Department retains the risk of loss to a limit of \$150,000 per covered person. Amounts exceeding these limits are covered by an excess risk policy up to \$5,000,000 per covered person.

All full-time employees of the Madison County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on the demographics of the group, the cost of medical care, the prior claim experience, and expected liability during the 2004-05 year. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance – School Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Year Liability		Claims and Estimates Incurred		Payments		End of Year Liability
2003-04	\$ 975,706	\$	8,637,582	\$	(8,412,947)	\$	1,200,341
2004-05	1,200,341		8,349,431		(9,179,302)		370,470

As of June 1, 2005, the Madison County School Department was no longer self-insured.

On June 1, 2005, the Madison County School Department joined 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 8-27-302, Tennessee Code Annotated (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.

The Madison County School Department carries commercial insurance for the non-certified employees that are on a commercial insurance plan.

The Madison County School Department continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, workers' compensation, and employee health insurance (non-certified employees). Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Accounting Change

During the year, Madison County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

Subsequent to June 30, 2005, Madison County issued revenue anticipation notes to provide funds to meet anticipated expenditures of funds as detailed below:

Date Issued	Amount of Note	Fund	Holder of Note	Date Retired
8-29-05	\$800,000	General	General Debt Service	10-13-05
9-15-05	400,000	General	General Debt Service	
9-16-05	250,000	General	General Debt Service	
9-29-05	500,000	General	General Debt Service	
10-12-05	1,007,500	General	First South Bank	1-11-06
8-11-05	2,000,000	General Purpose School	General Debt Service	8-19-05
9-13-05	2,000,000	General Purpose School	General Debt Service	9-22-05
9-13-05	3,000,000	General Purpose School	Bancorp South	
10-13-05	2,000,000	General Purpose School	General Debt Service	12-30-05
9-7-05	200,000	General Capital Projects	Highway Capital Projects	1-10-06
9-15-05	100,000	Solid Waste/Sanitation	General Debt Service	1-10-06
10-26-05	150,000	Solid Waste/Sanitation	General	1-10-06
10-26-05	25,000	Juvenile Court Services	General	1-10-06
10-29-05	50,000	Juvenile Court Services	General Debt Service	1-10-06
11-17-05	25,000	Juvenile Court Services	General Debt Service	1-10-06

D. Contingent Liabilities

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

E. Changes in Administration

On August 31, 2004, Ray Hight retired from the Office of Assessor of Property and was succeeded by Frances Hunley. On September 30, 2004, Curtis White retired from the Office of Register and was succeeded by Linda Waldon.

F. Joint Ventures

Madison County and the City of Jackson jointly operate the Jackson-Madison County Airport Authority, Jackson-Madison County Community Economic Development Commission, Jackson-Madison County General Hospital, and Jackson-Madison County Library. The boards of the Airport Authority, General Hospital, Community Economic Development Commission, and Jackson-Madison County Library each comprise five members who are alternately appointed each year by Madison County and the City of Jackson.

Madison County has control over budget and financing of the above joint ventures only to the extent of representation by its appointed board or commission members. Madison County is responsible for funding 50 percent of any deficits from operations of the General Hospital. Madison County contributed \$203,120 to the Airport Authority for its operations during the

year ended June 30, 2005. One-half of this contribution was refunded to Madison County by the City of Jackson per an agreement between Madison County and the City of Jackson. Madison County provides annual support to the library for its operations. Funding for the Community Economic Development Commission is provided through a hotel/motel tax levied jointly by the City of Jackson and Madison County. Twenty-five percent of the monies collected from this tax is allocated to the Community Economic Development Commission pursuant to the provisions of a private act. Madison County does not have an equity interest in any of the above-mentioned joint ventures. Complete financial statements for the above-noted joint ventures can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Jackson-Madison County Airport Authority
308 Grady Montgomery Drive
Jackson, TN 38301

Jackson-Madison County Community
Economic Development Commission
314 E. Main Street
Jackson, TN 38301

Jackson-Madison County General Hospital
708 W. Forest Ave.
Jackson, TN 38301-3956

Jackson-Madison County Library
433 East LaFayette
Jackson, TN 38301

G. Landfill Operating, Closure, and Postclosure Care Costs

Madison County does not own or operate a landfill. However, during the year, the county paid \$1,991,978 to the City of Jackson for one-half the costs incurred by the city in the operation of its landfill and \$342,236 for closure costs.

H. Retirement Commitments

Plan Description

Employees of Madison 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 Madison County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Madison County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 12.9 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Madison County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Madison County's annual pension cost of \$3,644,696 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period.

Madison County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 15 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$3,644,696	100%	\$0
6-30-04	2,962,170	100	0
6-30-03	2,905,420	100	0

Required Supplementary Information

Schedule of Funding Progress for Madison County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$51,108	\$57,816	\$6,708	88.40%	\$25,724	26.08%
6-30-01	44,242	51,320	7,078	86.21	23,745	29.81
6-30-1999	36,370	41,429	5,059	87.79	21,238	23.82

SCHOOL TEACHERS

Plan Description

Madison County contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions

are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Madison County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for Madison County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$2,951,158, \$1,702,473, and \$1,616,905, respectively, equal to the required contributions for each year.

City of Jackson Teachers Retirement Plan Assumed by Madison County Board of Education

The Madison County School System administers a defined benefit pension plan for certain school teachers of the former City of Jackson School System. The assets of the City of Jackson Teachers Retirement Plan (CJTRP) may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

1. Summary of Significant Accounting Policies

Basis of Accounting

Financial statements of the CJTRP are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due, and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments

Plan assets are maintained in a cash and investment pool through the Office of Trustee and are reported at cost, which approximates fair value.

2. Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at June 30, 2005:

Retirees and Beneficiaries Receiving Benefits	51
Active Plan Members	<u>1</u>
Total	<u>52</u>

The plan is closed to new entrants.

Plan Description

CJTRP is a single-employer defined benefit pension that covers certain former City of Jackson teachers. CJTRP provides retirement benefits to plan members and their beneficiaries. Employees are eligible for retirement benefits upon reaching the age of 60 with 30 years of employment service. Pension benefits paid to plan members are calculated by using an amount equal to 50 percent of the average of the three highest years' salary. Cost-of-living adjustments are determined by the same percentage increase that the salaries of unretired teachers employed by the Madison County School System receive, with such increases to be effective on July 1 of each year.

Contributions

Plan members are required to contribute three percent of their annual covered salary. The Tennessee Consolidated Retirement System (TCRS) contributes retirement benefits to the plan for the retired teachers, as required by Section 8-35-301, et seq., Tennessee Code Annotated. Contributions by TCRS are equal to the amount of state annuity, which would have been payable to CJTRP members had they been members of the TCRS. The Madison County School System is required to contribute a sufficient sum to pay the benefits provided for under the plan. Per Chapter 357, Private Acts of 1943, as amended, contribution requirements of the plan members and the Madison County School System are established and may be amended by the state legislature and the governing bodies of the City of Jackson and Madison County. For the year ended June 30, 2005, the Madison County School System's annual pension cost of \$462,008 to the CJTRP was equal to the system's required and actual contributions.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 462,008	100%	\$ 0
6-30-04	469,119	100	0
6-30-03	495,140	100	0

There has been no actuarial valuation performed on CJTRP. Therefore, the required supplementary information (Schedule of Funding Progress), as required by the Governmental Accounting Standards Board Statement No. 25, is not disclosed in this report.

I. Other Post-employment Benefits

In addition to the retirement commitments described above., Madison County and the discretely presented Madison County School Department provide post-retirement health care benefits, in accordance with contract provisions, to all employees who retire from the county with 25 years of service or who have attained age 60 with at least ten years of service. Currently, 20 county and 173 school retirees meet those eligibility requirements. The county and the School Department reimburse 80 percent of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not reported to the county. During the year, expenditures totaling \$118,263 (county) and \$1,121,023 (School Department) were recognized for post-employment health care.

J. Office of Central Accounting and Budgeting

Office of Director of Finance

In January 2005, Madison County adopted the County Financial Management System of 1981. The county implemented this act on July 1, 2005. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of a finance director.

K. Purchasing Laws

The Office of Purchasing Agent was created by Chapter 102, Private Acts of 1947, as amended. This law provides that the purchasing agent has the sole power and authority to contract for and purchase all materials, supplies, and equipment of every kind and to arrange for the purchase or rental of any and all real estate, machinery and other equipment for every official, department,

and agency under the control of the county government with the following exceptions: (1) When the estimated value of the purchase is \$2,000 or less, but more than \$500, the purchasing agent may adopt a written policy to allow any department head or official of the county to make the purchase with the prior approval of the purchasing agent, or (2) When the estimated value of the purchase is \$500 or less, officials or department heads designated by the purchasing agent are authorized to make the purchase. Sealed bids are required to be solicited by advertisement in a daily newspaper, on radio, or on television for purchases exceeding \$5,000. The county attorney has opined that the private act does not address construction contracts or contracts for services and such purchases would be governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Purchasing procedures for the Highway Department is governed by provisions of the Uniform Road Law, Section 54-7-113, TCA, which require bids to be solicited on purchases exceeding \$10,000. Also, purchasing procedures for the School Department is governed by provisions of Section 49-2-203, TCA, which require bids to be solicited on purchases exceeding \$5,000.

As noted in J. above, effective July 1, 2005, the County Financial Management System of 1981 provides for all purchase exceeding \$5,000 for the Office of County Mayor and the discretely presented School Department, and all purchases exceeding \$10,000 for the Office of Highway Engineer to be competitively bid.

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

A. Organization and Reporting Entity

The Madison County Emergency Communications District (the district) was created under Tennessee Code Annotated, Section 7-86-109 et. seq., Emergency Communications District Law by a referendum of voters in Madison County, Tennessee, on May 5, 1987.

The purpose of the district is to provide a simplified means of securing emergency services by telephone to those persons living in the county.

The district is considered a component unit of the county because the Board of Directors of the district is appointed by the County Commission. The County Commission has the authority to decrease, but not increase, the rates charged by the district, and the County Commission must approve any debt issued by the district.

B. Summary of Significant Accounting Policies

The accounting policies of the district conform to generally accepted accounting principles applicable to government as defined in the statements of the Governmental Accounting Standards Board (GASB). The district also elected to apply generally accepted accounting principles as defined by Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. After that date the district has elected to apply only GASB pronouncements. The following is a summary of the more significant accounting policies.

1. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The district is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with this activity are included on their statement of position. Enterprise fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

2. Cash

Cash and Cash Equivalents – All demand deposits and other deposits with original maturities of three months or less are included in the caption cash and cash equivalents.

3. Accounts Receivable

Accounts receivable represents amounts due from BellSouth, less applicable commissions, Emergency Medical Services, and state wireless charges.

4. Capital Assets

Capital assets are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets.

Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method.

5. Compensated Absences

The district allows two weeks of vacation to each employee per year with accrual limited to 30 days for one to five years of service, 12 days for six to ten years of service, and three weeks for eleven or more years. Employees receive full reimbursement for unused vacation upon leaving the employment of the district. No liability is reflected in the financial statements due to the immateriality of the amounts involved.

The district allows employees to accrue one day per month sick leave with unlimited accrual. Employees are not reimbursed for any portion of unused sick leave upon leaving the employment of the district. Therefore, no liability is reflected in the financial statements.

C. Cash

At year-end, the carrying amount of the district’s bank deposits was \$1,870,551 and the bank balance was \$1,871,767. Deposits in excess of amounts insured by the Federal Deposit Insurance Corporation are collateralized by securities held in the Tennessee Bank Collateral Pool.

D. Capital Assets

Capital asset activity for the year was as follows:

Description	Balance 7-1-04	Additions	Retirements	Balance 6-30-05
Capital assets being depreciated:				
Furniture and fixtures	\$ 22,263	\$ 2,596	\$ 1,426	\$ 23,433
Office equipment	68,319	4,406	26,240	46,485
Communications equipment	930,832	0	1,595	929,237
Vehicles	43,523	21,500	23,156	41,867
Total capital assets being depreciated	\$ 1,064,937	\$ 28,502	\$ 52,417	\$ 1,041,022

Description	Balance			Balance
	7-1-04	Additions	Retirements	
Less accumulated depreciation				
Furniture and fixtures	\$ 12,795	\$ 2,777	\$ 1,426	\$ 14,146
Office equipment	47,120	6,972	25,804	28,288
Communications equipment	724,813	67,970	1,595	791,188
Vehicles	34,652	6,968	23,156	18,464
Total capital assets being depreciated	\$ 819,380	\$ 84,687	\$ 51,981	\$ 852,086
Total capital assets, net	\$ 245,557	\$ (56,185)	\$ 436	\$ 188,936

Depreciation is recognized over the estimated useful lives of the property and equipment of five to ten years using the straight-line method.

E. Funding Sources

Funding for the district's operations is provided by monthly fees from service users in the county and by monthly fees from wireless cellular phone subscribers. BellSouth and alternate local exchange carriers collect service fees from the county users and remit the funds to the district. The Tennessee Emergency Communications Board collects monthly service fees from wireless cellular phone subscribers and remits a set percentage to the district.

F. Retirement Plan

Plan Description

Employees of the district 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 benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as

the district 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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrsIPS/>.

Funding Policy

The district has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2005, was 13.59 percent of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the district are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2005, the district's annual pension cost of \$15,186 to TCRS was equal to the district's required and actual contributions.

The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen initial liability 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 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 20 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 15,186	100%	\$ 0
6-30-06	10,330	100	0
6-30-07	12,990	100	0

G. Commitments

The district has contracted with BellSouth for the lease of emergency communication equipment related to the operation of the system. The contract is an operating lease and is cancelable on 30 days notice by either party. The district is also obligated to BellSouth for the monthly operating and maintenance services pertaining to the operation of the emergency communications system. The monthly commitment under this contract is based on the actual number of lines used and is estimated to be \$8,330.

The district leases office space from the Madison County Sheriff's Department. There is no formal lease agreement. Monthly payments on the lease are \$250.

H. Risk Management

The district is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the district to purchase commercial insurance for the risks of general liability, vehicle liability employee dishonesty, workers' compensation, and physical damage to its capital assets. Settled claims have not exceeded this commercial coverage in any of the past three years.

I. Required Supplemental Information

The supplemental information section of this report includes information not required to be included in the financial statements and is provided for the purpose of additional analysis.

PENSION DATA

JUNE 30, 2005

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL)	(3) AAL (UAAL) (2)-(1)	Funded Ratio (1)/(2)	(5) Covered Payroll	Percentage of Covered Payroll (3)/(5)
6-30-03	\$ 132,000	\$ 173,000	\$ 41,000	76.30%	\$ 114,000	35.96%
6-30-01	95,000	135,000	40,000	70.37	102,000	39.22
6-30-1999	63,000	86,000	23,000	73.26	83,000	27.71

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2003, which established contribution rates effective July 1, 2004. As a result of the June 30, 2000, experience study, changes were made to two of the significant actuarial assumptions as follows: 1) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding portion attributable to the effects of inflation on salaries), and 2) projected 3.5 percent annual increase in the Social Security wage base.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 18,068,798	\$ 0	\$ 0	\$ 18,068,798	\$ 17,521,374	\$ 17,811,002	\$ 257,796
Licenses and Permits	260,188	0	0	260,188	304,600	306,705	(46,517)
Fines, Forfeitures, and Penalties	448,314	0	0	448,314	504,100	507,600	(59,286)
Charges for Current Services	1,272,688	0	0	1,272,688	1,242,302	1,346,200	(73,512)
Other Local Revenues	844,984	0	0	844,984	610,120	744,820	100,164
Fees Received from County Officials	4,236,411	0	0	4,236,411	4,010,300	4,010,300	226,111
State of Tennessee	5,356,178	0	0	5,356,178	5,498,751	5,864,808	(508,630)
Federal Government	830,327	0	0	830,327	263,265	917,817	(87,490)
Other Governments and Citizens Groups	1,306,204	0	0	1,306,204	1,034,000	1,274,087	32,117
Total Revenues	\$ 32,624,092	\$ 0	\$ 0	\$ 32,624,092	\$ 30,988,812	\$ 32,783,339	\$ (159,247)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 97,019	\$ 0	\$ 0	\$ 97,019	\$ 99,125	\$ 99,125	\$ 2,106
County Mayor	209,622	(150)	0	209,472	217,021	213,021	3,549
Personnel Office	109,591	0	0	109,591	112,740	112,740	3,149
County Attorney	29,648	0	0	29,648	32,829	32,829	3,181
Election Commission	242,677	0	0	242,677	261,654	261,654	18,977
Register of Deeds	237,748	0	0	237,748	251,807	260,307	22,559
County Buildings	133,095	0	0	133,095	152,832	154,332	21,237
Other Facilities	381,359	0	0	381,359	427,900	427,900	46,541
Preservation of Records	25,396	0	0	25,396	57,050	54,665	29,269
<u>Finance</u>							
Accounting and Budgeting	113,202	0	0	113,202	115,340	117,725	4,523
Purchasing	80,114	0	0	80,114	81,789	81,789	1,675
Property Assessor's Office	664,976	0	13,588	678,564	652,787	663,701	(14,863)
Reappraisal Program	124,954	0	0	124,954	132,362	141,448	16,494

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 220,678	\$ 0	\$ 0	\$ 220,678	\$ 222,238	\$ 222,238	\$ 1,560
County Clerk's Office	406,604	0	0	406,604	432,153	440,199	33,595
<u>Administration of Justice</u>							
Circuit Court	618,541	0	0	618,541	594,434	624,179	5,638
General Sessions Court	219,416	0	0	219,416	223,207	223,207	3,791
Drug Court	3,618	0	0	3,618	0	0	(3,618)
Chancery Court	359,566	0	360	359,926	379,523	379,623	19,697
Juvenile Court	252,169	0	0	252,169	275,610	275,610	23,441
District Attorney General	41,348	0	0	41,348	42,879	42,879	1,531
Office of Public Defender	43,244	0	0	43,244	43,244	43,244	0
Probate Court	39,888	0	0	39,888	43,001	43,001	3,113
Other Administration of Justice	335,579	0	0	335,579	640,000	640,000	304,421
<u>Public Safety</u>							
Sheriff's Department	3,287,532	0	0	3,287,532	3,201,458	3,438,244	150,712
Special Patrols	352,028	0	0	352,028	326,294	354,741	2,713
Drug Enforcement	50,942	(5,035)	0	45,907	0	45,907	0
Jail	4,117,082	0	0	4,117,082	4,215,161	4,208,849	91,767
Workhouse	1,295,061	0	0	1,295,061	1,286,763	1,313,597	18,536
Correctional Incentive Program Improvements	357,250	0	0	357,250	323,352	443,937	86,687
Juvenile Services	283,690	0	0	283,690	293,798	293,798	10,108
Work Release Program	464,919	0	0	464,919	456,683	555,917	90,998
Fire Prevention and Control	527,663	0	0	527,663	500,233	550,491	22,828
Civil Defense	172,524	0	0	172,524	165,388	221,571	49,047
Disaster Relief	54,741	0	0	54,741	0	54,742	1
Other Emergency Management	560,601	0	0	560,601	0	594,969	34,368
Inspection and Regulation	114,369	0	0	114,369	123,861	125,861	11,492

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Safety (Cont.)</u>							
County Coroner/Medical Examiner	\$ 95,116	\$ 0	\$ 0	\$ 95,116	\$ 96,000	\$ 96,000	\$ 884
Other Public Safety	12,943	0	0	12,943	13,326	13,326	383
<u>Public Health and Welfare</u>							
Local Health Center	1,614,945	(110,434)	18,277	1,522,788	1,587,334	1,622,334	99,546
Rabies and Animal Control	195,134	0	0	195,134	198,840	198,840	3,706
Maternal and Child Health Services	3,109,442	(11,030)	2,183	3,100,595	3,222,916	3,358,266	257,671
Alcohol and Drug Programs	31,880	0	0	31,880	31,880	31,880	0
Crippled Children Services	4,021	0	0	4,021	4,021	4,021	0
Other Local Health Services	46,955	0	0	46,955	46,955	46,955	0
General Welfare Assistance	14,550	0	0	14,550	14,550	14,550	0
Sanitation Education/Information	53,008	0	0	53,008	59,858	60,858	7,850
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	34,000	0	0	34,000	32,636	34,000	0
Libraries	928,772	0	0	928,772	928,560	928,560	(212)
Parks and Fair Boards	718,840	0	0	718,840	735,691	745,691	26,851
Other Social, Cultural, and Recreational	62,644	0	0	62,644	126,500	126,500	63,856
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	143,489	0	0	143,489	158,924	158,924	15,435
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	71,875	0	0	71,875	68,375	72,375	500
Flood Control	40,981	0	0	40,981	35,000	41,000	19
<u>Other Operations</u>							
Industrial Development	75,652	0	0	75,652	75,652	75,652	0
Other Economic and Community Development	17,088	0	0	17,088	17,088	17,088	0
Airport	278,232	0	0	278,232	271,814	280,814	2,582
Contributions to Other Agencies	201,539	0	0	201,539	201,539	201,539	0

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Employee Benefits	\$ 3,459,146	\$ 0	\$ 0	\$ 3,459,146	\$ 3,749,125	\$ 3,741,946	\$ 282,800
Miscellaneous	2,600,002	0	0	2,600,002	2,686,002	2,892,100	292,098
Total Expenditures	\$ 30,440,708	\$ (126,649)	\$ 34,408	\$ 30,348,467	\$ 30,749,102	\$ 32,523,259	\$ 2,174,792
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 2,183,384	\$ 126,649	\$ (34,408)	\$ 2,275,625	\$ 239,710	\$ 1,354,075	\$ 921,550
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (3,030,275)	\$ 0	\$ 0	\$ (3,030,275)	\$ (2,838,108)	\$ (3,030,275)	\$ 0
Extraordinary Item - Tornado Damage	1,093,995	0	0	1,093,995	0	1,093,995	0
Total Other Financing Sources (Uses)	\$ (1,936,280)	\$ 0	\$ 0	\$ (1,936,280)	\$ (2,838,108)	\$ (1,936,280)	\$ 0
Net Change in Fund Balance	\$ 247,104	\$ 126,649	\$ (34,408)	\$ 339,345	\$ (2,598,398)	\$ (1,676,200)	\$ 2,015,545
Fund Balance, July 1, 2004	2,990,891	(126,649)	0	2,864,242	3,850,956	3,850,956	(986,714)
Fund Balance, June 30, 2005	\$ 3,237,995	\$ 0	\$ (34,408)	\$ 3,203,587	\$ 1,252,558	\$ 2,174,756	\$ 1,028,831

Exhibit G-2

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,861,285	\$ 0	\$ 0	\$ 1,861,285	\$ 1,863,626	\$ 1,900,972	\$ (39,687)
Other Local Revenues	4,178	0	0	4,178	27,000	5,000	(822)
State of Tennessee	2,945,583	0	0	2,945,583	2,824,007	2,929,039	16,544
Total Revenues	\$ 4,811,046	\$ 0	\$ 0	\$ 4,811,046	\$ 4,714,633	\$ 4,835,011	\$ (23,965)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 263,319	\$ 0	\$ 0	\$ 263,319	\$ 249,161	\$ 266,831	\$ 3,512
Highway and Bridge Maintenance	1,827,698	0	0	1,827,698	2,068,000	2,048,173	220,475
Operation and Maintenance of Equipment	260,802	0	0	260,802	407,500	379,500	118,698
Other Charges	143,150	0	0	143,150	187,650	162,160	19,010
Employee Benefits	607,727	0	0	607,727	608,000	652,150	44,423
Capital Outlay	1,597,603	(979,897)	489,712	1,107,418	1,332,528	1,358,299	250,881
Total Expenditures	\$ 4,700,299	\$ (979,897)	\$ 489,712	\$ 4,210,114	\$ 4,852,839	\$ 4,867,113	\$ 656,999
Excess (Deficiency) of Revenues Over Expenditures	\$ 110,747	\$ 979,897	\$ (489,712)	\$ 600,932	\$ (138,206)	\$ (32,102)	\$ 633,034
Net Change in Fund Balance	\$ 110,747	\$ 979,897	\$ (489,712)	\$ 600,932	\$ (138,206)	\$ (32,102)	\$ 633,034
Fund Balance, July 1, 2004	1,766,825	(979,897)	0	786,928	138,206	138,206	648,722
Fund Balance, June 30, 2005	\$ 1,877,572	\$ 0	\$ (489,712)	\$ 1,387,860	\$ 0	\$ 106,104	\$ 1,281,756

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

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount</u>
Property Assessor's Office	\$ 14,863
Drug Court	3,618
Libraries	212

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**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.

Juvenile Services Fund – The Juvenile Services Fund is used to account for transactions specifically related to the supervision, care, and detention of those children who are defined by the general laws of the State of Tennessee as delinquent, unruly, dependent, neglected, or abused.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for solid waste activities specifically related to the county’s convenience centers and certain expenditures related to the City of Jackson’s landfill.

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General.

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

Capital Projects Funds

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

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

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

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for highway construction projects in the county.

Other Capital Projects Fund – The Other Capital Projects Fund was used to account for equipping of a jail and school construction. This fund was closed during the 2004-05 year.

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

	Special Revenue Funds					Total
	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,252	\$ 156,252
Equity in Pooled Cash and Investments	188,487	228,539	6,155	220,533	0	643,714
Accounts Receivable	107,571	0	0	0	1,310	108,881
Due from Other Governments	0	0	0	86	0	86
Due from Other Funds	0	500,000	0	0	0	500,000
Property Taxes Receivable	971,165	1,025,244	0	0	0	1,996,409
Allowance for Uncollectible Property Taxes	(46,593)	(25,171)	0	0	0	(71,764)
Total Assets	\$ 1,220,630	\$ 1,728,612	\$ 6,155	\$ 220,619	\$ 157,562	\$ 3,333,578
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 1,002	\$ 548,292	\$ 0	\$ 0	\$ 0	\$ 549,294
Due to Other Funds	0	0	0	0	157,562	157,562
Deferred Revenue - Current Property Taxes	888,954	1,000,073	0	0	0	1,889,027
Deferred Revenue - Delinquent Property Taxes	28,576	0	0	0	0	28,576
Total Liabilities	\$ 918,532	\$ 1,548,365	\$ 0	\$ 0	\$ 157,562	\$ 2,624,459
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	302,098	180,247	6,155	220,619	0	709,119
Total Fund Balances	\$ 302,098	\$ 180,247	\$ 6,155	\$ 220,619	\$ 0	\$ 709,119
Total Liabilities and Fund Balances	\$ 1,220,630	\$ 1,728,612	\$ 6,155	\$ 220,619	\$ 157,562	\$ 3,333,578

(Continued)

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	Highway Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,252
Equity in Pooled Cash and Investments	96,982	6,699	541,696	645,377	1,289,091
Accounts Receivable	0	0	0	0	108,881
Due from Other Governments	0	0	0	0	86
Due from Other Funds	0	0	0	0	500,000
Property Taxes Receivable	341,748	0	0	341,748	2,338,157
Allowance for Uncollectible Property Taxes	(8,390)	0	0	(8,390)	(80,154)
Total Assets	\$ 430,340	\$ 6,699	\$ 541,696	\$ 978,735	\$ 4,312,313
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 549,294
Due to Other Funds	0	0	0	0	157,562
Deferred Revenue - Current Property Taxes	333,358	0	0	333,358	2,222,385
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	28,576
Total Liabilities	\$ 333,358	\$ 0	\$ 0	\$ 333,358	\$ 2,957,817
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 95,764	\$ 0	\$ 0	\$ 95,764	\$ 95,764
Unreserved	1,218	6,699	541,696	549,613	1,258,732
Total Fund Balances	\$ 96,982	\$ 6,699	\$ 541,696	\$ 645,377	\$ 1,354,496
Total Liabilities and Fund Balances	\$ 430,340	\$ 6,699	\$ 541,696	\$ 978,735	\$ 4,312,313

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

	Special Revenue Funds					Total
	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	
Revenues						
Local Taxes	\$ 971,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 971,721
Fines, Forfeitures, and Penalties	0	0	5,314	36,917	0	42,231
Charges for Current Services	0	0	0	0	720	720
Other Local Revenues	4,978	1,306	0	321	0	6,605
Fees Received from County Officials	300	0	0	0	0	300
State of Tennessee	153,639	125,947	0	0	0	279,586
Federal Government	60,975	0	0	0	0	60,975
Other Governments and Citizens Groups	24,464	0	0	0	0	24,464
Total Revenues	\$ 1,216,077	\$ 127,253	\$ 5,314	\$ 37,238	\$ 720	\$ 1,386,602
Expenditures						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	0	0	0	0	0	0
Administration of Justice	0	0	0	125,243	720	125,963
Public Safety	1,383,442	0	37,152	0	0	1,420,594
Public Health and Welfare	0	2,796,004	0	0	0	2,796,004
Social, Cultural, and Recreational Services	0	0	0	0	0	0
Other Operations	0	0	0	0	0	0
Total Expenditures	\$ 1,383,442	\$ 2,796,004	\$ 37,152	\$ 125,243	\$ 720	\$ 4,342,561
Excess (Deficiency) of Revenues Over Expenditures	\$ (167,365)	\$ (2,668,751)	\$ (31,838)	\$ (88,005)	\$ 0	\$ (2,955,959)
Other Financing Sources (Uses)						
Transfers In	\$ 0	\$ 3,013,259	\$ 0	\$ 0	\$ 0	\$ 3,013,259
Transfers Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 3,013,259	\$ 0	\$ 0	\$ 0	\$ 3,013,259
Net Change in Fund Balances	\$ (167,365)	\$ 344,508	\$ (31,838)	\$ (88,005)	\$ 0	\$ 57,300
Fund Balance, July 1, 2004	469,463	(164,261)	37,993	308,624	0	651,819
Fund Balance, June 30, 2005	\$ 302,098	\$ 180,247	\$ 6,155	\$ 220,619	\$ 0	\$ 709,119

(Continued)

Exhibit H-2

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

	Capital Projects Funds					Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	Highway Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	971,721
Fines, Forfeitures, and Penalties	0	0	0	0	0	42,231
Charges for Current Services	0	0	0	0	0	720
Other Local Revenues	18,272	15,400	0	0	33,672	40,277
Fees Received from County Officials	0	0	0	0	0	300
State of Tennessee	0	235,929	0	0	235,929	515,515
Federal Government	76,222	0	0	0	76,222	137,197
Other Governments and Citizens Groups	0	0	0	0	0	24,464
Total Revenues	\$ 94,494	\$ 251,329	\$ 0	\$ 0	\$ 345,823	\$ 1,732,425
<u>Expenditures</u>						
Current:						
General Government	\$ 25,740	\$ 0	\$ 0	\$ 0	\$ 25,740	\$ 25,740
Finance	30,995	0	0	0	30,995	30,995
Administration of Justice	14,000	0	0	0	14,000	139,963
Public Safety	317,842	0	0	0	317,842	1,738,436
Public Health and Welfare	187,165	0	0	0	187,165	2,983,169
Social, Cultural, and Recreational Services	190,982	0	0	0	190,982	190,982
Other Operations	51,250	331,055	0	0	382,305	382,305
Total Expenditures	\$ 817,974	\$ 331,055	\$ 0	\$ 0	\$ 1,149,029	\$ 5,491,590
Excess (Deficiency) of Revenues Over Expenditures	\$ (723,480)	\$ (79,726)	\$ 0	\$ 0	\$ (803,206)	\$ (3,759,165)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 710,063	\$ 0	\$ 0	\$ 0	\$ 710,063	\$ 3,723,322
Transfers Out	0	(50,000)	0	(1,205,793)	(1,255,793)	(1,255,793)
Total Other Financing Sources (Uses)	\$ 710,063	\$ (50,000)	\$ 0	\$ (1,205,793)	\$ (545,730)	\$ 2,467,529
Net Change in Fund Balances	\$ (13,417)	\$ (129,726)	\$ 0	\$ (1,205,793)	\$ (1,348,936)	\$ (1,291,636)
Fund Balance, July 1, 2004	110,399	136,425	541,696	1,205,793	1,994,313	2,646,132
Fund Balance, June 30, 2005	\$ 96,982	\$ 6,699	\$ 541,696	\$ 0	\$ 645,377	\$ 1,354,496

Exhibit H-3

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Juvenile Services Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 971,721	\$ 985,400	\$ 985,400	\$ (13,679)
Other Local Revenues	4,978	1,500	1,534	3,444
Fees Received from County Officials	300	0	0	300
State of Tennessee	153,639	9,000	153,639	0
Federal Government	60,975	249,618	119,496	(58,521)
Other Governments and Citizens Groups	24,464	5,000	5,000	19,464
Total Revenues	<u>\$ 1,216,077</u>	<u>\$ 1,250,518</u>	<u>\$ 1,265,069</u>	<u>\$ (48,992)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Juvenile Services	<u>\$ 1,383,442</u>	<u>\$ 1,511,224</u>	<u>\$ 1,525,775</u>	<u>\$ 142,333</u>
Total Expenditures	<u>\$ 1,383,442</u>	<u>\$ 1,511,224</u>	<u>\$ 1,525,775</u>	<u>\$ 142,333</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (167,365)</u>	<u>\$ (260,706)</u>	<u>\$ (260,706)</u>	<u>\$ 93,341</u>
Net Change in Fund Balance	\$ (167,365)	\$ (260,706)	\$ (260,706)	\$ 93,341
Fund Balance, July 1, 2004	<u>469,463</u>	<u>260,706</u>	<u>260,706</u>	<u>208,757</u>
Fund Balance, June 30, 2005	<u>\$ 302,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 302,098</u>

Exhibit H-4

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,306	\$ 500	\$ 500	\$ 806
State of Tennessee	125,947	195,250	195,250	(69,303)
Total Revenues	\$ 127,253	\$ 195,750	\$ 195,750	\$ (68,497)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 445,988	\$ 450,608	\$ 450,608	\$ 4,620
Landfill Operation and Maintenance	2,350,016	2,582,750	2,582,750	232,734
Total Expenditures	\$ 2,796,004	\$ 3,033,358	\$ 3,033,358	\$ 237,354
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,668,751)	\$ (2,837,608)	\$ (2,837,608)	\$ 168,857
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 3,013,259	\$ 2,838,108	\$ 3,013,259	\$ 0
Total Other Financing Sources (Uses)	\$ 3,013,259	\$ 2,838,108	\$ 3,013,259	\$ 0
Net Change in Fund Balance	\$ 344,508	\$ 500	\$ 175,651	\$ 168,857
Fund Balance, July 1, 2004	(164,261)	5,300	5,300	(169,561)
Fund Balance, June 30, 2005	\$ 180,247	\$ 5,800	\$ 180,951	\$ (704)

Exhibit H-5

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 5,314	\$ 6,901	\$ 6,901	\$ (1,587)
Total Revenues	\$ 5,314	\$ 6,901	\$ 6,901	\$ (1,587)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 37,152	\$ 85	\$ 38,071	\$ 919
Total Expenditures	\$ 37,152	\$ 85	\$ 38,071	\$ 919
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,838)	\$ 6,816	\$ (31,170)	\$ (668)
Net Change in Fund Balance	\$ (31,838)	\$ 6,816	\$ (31,170)	\$ (668)
Fund Balance, July 1, 2004	37,993	37,048	37,048	945
Fund Balance, June 30, 2005	\$ 6,155	\$ 43,864	\$ 5,878	\$ 277

Exhibit H-6

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Capital Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 18,272	\$ 0	\$ 18,272	\$ 20,000	\$ 12,100	\$ 6,172
State of Tennessee	0	0	0	109,500	87,000	(87,000)
Federal Government	76,222	0	76,222	88,762	88,762	(12,540)
Total Revenues	\$ 94,494	\$ 0	\$ 94,494	\$ 218,262	\$ 187,862	\$ (93,368)
<u>Expenditures</u>						
<u>General Government</u>						
Election Commission	\$ 3,398	\$ 0	\$ 3,398	\$ 3,500	\$ 3,500	\$ 102
Register of Deeds	0	0	0	10,000	0	0
County Buildings	22,342	0	22,342	33,000	23,447	1,105
<u>Finance</u>						
County Trustee's Office	21,535	0	21,535	35,000	25,000	3,465
County Clerk's Office	9,460	0	9,460	20,000	15,000	5,540
<u>Administration of Justice</u>						
Chancery Court	14,000	0	14,000	14,000	14,000	0
<u>Public Safety</u>						
Sheriff's Department	187,016	0	187,016	170,000	187,016	0
Juvenile Services	3,180	0	3,180	10,000	10,000	6,820
Fire Prevention and Control	112,100	0	112,100	100,000	112,100	0
Inspection and Regulation	15,546	0	15,546	20,000	18,553	3,007
<u>Public Health and Welfare</u>						
Rabies and Animal Control	13,735	0	13,735	20,000	20,000	6,265
Convenience Centers	173,430	0	173,430	177,525	177,525	4,095
<u>Social, Cultural, and Recreational Services</u>						
Libraries	150,000	0	150,000	50,000	150,000	0
Parks and Fair Boards	40,982	95,764	136,746	215,000	172,500	35,754

(Continued)

Exhibit H-6

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations</u>						
Airport	\$ 51,250	\$ 0	\$ 51,250	\$ 51,250	\$ 51,250	\$ 0
Miscellaneous	0	0	0	14,000	0	0
Total Expenditures	\$ 817,974	\$ 95,764	\$ 913,738	\$ 943,275	\$ 979,891	\$ 66,153
Excess (Deficiency) of Revenues Over Expenditures	\$ (723,480)	\$ (95,764)	\$ (819,244)	\$ (725,013)	\$ (792,029)	\$ (27,215)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 710,063	\$ 0	\$ 710,063	\$ 643,047	\$ 710,063	\$ 0
Total Other Financing Sources (Uses)	\$ 710,063	\$ 0	\$ 710,063	\$ 643,047	\$ 710,063	\$ 0
Net Change in Fund Balance	\$ (13,417)	\$ (95,764)	\$ (109,181)	\$ (81,966)	\$ (81,966)	\$ (27,215)
Fund Balance, July 1, 2004	110,399	0	110,399	81,966	81,966	28,433
Fund Balance, June 30, 2005	\$ 96,982	\$ (95,764)	\$ 1,218	\$ 0	\$ 0	\$ 1,218

Exhibit H-7

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Community Development/Industrial Park Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 15,400	\$ 0	\$ 0	\$ 15,400
State of Tennessee	235,929	0	0	235,929
Total Revenues	<u>\$ 251,329</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 251,329</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Industrial Development	\$ 331,055	\$ 129,433	\$ 129,433	\$ (201,622)
Total Expenditures	<u>\$ 331,055</u>	<u>\$ 129,433</u>	<u>\$ 129,433</u>	<u>\$ (201,622)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (79,726)</u>	<u>\$ (129,433)</u>	<u>\$ (129,433)</u>	<u>\$ 49,707</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (50,000)	\$ 0	\$ (50,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (50,000)</u>	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (129,726)	\$ (129,433)	\$ (179,433)	\$ 49,707
Fund Balance, July 1, 2004	136,425	129,433	129,433	6,992
Fund Balance, June 30, 2005	<u>\$ 6,699</u>	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 56,699</u>

Exhibit H-8

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Capital Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Capital Projects</u>				
Administration of Justice Projects	\$ 0	\$ 1,205,793	\$ 0	\$ 0
Total Expenditures	\$ 0	\$ 1,205,793	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (1,205,793)	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,205,793)	\$ 0	\$ (1,205,793)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,205,793)	\$ 0	\$ (1,205,793)	\$ 0
Net Change in Fund Balance	\$ (1,205,793)	\$ (1,205,793)	\$ (1,205,793)	\$ 0
Fund Balance, July 1, 2004	1,205,793	1,205,793	1,205,793	0
Fund Balance, June 30, 2005	\$ 0	\$ 0	\$ 0	\$ 0

Major Governmental Fund

General Debt Service Fund

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

Exhibit I

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 7,925,094	\$ 7,953,000	\$ 7,953,000	\$ (27,906)
Other Local Revenues	25,248	0	0	25,248
Total Revenues	<u>\$ 7,950,342</u>	<u>\$ 7,953,000</u>	<u>\$ 7,953,000</u>	<u>\$ (2,658)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 4,115,000	\$ 6,355,000	\$ 6,150,000	\$ 2,035,000
<u>Interest</u>				
General Government	3,647,700	3,647,746	3,852,746	205,046
<u>Other Debt Service</u>				
General Government	474,808	167,000	486,081	11,273
Total Expenditures	<u>\$ 8,237,508</u>	<u>\$ 10,169,746</u>	<u>\$ 10,488,827</u>	<u>\$ 2,251,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (287,166)</u>	<u>\$ (2,216,746)</u>	<u>\$ (2,535,827)</u>	<u>\$ 2,248,661</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 25,745,000	\$ 0	\$ 25,745,000	\$ 0
Premiums on Debt Issued	1,784,798	0	1,784,798	0
Transfers In	562,746	562,745	562,745	1
Payments to Refunded Debt Escrow Agent	(27,404,717)	0	(27,404,717)	0
Total Other Financing Sources (Uses)	<u>\$ 687,827</u>	<u>\$ 562,745</u>	<u>\$ 687,826</u>	<u>\$ 1</u>
Net Change in Fund Balance	\$ 400,661	\$ (1,654,001)	\$ (1,848,001)	\$ 2,248,662
Fund Balance, July 1, 2004	<u>5,290,826</u>	<u>5,288,590</u>	<u>5,288,590</u>	<u>2,236</u>
Fund Balance, June 30, 2005	<u>\$ 5,691,487</u>	<u>\$ 3,634,589</u>	<u>\$ 3,440,589</u>	<u>\$ 2,250,898</u>

Fiduciary Funds

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

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside the incorporated City of Jackson and to account for the City of Jackson’s portion (37.5 percent) of the hotel/motel tax. These revenues are received by the county from the State of Tennessee and from the hotels and motels located in Madison County and are forwarded to the various cities on a monthly basis.

Cities - Property Tax Fund – The Cities - Property Tax Fund is used to account for property taxes collected by the county trustee for the City of Three-Way and the second half of the sales tax revenues collected inside the incorporated City of Three-Way.

Watershed District Fund – The Watershed District Fund is used to account for acreage assessments collected by the county trustee and held in trust for the watershed district.

Joint Venture Fund – The Joint Venture Fund is used to account for a portion (25 percent) of the hotel/motel tax which is collected for the Jackson – Madison County Community Economic Development Commission. These revenues are received by the county from the hotels and motels located in the county and are forwarded to the commission monthly.

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, juvenile court clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Other Agency Fund – The Other Agency Fund is used to account for the second half of the sales tax revenues collected inside the incorporated cities of Medon and Humboldt. These revenues are received by the county from the State of Tennessee and are forwarded to these cities on a monthly basis.

Exhibit J-1

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

	Agency Funds						Total
	Cities - Sales Tax	Cities - Property Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	
<u>ASSETS</u>							
Equity in Pooled Cash and Investments	\$ 34,519	\$ 2,664	\$ 22,833	\$ 23,013	\$ 0	\$ 0	\$ 83,029
Cash	0	0	0	0	3,485,004	0	3,485,004
Accounts Receivable	40,464	1,613	0	26,976	0	0	69,053
Due from Other Governments	3,327,178	856	0	0	0	1,722	3,329,756
Total Assets	\$ 3,402,161	\$ 5,133	\$ 22,833	\$ 49,989	\$ 3,485,004	\$ 1,722	\$ 6,966,842
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 3,402,161	\$ 5,133	\$ 0	\$ 0	\$ 0	\$ 1,722	\$ 3,409,016
Due to Litigants, Heirs, and Others	0	0	0	0	3,485,004	0	3,485,004
Other Current Liabilities	0	0	22,833	49,989	0	0	72,822
Total Liabilities	\$ 3,402,161	\$ 5,133	\$ 22,833	\$ 49,989	\$ 3,485,004	\$ 1,722	\$ 6,966,842

Exhibit J-2

Madison County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 31,464	\$ 19,475,509	\$ 19,472,454	\$ 34,519
Accounts Receivable	37,402	40,464	37,402	40,464
Due From Other Governments	2,808,457	3,327,178	2,808,457	3,327,178
Total Assets	<u>\$ 2,877,323</u>	<u>\$ 22,843,151</u>	<u>\$ 22,318,313</u>	<u>\$ 3,402,161</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,877,323	\$ 22,843,151	\$ 22,318,313	\$ 3,402,161
Total Liabilities	<u>\$ 2,877,323</u>	<u>\$ 22,843,151</u>	<u>\$ 22,318,313</u>	<u>\$ 3,402,161</u>
<u>Cities - Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 5,775	\$ 218,756	\$ 221,867	\$ 2,664
Accounts Receivable	1,422	1,613	1,422	1,613
Due From Other Governments	667	856	667	856
Total Assets	<u>\$ 7,864</u>	<u>\$ 221,225</u>	<u>\$ 223,956</u>	<u>\$ 5,133</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 7,864	\$ 221,225	\$ 223,956	\$ 5,133
Total Liabilities	<u>\$ 7,864</u>	<u>\$ 221,225</u>	<u>\$ 223,956</u>	<u>\$ 5,133</u>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 22,833	\$ 0	\$ 0	\$ 22,833
Total Assets	<u>\$ 22,833</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,833</u>
<u>Liabilities</u>				
Other Current Liabilities	\$ 22,833	\$ 0	\$ 0	\$ 22,833
Total Liabilities	<u>\$ 22,833</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,833</u>
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 20,976	\$ 275,946	\$ 273,909	\$ 23,013
Accounts Receivable	24,935	26,976	24,935	26,976
Total Assets	<u>\$ 45,911</u>	<u>\$ 302,922</u>	<u>\$ 298,844</u>	<u>\$ 49,989</u>
<u>Liabilities</u>				
Other Current Liabilities	\$ 45,911	\$ 302,922	\$ 298,844	\$ 49,989
Total Liabilities	<u>\$ 45,911</u>	<u>\$ 302,922</u>	<u>\$ 298,844</u>	<u>\$ 49,989</u>

(Continued)

Exhibit J-2

Madison 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	\$ 3,297,325	\$ 21,728,161	\$ 21,540,482	\$ 3,485,004
Total Assets	\$ 3,297,325	\$ 21,728,161	\$ 21,540,482	\$ 3,485,004
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 3,297,325	\$ 21,728,161	\$ 21,540,482	\$ 3,485,004
Total Liabilities	\$ 3,297,325	\$ 21,728,161	\$ 21,540,482	\$ 3,485,004
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 10,814	\$ 10,814	\$ 0
Due From Other Governments	1,043	1,722	1,043	1,722
Total Assets	\$ 1,043	\$ 12,536	\$ 11,857	\$ 1,722
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,043	\$ 12,536	\$ 11,857	\$ 1,722
Total Liabilities	\$ 1,043	\$ 12,536	\$ 11,857	\$ 1,722
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 81,048	\$ 19,981,025	\$ 19,979,044	\$ 83,029
Cash	3,297,325	21,728,161	21,540,482	3,485,004
Accounts Receivable	63,759	69,053	63,759	69,053
Due From Other Governments	2,810,167	3,329,756	2,810,167	3,329,756
Total Assets	\$ 6,252,299	\$ 45,107,995	\$ 44,393,452	\$ 6,966,842
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 2,886,230	\$ 23,076,912	\$ 22,554,126	\$ 3,409,016
Due to Litigants, Heirs, and Others	3,297,325	21,728,161	21,540,482	3,485,004
Other Current Liabilities	68,744	302,922	298,844	72,822
Total Liabilities	\$ 6,252,299	\$ 45,107,995	\$ 44,393,452	\$ 6,966,842

Madison County School Department

This section presents combining and individual fund financial statements for the Madison County School Department, a discretely presented component unit. The Madison County School Department uses a General Fund, two Special Revenue Funds, a Capital Projects Fund, an Internal Service Fund, and a Pension 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 – 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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Employee Insurance Fund – The Employee Insurance Fund was an internal service fund used to account for transactions pertaining to the Madison County School Department's health, dental, and vision insurance plan. This fund was closed during the 2004-05 year.

Pension Trust Fund – The Pension Trust Fund is used to account for the former City of Jackson Teachers Retirement Plan, which was assumed by the Madison County Board of Education as a result of the consolidation of the City of Jackson School System and the Madison County School System.

Exhibit K-1

Madison County, Tennessee
Statement of Activities
Discretely Presented Madison County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:					
Governmental Activities:					
Instruction	\$ 75,828,669	\$ 2,978,951	\$ 10,258,002	\$ 40,990	\$ (62,550,726)
Support Services	30,350,765	953,650	4,019,292	0	(25,377,823)
Operation of Non-Instructional Services	7,079,753	1,928,982	863,491	0	(4,287,280)
Total Governmental Activities	\$ 113,259,187	\$ 5,861,583	\$ 15,140,785	\$ 40,990	\$ (92,215,829)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 11,967,298
Local option sales tax					31,363,929
Other local taxes					15,335
Grants & Contributions not restricted for specific programs					40,471,886
Unrestricted Investment Earnings					229,087
Miscellaneous					207,688
Extraordinary Item - Tornado Damage					2,770,595
Total General Revenues					\$ 87,025,818
Change in net assets					\$ (5,190,011)
Net assets, July 1, 2004					96,142,303
Net assets, June 30, 2005					\$ 90,952,292

Madison County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Madison County School Department
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 7,251,461	\$ 4,291,495	\$ 11,542,956
Accounts Receivable	197,848	0	197,848
Due from Other Governments	7,232,035	1,345,975	8,578,010
Due from Other Funds	0	236,430	236,430
Property Taxes Receivable	14,482,316	0	14,482,316
Allowance for Uncollectible Property Taxes	(635,561)	0	(635,561)
Total Assets	<u>\$ 28,528,099</u>	<u>\$ 5,873,900</u>	<u>\$ 34,401,999</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,016,070	\$ 188,739	\$ 1,204,809
Accrued Payroll	2,191,080	162,577	2,353,657
Payroll Deductions Payable	2,951,443	160,345	3,111,788
Due to Other Funds	577,916	0	577,916
Due to Primary Government	3,000,000	0	3,000,000
Revenue Anticipation Notes Payable	2,000,000	0	2,000,000
Deferred Revenue - Current Property Taxes	13,408,386	0	13,408,386
Deferred Revenue - Delinquent Property Taxes	351,704	0	351,704
Other Deferred Revenues	3,065,310	234,589	3,299,899
Total Liabilities	<u>\$ 28,561,909</u>	<u>\$ 746,250</u>	<u>\$ 29,308,159</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 1,778,692	\$ 284,741	\$ 2,063,433
Reserved for Career Ladder - Extended Contract	93,307	0	93,307
Reserved for Career Ladder Program	20,163	0	20,163
Reserved for Basic Education Program	3,408,323	0	3,408,323
Reserved for Title I Grants to Local Education Agencies	0	1,529,951	1,529,951
Reserved for Innovative Education Program Strategies	0	30,079	30,079
Reserved for Special Education - Grants to States	0	720,902	720,902
Other Federal Reserves	0	207,833	207,833
Unreserved, Reported In:			
General Fund (Deficit)	(5,334,295)	0	(5,334,295)
Special Revenue Funds	0	1,820,584	1,820,584
Capital Projects Funds	0	533,560	533,560
Total Fund Balances	<u>\$ (33,810)</u>	<u>\$ 5,127,650</u>	<u>\$ 5,093,840</u>
Total Liabilities and Fund Balances	<u>\$ 28,528,099</u>	<u>\$ 5,873,900</u>	<u>\$ 34,401,999</u>

Exhibit K-3

Madison County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Madison County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit K-2)	\$ 5,093,840
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	82,524,237
(2) Compensated absences are not due in the current period and therefore are not reported in the governmental funds.	(317,388)
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	<u>3,651,603</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 90,952,292</u>

Exhibit K-4

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 43,409,564	\$ 0	\$ 43,409,564
Licenses and Permits	10,591	0	10,591
Charges for Current Services	593,607	1,756,647	2,350,254
Other Local Revenues	437,725	75,353	513,078
State of Tennessee	40,307,934	184,069	40,492,003
Federal Government	2,316,425	11,628,025	13,944,450
Total Revenues	<u>\$ 87,075,846</u>	<u>\$ 13,644,094</u>	<u>\$ 100,719,940</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 61,665,647	\$ 6,837,744	\$ 68,503,391
Support Services	28,516,706	1,214,582	29,731,288
Operation of Non-Instructional Services	605,953	5,575,028	6,180,981
Capital Outlay	7,404,624	0	7,404,624
Capital Projects	0	4,804,056	4,804,056
Total Expenditures	<u>\$ 98,192,930</u>	<u>\$ 18,431,410</u>	<u>\$ 116,624,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,117,084)</u>	<u>\$ (4,787,316)</u>	<u>\$ (15,904,400)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (4,534,921)	\$ 0	\$ (4,534,921)
Extraordinary Item - Tornado Damage	2,770,595	0	2,770,595
Total Other Financing Sources (Uses)	<u>\$ (1,764,326)</u>	<u>\$ 0</u>	<u>\$ (1,764,326)</u>
Net Change in Fund Balances	\$ (12,881,410)	\$ (4,787,316)	\$ (17,668,726)
Fund Balance, July 1, 2004	<u>12,847,600</u>	<u>9,914,966</u>	<u>22,762,566</u>
Fund Balance, June 30, 2005	<u>\$ (33,810)</u>	<u>\$ 5,127,650</u>	<u>\$ 5,093,840</u>

Exhibit K-5

Madison County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Madison County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit K-4)		\$	(17,668,726)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlay was less than depreciation in the current period is itemized as follows:			
Add: Capital outlay		\$	11,412,653
Less: Depreciation expense			<u>(2,818,663)</u>
			8,593,990
(2) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains and losses are recorded for disposals.			
Less: Proceeds received from the disposal of assets		\$	(8,375)
Less: Loss on disposal of capital assets			<u>(6,754)</u>
			(15,129)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: For the year ended June 30, 2004		\$	(3,011,741)
Add: For the year ended June 30, 2005			<u>3,651,603</u>
			639,862
(4) 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 governmental funds.			
Change in compensated absences			(9,929)
(5) Internal Service funds are used by management to charge the costs of employee health insurance benefits to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities in the statement of activities.			
			<u>3,269,921</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(5,190,011)</u></u>

Exhibit K-6

Madison County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Madison County School Department
June 30, 2005

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 2,289,083	\$ 1,359,963	\$ 3,649,046	\$ 642,449	\$ 4,291,495
Due from Other Governments	795,128	550,847	1,345,975	0	1,345,975
Due from Other Funds	0	0	0	236,430	236,430
Total Assets	<u>\$ 3,084,211</u>	<u>\$ 1,910,810</u>	<u>\$ 4,995,021</u>	<u>\$ 878,879</u>	<u>\$ 5,873,900</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 99,885	\$ 0	\$ 99,885	\$ 88,854	\$ 188,739
Accrued Payroll	118,037	44,540	162,577	0	162,577
Payroll Deductions Payable	122,734	37,611	160,345	0	160,345
Other Deferred Revenues	234,589	0	234,589	0	234,589
Total Liabilities	<u>\$ 575,245</u>	<u>\$ 82,151</u>	<u>\$ 657,396</u>	<u>\$ 88,854</u>	<u>\$ 746,250</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 20,201	\$ 8,075	\$ 28,276	\$ 256,465	\$ 284,741
Reserved for Title I Grants to Local Education Agencies	1,529,951	0	1,529,951	0	1,529,951
Reserved for Innovative Education Program Strategies	30,079	0	30,079	0	30,079
Reserved for Special Education - Grants to States	720,902	0	720,902	0	720,902
Other Federal Reserves	207,833	0	207,833	0	207,833
Unreserved	0	1,820,584	1,820,584	533,560	2,354,144
Total Fund Balances	<u>\$ 2,508,966</u>	<u>\$ 1,828,659</u>	<u>\$ 4,337,625</u>	<u>\$ 790,025</u>	<u>\$ 5,127,650</u>
Total Liabilities and Fund Balances	<u>\$ 3,084,211</u>	<u>\$ 1,910,810</u>	<u>\$ 4,995,021</u>	<u>\$ 878,879</u>	<u>\$ 5,873,900</u>

Exhibit K-7

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

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 1,756,647	\$ 1,756,647	\$ 0	\$ 1,756,647
Other Local Revenues	0	34,363	34,363	40,990	75,353
State of Tennessee	0	84,069	84,069	100,000	184,069
Federal Government	7,728,217	3,899,808	11,628,025	0	11,628,025
Total Revenues	\$ 7,728,217	\$ 5,774,887	\$ 13,503,104	\$ 140,990	\$ 13,644,094
<u>Expenditures</u>					
Current:					
Instruction	\$ 6,837,744	\$ 0	\$ 6,837,744	\$ 0	\$ 6,837,744
Support Services	1,214,582	0	1,214,582	0	1,214,582
Operation of Non-Instructional Services	0	5,575,028	5,575,028	0	5,575,028
Capital Projects	0	0	0	4,804,056	4,804,056
Total Expenditures	\$ 8,052,326	\$ 5,575,028	\$ 13,627,354	\$ 4,804,056	\$ 18,431,410
Excess (Deficiency) of Revenues Over Expenditures	\$ (324,109)	\$ 199,859	\$ (124,250)	\$ (4,663,066)	\$ (4,787,316)
Net Change in Fund Balances	\$ (324,109)	\$ 199,859	\$ (124,250)	\$ (4,663,066)	\$ (4,787,316)
Fund Balance, July 1, 2004	2,833,075	1,628,800	4,461,875	5,453,091	9,914,966
Fund Balance, June 30, 2005	\$ 2,508,966	\$ 1,828,659	\$ 4,337,625	\$ 790,025	\$ 5,127,650

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 43,409,564	\$ 0	\$ 0	\$ 43,409,564	\$ 47,751,733	\$ 46,716,733	\$ (3,307,169)
Licenses and Permits	10,591	0	0	10,591	13,000	13,000	(2,409)
Charges for Current Services	593,607	0	0	593,607	332,740	332,740	260,867
Other Local Revenues	437,725	0	0	437,725	457,300	450,705	(12,980)
State of Tennessee	40,307,934	0	0	40,307,934	38,777,582	40,357,231	(49,297)
Federal Government	2,316,425	0	0	2,316,425	290,746	3,239,667	(923,242)
Total Revenues	\$ 87,075,846	\$ 0	\$ 0	\$ 87,075,846	\$ 87,623,101	\$ 91,110,076	\$ (4,034,230)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 49,847,544	\$ (228,059)	\$ 155,673	\$ 49,775,158	\$ 47,335,650	\$ 51,304,154	\$ 1,528,996
Special Education Program	8,665,242	(7,162)	135	8,658,215	9,135,624	9,073,986	415,771
Vocational Education Program	3,152,861	(112)	6,693	3,159,442	3,301,951	3,296,838	137,396
<u>Support Services</u>							
Attendance	263,950	0	0	263,950	358,815	335,815	71,865
Health Services	32,425	0	0	32,425	40,714	41,064	8,639
Other Student Support	2,761,920	(26)	125	2,762,019	2,986,556	2,963,582	201,563
Regular Instruction Program	3,352,825	(1,924)	10,614	3,361,515	3,935,941	3,743,098	381,583
Special Education Program	498,091	(403)	0	497,688	521,416	542,019	44,331
Vocational Education Program	125,132	0	0	125,132	123,241	134,741	9,609
Board of Education	1,486,429	0	0	1,486,429	1,399,579	1,600,079	113,650
Director of Schools	489,721	0	0	489,721	515,132	515,132	25,411
Office of the Principal	5,906,686	0	0	5,906,686	5,956,410	6,022,861	116,175
Fiscal Services	338,053	0	553	338,606	346,775	348,775	10,169
Operation of Plant	5,992,716	(492)	0	5,992,224	5,491,597	5,993,214	990
Maintenance of Plant	3,177,121	(6,592)	6,347	3,176,876	3,267,366	3,464,999	288,123

(Continued)

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 4,091,637	\$ (197)	\$ 0	\$ 4,091,440	\$ 4,080,380	\$ 4,277,927	\$ 186,487
<u>Operation of Non-Instructional Services</u>							
Food Service	1,132	0	0	1,132	1,212	1,212	80
Community Services	604,821	(131)	0	604,690	613,262	678,506	73,816
<u>Capital Outlay</u>							
Regular Capital Outlay	7,404,624	(2,841,784)	1,598,552	6,161,392	0	9,112,719	2,951,327
Total Expenditures	\$ 98,192,930	\$ (3,086,882)	\$ 1,778,692	\$ 96,884,740	\$ 89,411,621	\$ 103,450,721	\$ 6,565,981
Excess (Deficiency) of Revenues Over Expenditures							
	\$ (11,117,084)	\$ 3,086,882	\$ (1,778,692)	\$ (9,808,894)	\$ (1,788,520)	\$ (12,340,645)	\$ 2,531,751
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (4,534,921)	\$ 0	\$ 0	\$ (4,534,921)	\$ (2,300,000)	\$ (1,265,000)	\$ (3,269,921)
Extraordinary Item - Tornado Damage	2,770,595	0	0	2,770,595	0	2,770,595	0
Total Other Financing Sources (Uses)	\$ (1,764,326)	\$ 0	\$ 0	\$ (1,764,326)	\$ (2,300,000)	\$ 1,505,595	\$ (3,269,921)
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 12,881,410	\$ 3,086,882	\$ (1,778,692)	\$ (11,573,220)	\$ (4,088,520)	\$ (10,835,050)	\$ (738,170)
	12,847,600	(3,086,882)	0	9,760,718	6,613,428	6,613,428	3,147,290
Fund Balance, June 30, 2005							
	\$ (33,810)	\$ 0	\$ (1,778,692)	\$ (1,812,502)	\$ 2,524,908	\$ (4,221,622)	\$ 2,409,120

Exhibit K-9

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Madison County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 7,728,217	\$ 0	\$ 7,728,217	\$ 8,260,509	\$ 8,595,697	\$ (867,480)
Total Revenues	\$ 7,728,217	\$ 0	\$ 7,728,217	\$ 8,260,509	\$ 8,595,697	\$ (867,480)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,376,046	\$ 3,204	\$ 3,379,250	\$ 4,382,448	\$ 4,883,851	\$ 1,504,601
Special Education Program	3,161,386	15,506	3,176,892	4,278,389	4,278,389	1,101,497
Vocational Education Program	300,312	0	300,312	296,806	300,307	(5)
<u>Support Services</u>						
Other Student Support	164,107	501	164,608	266,290	242,564	77,956
Regular Instruction Program	931,213	990	932,203	1,717,570	1,574,786	642,583
Special Education Program	1,441	0	1,441	10,232	10,232	8,791
Vocational Education Program	14,398	0	14,398	17,000	14,507	109
Fiscal Services	41,526	0	41,526	48,617	48,912	7,386
Transportation	61,897	0	61,897	70,752	70,751	8,854
Total Expenditures	\$ 8,052,326	\$ 20,201	\$ 8,072,527	\$ 11,088,104	\$ 11,424,299	\$ 3,351,772
Excess (Deficiency) of Revenues Over Expenditures	\$ (324,109)	\$ (20,201)	\$ (344,310)	\$ (2,827,595)	\$ (2,828,602)	\$ 2,484,292
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ (1,007)	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (1,007)	\$ 0	\$ 0

(Continued)

Exhibit K-9

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Madison County School Department
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (324,109)	\$ (20,201)	\$ (344,310)	\$ (2,828,602)	\$ (2,828,602)	\$ 2,484,292
Fund Balance, July 1, 2004	2,833,075	0	2,833,075	2,828,602	2,828,602	4,473
Fund Balance, June 30, 2005	\$ 2,508,966	\$ (20,201)	\$ 2,488,765	\$ 0	\$ 0	\$ 2,488,765

Exhibit K-10

Madison County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Madison County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 1,756,647	\$ 0	\$ 0	\$ 1,756,647	\$ 1,719,000	\$ 1,716,000	\$ 40,647
Other Local Revenues	34,363	0	0	34,363	32,000	18,000	16,363
State of Tennessee	84,069	0	0	84,069	84,000	85,000	(931)
Federal Government	3,899,808	0	0	3,899,808	4,000,000	4,085,000	(185,192)
Total Revenues	\$ 5,774,887	\$ 0	\$ 0	\$ 5,774,887	\$ 5,835,000	\$ 5,904,000	\$ (129,113)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 5,575,028	\$ (12,868)	\$ 8,075	\$ 5,570,235	\$ 5,997,000	\$ 6,106,000	\$ 535,765
Total Expenditures	\$ 5,575,028	\$ (12,868)	\$ 8,075	\$ 5,570,235	\$ 5,997,000	\$ 6,106,000	\$ 535,765
Excess (Deficiency) of Revenues Over Expenditures	\$ 199,859	\$ 12,868	\$ (8,075)	\$ 204,652	\$ (162,000)	\$ (202,000)	\$ 406,652
Net Change in Fund Balance	\$ 199,859	\$ 12,868	\$ (8,075)	\$ 204,652	\$ (162,000)	\$ (202,000)	\$ 406,652
Fund Balance, July 1, 2004	1,628,800	(12,868)	0	1,615,932	1,706,587	1,706,587	(90,655)
Fund Balance, June 30, 2005	\$ 1,828,659	\$ 0	\$ (8,075)	\$ 1,820,584	\$ 1,544,587	\$ 1,504,587	\$ 315,997

Madison County, Tennessee
Statement of Net Assets
Discretely Presented Madison County School Department
Internal Service Fund
June 30, 2005

	Governmental Activities
	Employee Insurance
	<hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 28,984
Due from Other Funds	341,486
Total Assets	<hr/> \$ 370,470 <hr/>
<u>LIABILITIES</u>	
Accounts Payable	\$ 370,470
Total Liabilities	<hr/> \$ 370,470 <hr/>
<u>NET ASSETS</u>	
Unrestricted	\$ 0
Total Net Assets	<hr/> \$ 0 <hr/> <hr/>

Madison County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Discretely Presented Madison County School Department
Internal Service Fund
For the Year Ended June 30, 2005

	Governmental Activities
	Employee Insurance
	<hr/>
<u>Operating Revenues</u>	
Self-Insurance Premiums/Contributions	\$ 7,689,513
Total Operating Revenues	<u>\$ 7,689,513</u>
<u>Operating Expenses</u>	
Excess Risk Insurance	\$ 322,824
Medical Claims	8,349,431
Other Charges	289,361
Total Operating Expenses	<u>\$ 8,961,616</u>
Operating Loss	<u>\$ (1,272,103)</u>
<u>Nonoperating Revenues</u>	
Investment Income	\$ 7,103
Total Nonoperating Revenues	<u>\$ 7,103</u>
Transfers In	<u>\$ 4,534,921</u>
Change in Net Assets	\$ 3,269,921
Net Assets (Deficit), July 1, 2004	<u>(3,269,921)</u>
Net Assets, June 30, 2005	<u><u>\$ 0</u></u>

Madison County, Tennessee
Statement of Cash Flows
Discretely Presented Madison County School Department
Internal Service Fund
For the Year Ended June 30, 2005

	Governmental Activities
	Employee Insurance
	<hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Self-Insurance Premiums/Contributions	\$ 7,348,027
Excess Risk Insurance Payments	(322,824)
Medical Claims Payments	(11,541,807)
Administrative Payments	(289,361)
Net Cash Provided By (Used In) Operating Activities	<hr/> <u>\$ (4,805,965)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING</u>	
Transfers from Other Funds	\$ 4,534,921
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> <u>\$ 4,534,921</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	\$ 7,103
Net Cash Provided By (Used In) Investing Activities	<hr/> <u>\$ 7,103</u>
Net Increase (Decrease) In Cash and Cash Equivalents	\$ (263,941)
Cash and Cash Equivalents, July 1, 2004	<hr/> 292,925
Cash and Cash Equivalents, June 30, 2005	<hr/> <u>\$ 28,984</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (1,272,103)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
(Increase) Decrease in Current Receivables	(341,486)
Increase (Decrease) in Current Liabilities	<hr/> (3,192,376)
Net Cash Provided By (Used In) Operating Activities	<hr/> <u>\$ (4,805,965)</u>

Madison County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Madison County School Department
Fiduciary Fund
June 30, 2005

	<u>Other</u> <u>Trust</u> <u>Pension</u> <u>Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 885,000
Total Assets	<u>\$ 885,000</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Retirees	<u>\$ 885,000</u>
Total Net Assets	<u><u>\$ 885,000</u></u>

Madison County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Madison County School Department
Fiduciary Fund
For the Year Ended June 30, 2005

	Other Trust
	<u>Pension Trust</u>
<u>ADDITIONS</u>	
<u>Contributions</u>	
Tennessee Consolidated Retirement System	\$ 447,837
Employer	462,008
Plan Members	1,434
Total Contributions	<u>\$ 911,279</u>
<u>Investment Income</u>	
Interest Earned	\$ 18,113
Total Investment Income	<u>\$ 18,113</u>
Total Additions	<u>\$ 929,392</u>
<u>DEDUCTIONS</u>	
Benefits	\$ 909,848
Trustee's Commission	167
Total Deductions	<u>\$ 910,015</u>
Change in Net Assets	\$ 19,377
Net Assets, July 1, 2004	<u>865,623</u>
Net Assets, June 30, 2005	<u><u>\$ 885,000</u></u>

MISCELLANEOUS SCHEDULES

Exhibit L-1

Madison County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-05
NOTES PAYABLE									
<u>Payable through General Fund</u>									
Wastewater Facilities Revolving Funds Loan	\$ 250,000	3.3%	11-20-1992	6-30-13	\$ 139,216	\$ 0	\$ 12,684	\$ 0	\$ 126,532
Total Payable through General Fund					\$ 139,216	\$ 0	\$ 12,684	\$ 0	\$ 126,532
<u>Payable through General Debt Service Fund</u>									
Various Purpose	9,555,000	4.15 to 5.3	9-1-1994	5-1-05	\$ 1,550,000	\$ 0	\$ 1,550,000	\$ 0	\$ 0
Various Purpose	3,245,000	4.9 to 5.65	2-7-1995	5-1-06	1,400,000	0	650,000	0	750,000
GO Refunding Note, Series 1999	8,510,000	4 to 5	12-01-1998	5-1-08	7,920,000	0	370,000	0	7,550,000
GO Refunding Capital Outlay Note Series 2003	2,450,000	2 to 2.65	4-21-03	4-1-08	2,070,000	0	370,000	0	1,700,000
GO Capital Outlay Note Series 2003A	2,000,000	Variable	6-20-03	6-20-06	2,000,000	0	0	0	2,000,000
GO Capital Outlay Note Series 2003B	3,000,000	Variable	9-25-03	9-25-06	3,000,000	0	0	0	3,000,000
GO Refunding Capital Outlay Notes, Series 2004	21,315,000	4 to 5	3-15-04	4-01-13	21,315,000	0	0	0	21,315,000
Total Payable through General Debt Service Fund					\$ 39,255,000	\$ 0	\$ 2,940,000	\$ 0	\$ 36,315,000
Total Notes Payable					\$ 39,394,216	\$ 0	\$ 2,952,684	\$ 0	\$ 36,441,532
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
GO Refunding Bonds - Series 1997	6,345,000	3.85 to 5.52	8-1-1997	4-1-06	\$ 2,395,000	\$ 0	\$ 0	\$ 1,170,000	\$ 1,225,000
School Refunding Bonds - Series 1998	3,455,000	3.8 to 4.5	4-1-1998	4-1-06	2,180,000	0	0	1,070,000	1,110,000
GO Refunding Bonds - Series 1999	6,955,000	4 to 5	12-1-1998	9-1-07	3,530,000	0	1,125,000	0	2,405,000
GO School and Public Improvement Bonds Series 2002	25,900,000	3 to 5	6-25-02	4-1-15	25,850,000	0	50,000	23,750,000	2,050,000
GO School and Public Improvement Bonds Series 2003	10,000,000	2 to 4	5-29-03	6-30-14	10,000,000	0	0	0	10,000,000
GO Refunding Bonds - Series 2004	1,925,000	5	3-15-04	4-1-16	1,925,000	0	0	0	1,925,000
GO School and Public Improvement Refunding Bonds Series 2004	23,620,000	3.85 to 5	12-1-04	4-1-18	0	23,620,000	0	0	23,620,000
GO Refunding Bonds - Series 2004B	2,125,000	5	12-1-04	4-1-14	0	2,125,000	0	0	2,125,000
Total Bonds Payable					\$ 45,880,000	\$ 25,745,000	\$ 1,175,000	\$ 25,990,000	\$ 44,460,000

Exhibit L-2

Madison County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 3,600,000	\$ 2,007,538	\$ 5,607,538
2007	650,000	1,843,727	2,493,727
2008	690,000	1,811,250	2,501,250
2009	1,050,000	1,797,350	2,847,350
2010	1,000,000	1,758,600	2,758,600
2011	1,700,000	1,728,600	3,428,600
2012	2,450,000	1,677,600	4,127,600
2013	3,900,000	1,555,100	5,455,100
2014	5,445,000	1,389,100	6,834,100
2015	5,600,000	1,134,350	6,734,350
2016	5,825,000	918,750	6,743,750
2017	6,120,000	627,500	6,747,500
2018	6,430,000	321,500	6,751,500
Total	\$ 44,460,000	\$ 18,570,965	\$ 63,030,965

Exhibit L-3

Madison County, Tennessee
Schedule of Notes Receivable - All Funds
June 30, 2005

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-05
<u>General Fund</u>						
Wastewater Facility Construction	Jackson Energy Authority	\$ 250,000	4-1-1994	4-1-34	3.3 %	<u>\$ 209,000</u>
Total Notes Receivable						<u><u>\$ 209,000</u></u>

Exhibit L-4

Madison County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented Madison County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Solid Waste/Sanitation	To provide funds for operations	\$ 3,013,259
General	General Capital Projects	To provide funds for park renovations	17,016
Community Development/Industrial Park	General Capital Projects	To provide funds for library renovations	50,000
Other Capital Projects	General Capital Projects	To provide funds for capital projects	643,047
Other Capital Projects	General Debt Service	To provide funds for the retirement of debt	<u>562,746</u>
Total Transfers Primary Government			<u>\$ 4,286,068</u>
<u>Discretely Presented Madison County</u>			
<u>School Department</u>			
General Purpose School	Employee Insurance	To provide funds to eliminate fund deficit	<u>\$ 4,534,921</u>

Exhibit L-5

Madison County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 86,532	\$ 50,000	Hartford Fire Insurance Company
Highway Engineer	Section 8-24-102, <u>TCA</u>	101,266 (1)	100,000	Western Surety Company
Director of Schools	State Board of Education and Madison Co. Board of Education	101,959 (2)	50,000	"
Trustee	Section 8-24-102 and 5-1-310, <u>TCA</u>	66,417 (3)	2,616,300	Hartford Fire Insurance Company
Assessor of Property:				
Ray J. Hight (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	10,601	10,000	American Casualty Company of Reading, PA
Frances Hunley (9-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	53,006	10,000	Hartford Fire Insurance Company
County Clerk	Section 8-24-102 and 5-1-310, <u>TCA</u>	66,417 (3)	50,000	"
Circuit Court Clerk	Section 8-24-102 and 5-1-310, <u>TCA</u>	66,417 (3)	50,000	"
Clerk and Master	Section 8-24-102 and 5-1-310, <u>TCA</u>	66,417 (3)	50,000	RLI Insurance Company
Juvenile Court Clerk	Chapter 212, Private Acts of 1990	63,607	50,000	Hartford Fire Insurance Company
Register:				
Curtis White (7-1-04 through 9-30-04)	Section 8-24-102, <u>TCA</u>	15,902	50,000	"
Linda Waldon (11-2-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	42,404	50,000	Hartford Fire Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	83,580 (4)	50,000	"
Employees Blanket Bond:				
Office:				
County Mayor:				
All Employees			150,000	Local Government Property and Casualty Fund
Highway Engineer:				
All Employees			150,000	"
Director of Schools:				
All Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes paid accrued leave of \$13,258.
- (2) Includes chief executive officer training of \$900.
- (3) Includes certified public administrator supplement of \$2,810.
- (4) Includes law enforcement training supplement of \$519 and a clothing allowance of \$650.

Exhibit L-6

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

	Special Revenue Funds				
	General	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 13,249,406	\$ 897,104	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	277,252	21,295	0	0	0
Circuit/Clerk & Master Collections - Prior Years	363,554	28,146	0	0	0
Interest and Penalty	82,723	5,573	0	0	0
Payments in Lieu of Taxes - Local Utilities	217,705	14,741	0	0	0
Payments in Lieu of Taxes - Other	8,020	554	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,190,922	0	0	0	0
Hotel/Motel Tax	416,983	0	0	0	0
Litigation Tax - General	376,085	0	0	0	0
Litigation Tax - Special Purpose	186,931	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	1,342,751	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	63,628	4,308	0	0	0
Wholesale Beer Tax	287,741	0	0	0	0
Interstate Telecommunications Tax	5,097	0	0	0	0
Total Local Taxes	<u>\$ 18,068,798</u>	<u>\$ 971,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 13,985	\$ 0	\$ 0	\$ 0	\$ 0
Animal Vaccination	2,344	0	0	0	0
Cable TV Franchise	84,653	0	0	0	0
<u>Permits</u>					
Building Permits	155,871	0	0	0	0
Other Permits	3,335	0	0	0	0
Total Licenses and Permits	<u>\$ 260,188</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit L-6

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

	Special Revenue Funds				
	General	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 58,139	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	47,735	0	0	0	0
Drug Control Fines	641	0	0	0	0
Jail Fees	13,455	0	0	0	0
District Attorney General Fees	0	0	0	0	15,422
DUI Treatment Fines	3,943	0	0	0	0
Data Entry Fee - Circuit Court	1,591	0	0	0	0
<u>Criminal Court</u>					
Drug Court Fees	3,097	0	0	0	0
<u>General Sessions Court</u>					
Fines	61,311	0	0	0	0
Officers Costs	133,633	0	0	0	0
Game and Fish Fines	890	0	0	0	0
Drug Control Fines	10,861	0	0	5,314	0
Drug Court Fees	4,922	0	0	0	0
Jail Fees	49,673	0	0	0	0
District Attorney General Fees	0	0	0	0	18,906
DUI Treatment Fines	9,573	0	0	0	0
Data Entry Fee - General Sessions Court	33,828	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	11,016	0	0	0	0
Data Entry Fee - Chancery Court	4,006	0	0	0	0
<u>Courts in Other District Counties</u>					
District Attorney General Fees	0	0	0	0	2,589
Total Fines, Forfeitures, and Penalties	\$ 448,314	\$ 0	\$ 0	\$ 5,314	\$ 36,917
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 11,953	\$ 0	\$ 0	\$ 0	\$ 0
Health Department Collections	450,000	0	0	0	0
<u>Fees</u>					
Engineer Review Fees	21,362	0	0	0	0

(Continued)

Exhibit L-6

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

	Special Revenue Funds				
	General	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Recreation Fees	\$ 68,411	\$ 0	\$ 0	\$ 0	\$ 0
Copy Fees	680	0	0	0	0
Telephone Commissions	125,544	0	0	0	0
Vending Machine Collections	128,699	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	48,322	0	0	0	0
Data Processing Fee - Sheriff	14,568	0	0	0	0
Sexual Offender Registration Fee	1,200	0	0	0	0
<u>Education Charges</u>					
Community Service Fees - Adults	400,179	0	0	0	0
TBI Criminal Background Fee	1,770	0	0	0	0
Total Charges for Current Services	<u>\$ 1,272,688</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 259,644	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	204,702	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0
Sale of Gasoline	3,284	0	0	0	0
Sale of Recycled Materials	1,935	0	1,306	0	0
Miscellaneous Refunds	88,257	4,978	0	0	321
<u>Nonrecurring Items</u>					
Accrued Interest on Debt Issues	0	0	0	0	0
Insurance Recovery	52,200	0	0	0	0
Sale of Equipment	11,315	0	0	0	0
Sale of Property	203,647	0	0	0	0
Contributions & Gifts	20,000	0	0	0	0
Total Other Local Revenues	<u>\$ 844,984</u>	<u>\$ 4,978</u>	<u>\$ 1,306</u>	<u>\$ 0</u>	<u>\$ 321</u>
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
Other Officials	\$ 0	\$ 300	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit L-6

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

	Special Revenue Funds				
	General	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 795,741	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	305,896	0	0	0	0
General Sessions Court Clerk	576,984	0	0	0	0
Clerk and Master	416,837	0	0	0	0
Juvenile Court Clerk	46,124	0	0	0	0
Register	665,276	0	0	0	0
Sheriff	30,783	0	0	0	0
Trustee	1,398,770	0	0	0	0
Total Fees Received from County Officials	\$ 4,236,411	\$ 300	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 322,482	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	48,074	0	0	0	0
Solid Waste Grants	0	0	125,947	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	31,122	0	0	0	0
Other Public Safety Grants	15,000	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	3,647,069	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	0
State Aid Program	0	0	0	0	0
Litter Program	33,112	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	93,230	0	0	0	0
Beer Tax	9,085	0	0	0	0
Alcoholic Beverage Tax	85,319	0	0	0	0
Mixed Drink Tax	14,246	0	0	0	0
Prisoner Transportation	13,983	0	0	0	0
Contracted Prisoner Boarding	558,080	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0

(Continued)

Exhibit L-6

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

	Special Revenue Funds				
	General	Juvenile Services	Solid Waste / Sanitation	Drug Control	District Attorney General
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Registrar's Salary Supplement	12,285	0	0	0	0
Other State Grants	26,308	144,639	0	0	0
Other State Revenues	446,783	9,000	0	0	0
Total State of Tennessee	<u>\$ 5,356,178</u>	<u>\$ 153,639</u>	<u>\$ 125,947</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Homeland Security Grants	\$ 529,263	\$ 0	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	24,901	14,517	0	0	0
Other Federal through State	264,563	46,458	0	0	0
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	11,600	0	0	0	0
Total Federal Government	<u>\$ 830,327</u>	<u>\$ 60,975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 40,319	\$ 24,464	\$ 0	\$ 0	\$ 0
Contributions	429,399	0	0	0	0
Contracted Services	829,694	0	0	0	0
<u>Other</u>					
Other	6,792	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 1,306,204</u>	<u>\$ 24,464</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 32,624,092</u>	<u>\$ 1,216,077</u>	<u>\$ 127,253</u>	<u>\$ 5,314</u>	<u>\$ 37,238</u>

(Continued)

Exhibit L-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 1,656,189	\$ 7,107,737	\$ 0	\$ 0	\$ 22,910,436
Trustee's Collections - Prior Year	0	45,194	193,210	0	0	536,951
Circuit/Clerk & Master Collections - Prior Years	0	53,946	250,969	0	0	696,615
Interest and Penalty	0	11,536	52,241	0	0	152,073
Payments in Lieu of Taxes - Local Utilities	0	27,213	116,789	0	0	376,448
Payments in Lieu of Taxes - Other	0	452	4,481	0	0	13,507
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	1,190,922
Hotel/Motel Tax	0	0	0	0	0	416,983
Litigation Tax - General	0	0	0	0	0	376,085
Litigation Tax - Special Purpose	0	0	0	0	0	186,931
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	165,533	0	0	165,533
Business Tax	0	0	0	0	0	1,342,751
Mineral Severance Tax	0	58,801	0	0	0	58,801
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	7,954	34,134	0	0	110,024
Wholesale Beer Tax	0	0	0	0	0	287,741
Interstate Telecommunications Tax	0	0	0	0	0	5,097
Total Local Taxes	\$ 0	\$ 1,861,285	\$ 7,925,094	\$ 0	\$ 0	\$ 28,826,898
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,985
Animal Vaccination	0	0	0	0	0	2,344
Cable TV Franchise	0	0	0	0	0	84,653
<u>Permits</u>						
Building Permits	0	0	0	0	0	155,871
Other Permits	0	0	0	0	0	3,335
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,188

(Continued)

Exhibit L-6

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>		
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>General</u>	<u>Community</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	<u>Development/</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Industrial</u>	<u>Total</u>
					<u>Park</u>	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	58,139
Officers Costs	0	0	0	0	0	47,735
Drug Control Fines	0	0	0	0	0	641
Jail Fees	0	0	0	0	0	13,455
District Attorney General Fees	0	0	0	0	0	15,422
DUI Treatment Fines	0	0	0	0	0	3,943
Data Entry Fee - Circuit Court	0	0	0	0	0	1,591
<u>Criminal Court</u>						
Drug Court Fees	0	0	0	0	0	3,097
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	61,311
Officers Costs	0	0	0	0	0	133,633
Game and Fish Fines	0	0	0	0	0	890
Drug Control Fines	0	0	0	0	0	16,175
Drug Court Fees	0	0	0	0	0	4,922
Jail Fees	0	0	0	0	0	49,673
District Attorney General Fees	0	0	0	0	0	18,906
DUI Treatment Fines	0	0	0	0	0	9,573
Data Entry Fee - General Sessions Court	0	0	0	0	0	33,828
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	11,016
Data Entry Fee - Chancery Court	0	0	0	0	0	4,006
<u>Courts in Other District Counties</u>						
District Attorney General Fees	0	0	0	0	0	2,589
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	490,545
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,953
Health Department Collections	0	0	0	0	0	450,000
<u>Fees</u>						
Engineer Review Fees	0	0	0	0	0	21,362

(Continued)

Exhibit L-6

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>		
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>General</u>	<u>Community</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	<u>Development/</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Industrial</u>	<u>Total</u>
					<u>Park</u>	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Recreation Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	68,411
Copy Fees	0	0	0	0	0	680
Telephone Commissions	0	0	0	0	0	125,544
Vending Machine Collections	0	0	0	0	0	128,699
Constitutional Officers' Fees and Commissions	720	0	0	0	0	720
Data Processing Fee - Register	0	0	0	0	0	48,322
Data Processing Fee - Sheriff	0	0	0	0	0	14,568
Sexual Offender Registration Fee	0	0	0	0	0	1,200
<u>Education Charges</u>						
Community Service Fees - Adults	0	0	0	0	0	400,179
TBI Criminal Background Fee	0	0	0	0	0	1,770
Total Charges for Current Services	\$ 720	\$ 0	\$ 0	\$ 0	\$ 0	1,273,408
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	259,644
Lease/Rentals	0	0	0	0	400	205,102
Sale of Materials and Supplies	0	3,654	0	0	0	3,654
Sale of Gasoline	0	0	0	0	0	3,284
Sale of Recycled Materials	0	0	0	0	0	3,241
Miscellaneous Refunds	0	524	0	0	15,000	109,080
<u>Nonrecurring Items</u>						
Accrued Interest on Debt Issues	0	0	25,248	0	0	25,248
Insurance Recovery	0	0	0	18,272	0	70,472
Sale of Equipment	0	0	0	0	0	11,315
Sale of Property	0	0	0	0	0	203,647
Contributions & Gifts	0	0	0	0	0	20,000
Total Other Local Revenues	\$ 0	\$ 4,178	\$ 25,248	\$ 18,272	\$ 15,400	914,687
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
Other Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	300

(Continued)

Exhibit L-6

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	795,741
Circuit Court Clerk	0	0	0	0	0	305,896
General Sessions Court Clerk	0	0	0	0	0	576,984
Clerk and Master	0	0	0	0	0	416,837
Juvenile Court Clerk	0	0	0	0	0	46,124
Register	0	0	0	0	0	665,276
Sheriff	0	0	0	0	0	30,783
Trustee	0	0	0	0	0	1,398,770
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,236,711
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	322,482
State Reappraisal Grant	0	0	0	0	0	48,074
Solid Waste Grants	0	0	0	0	0	125,947
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	31,122
Other Public Safety Grants	0	0	0	0	0	15,000
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	3,647,069
<u>Public Works Grants</u>						
Bridge Program	0	472,821	0	0	0	472,821
State Aid Program	0	32,293	0	0	0	32,293
Litter Program	0	0	0	0	0	33,112
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	93,230
Beer Tax	0	0	0	0	0	9,085
Alcoholic Beverage Tax	0	0	0	0	0	85,319
Mixed Drink Tax	0	0	0	0	0	14,246
Prisoner Transportation	0	0	0	0	0	13,983
Contracted Prisoner Boarding	0	0	0	0	0	558,080
Gasoline and Motor Fuel Tax	0	2,338,923	0	0	0	2,338,923

(Continued)

Exhibit L-6

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>		
	<u>Constitu -</u>	<u>Highway /</u>	<u>General</u>	<u>General</u>	<u>Community</u>	
	<u>Officers -</u>	<u>Public</u>	<u>Debt</u>	<u>Capital</u>	<u>Development/</u>	
	<u>Fees</u>	<u>Works</u>	<u>Service</u>	<u>Projects</u>	<u>Industrial</u>	<u>Total</u>
					<u>Park</u>	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Petroleum Special Tax	\$ 0	\$ 73,876	\$ 0	\$ 0	\$ 0	\$ 73,876
Registrar's Salary Supplement	0	0	0	0	0	12,285
Other State Grants	0	27,670	0	0	235,929	434,546
Other State Revenues	0	0	0	0	0	455,783
Total State of Tennessee	\$ 0	\$ 2,945,583	\$ 0	\$ 0	\$ 235,929	\$ 8,817,276
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 76,222	\$ 0	\$ 605,485
Law Enforcement Grants	0	0	0	0	0	39,418
Other Federal through State	0	0	0	0	0	311,021
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	0	0	0	0	11,600
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 76,222	\$ 0	\$ 967,524
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,783
Contributions	0	0	0	0	0	429,399
Contracted Services	0	0	0	0	0	829,694
<u>Other</u>						
Other	0	0	0	0	0	6,792
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,330,668
Total	\$ 720	\$ 4,811,046	\$ 7,950,342	\$ 94,494	\$ 251,329	\$ 47,117,905

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 11,041,159	\$ 0	\$ 0	\$ 0	\$ 11,041,159
Trustee's Collections - Prior Year	359,673	0	0	0	359,673
Circuit/Clerk & Master Collections - Prior Years	457,375	0	0	0	457,375
Interest and Penalty	83,727	0	0	0	83,727
Payments in Lieu of Taxes - T.V.A.	1,539	0	0	0	1,539
Payments in Lieu of Taxes - Other	188,564	0	0	0	188,564
<u>County Local Option Taxes</u>					
Local Option Sales Tax	31,209,169	0	0	0	31,209,169
<u>Statutory Local Taxes</u>					
Bank Excise Tax	53,023	0	0	0	53,023
Interstate Telecommunications Tax	15,335	0	0	0	15,335
Total Local Taxes	\$ 43,409,564	\$ 0	\$ 0	\$ 0	\$ 43,409,564
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 7,705	\$ 0	\$ 0	\$ 0	\$ 7,705
<u>Permits</u>					
Other Permits	2,886	0	0	0	2,886
Total Licenses and Permits	\$ 10,591	\$ 0	\$ 0	\$ 0	\$ 10,591
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Self-Insurance Premiums/Contributions	\$ 215,136	\$ 0	\$ 0	\$ 0	\$ 215,136
<u>Education Charges</u>					
Tuition - Summer School	8,500	0	0	0	8,500
Tuition - Other	358,271	0	0	0	358,271
Lunch Payments - Children	0	0	1,143,300	0	1,143,300
Lunch Payments - Adults	0	0	194,008	0	194,008
Income from Breakfast	0	0	63,214	0	63,214
A la carte Sales	0	0	356,125	0	356,125
<u>Other Charges for Services</u>					
Other Charges for Services	11,700	0	0	0	11,700
Total Charges for Current Services	\$ 593,607	\$ 0	\$ 1,756,647	\$ 0	\$ 2,350,254
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 229,087	\$ 0	\$ 34,363	\$ 40,990	\$ 304,440
Miscellaneous Refunds	193,679	0	0	0	193,679
<u>Nonrecurring Items</u>					
Sale of Equipment	13,415	0	0	0	13,415
Damages Recovered from Individuals	1,544	0	0	0	1,544
Total Other Local Revenues	\$ 437,725	\$ 0	\$ 34,363	\$ 40,990	\$ 513,078
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 35,553,282	\$ 0	\$ 0	\$ 0	\$ 35,553,282
School Food Service	0	0	84,069	0	84,069
Driver Education	16,620	0	0	0	16,620
Other State Education Funds	360	0	0	0	360
Career Ladder Program	1,052,438	0	0	0	1,052,438
Career Ladder - Extended Contract	287,586	0	0	0	287,586

(Continued)

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Mixed Drink Tax	\$ 14,310	\$ 0	\$ 0	\$ 0	\$ 14,310
State Revenue Sharing - T.V.A.	688,225	0	0	0	688,225
Other State Grants	2,695,113	0	0	100,000	2,795,113
Total State of Tennessee	<u>\$ 40,307,934</u>	<u>\$ 0</u>	<u>\$ 84,069</u>	<u>\$ 100,000</u>	<u>\$ 40,492,003</u>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 2,913,138	\$ 0	\$ 2,913,138
Breakfast	0	0	986,670	0	986,670
Vocational Education - Basic Grants to States	0	190,205	0	0	190,205
Title I Grants to Local Education Agencies	0	3,685,016	0	0	3,685,016
Innovative Education Program Strategies	0	121,164	0	0	121,164
Special Education - Grants to States	10,836	2,997,323	0	0	3,008,159
Other Federal through State	0	734,509	0	0	734,509
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	115,073	0	0	0	115,073
Other Direct Federal Revenue	2,190,516	0	0	0	2,190,516
Total Federal Government	<u>\$ 2,316,425</u>	<u>\$ 7,728,217</u>	<u>\$ 3,899,808</u>	<u>\$ 0</u>	<u>\$ 13,944,450</u>
Total	<u>\$ 87,075,846</u>	<u>\$ 7,728,217</u>	<u>\$ 5,774,887</u>	<u>\$ 140,990</u>	<u>\$ 100,719,940</u>

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 93,300	
Travel	3,719	
Total County Commission		\$ 97,019

County Mayor

County Official/Administrative Officer	\$ 86,532	
Educational Incentive - Other County Employees	1,500	
Other Salaries & Wages	103,066	
Communication	2,941	
Maintenance & Repair Services- Vehicles	1,116	
Travel	2,400	
Gasoline	2,395	
Office Supplies	5,464	
Other Supplies and Materials	4,208	
Total County Mayor		209,622

Personnel Office

Educational Incentive - Other County Employees	\$ 4,125	
Other Salaries & Wages	102,284	
Communication	590	
Office Supplies	2,592	
Total Personnel Office		109,591

County Attorney

County Official/Administrative Officer	\$ 29,426	
Legal Services	222	
Total County Attorney		29,648

Election Commission

County Official/Administrative Officer	\$ 63,607	
Deputy(ies)	63,217	
Election Commission	4,080	
Election Workers	102,678	
Communication	121	
Maintenance & Repair Services- Equipment	1,825	
Travel	2,210	
Office Supplies	4,939	
Total Election Commission		242,677

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	58,306	
Deputy(ies)		125,481	
Educational Incentive - Other County Employees		750	
Communication		213	
Travel		588	
Data Processing Supplies		40,152	
Office Supplies		12,258	
Total Register of Deeds			\$ 237,748

County Buildings

Custodial Personnel	\$	68,140	
Communication		618	
Maintenance & Repair Services- Buildings		36,955	
Maintenance & Repair Services- Vehicles		172	
Custodial Supplies		17,261	
Gasoline		1,627	
Building Improvements		8,322	
Total County Buildings			133,095

Other Facilities

Custodial Personnel	\$	30,480	
Communication		48,069	
Maintenance & Repair Services- Buildings		62,423	
Pest Control		2,640	
Custodial Supplies		2,780	
Utilities		234,967	
Total Other Facilities			381,359

Preservation of Records

Assistant(s)	\$	17,837	
Equipment Operators - Light		1,042	
Communication		1,613	
Travel		259	
Office Supplies		3,416	
Other Supplies and Materials		1,229	
Total Preservation of Records			25,396

Finance

Accounting and Budgeting

Educational Incentive - Other County Employees	\$	4,875	
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(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Other Salaries & Wages	\$ 107,208	
Communication	21	
Office Supplies	648	
Office Equipment	450	
Total Accounting and Budgeting		\$ 113,202

Purchasing

County Official/Administrative Officer	\$ 42,767	
Purchasing Personnel	31,172	
Part-time Personnel	108	
Communication	198	
Office Supplies	5,869	
Total Purchasing		80,114

Property Assessor's Office

County Official/Administrative Officer	\$ 63,607	
Deputy(ies)	291,545	
Educational Incentive - Other County Employees	7,875	
Board and Committee Members Fees	5,150	
In-Service Training	899	
Audit Services	182,057	
Communication	3,314	
Consultants	13,105	
Data Processing Services	26,677	
Legal Services	7,614	
Rentals	40,630	
Travel	3,942	
Office Supplies	15,463	
Building Improvements	3,098	
Total Property Assessor's Office		664,976

Reappraisal Program

Other Salaries & Wages	\$ 85,978	
Data Processing Services	7,840	
Rentals	20,245	
Travel	9,000	
Office Supplies	1,891	
Total Reappraisal Program		124,954

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$ 63,607	
Deputy(ies)	137,780	
Educational Incentive - Official/Admin Officer	2,810	
Communication	376	
Travel	2,121	
Office Supplies	13,984	
Total County Trustee's Office		\$ 220,678

County Clerk's Office

County Official/Administrative Officer	\$ 63,607	
Deputy(ies)	315,626	
Educational Incentive - Official/Admin Officer	2,810	
Communication	565	
Maintenance & Repair Services- Equipment	225	
Travel	229	
Office Supplies	23,258	
Building Improvements	284	
Total County Clerk's Office		406,604

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 63,607	
Deputy(ies)	441,072	
Educational Incentive - Official/Admin Officer	2,810	
Educational Incentive - Other County Employees	4,500	
Jury and Witness Fees	53,320	
Communication	322	
Data Processing Services	8,274	
Operating Lease Payments	7,903	
Travel	3,100	
Data Processing Supplies	3,024	
Duplicating Supplies	1,496	
Office Supplies	18,825	
Data Processing Equipment	8,038	
Other Equipment	2,250	
Total Circuit Court		618,541

General Sessions Court

Judge(s)	\$ 112,208
Other Salaries & Wages	95,154

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Communication	\$	118	
Travel		1,051	
Office Supplies		10,885	
Total General Sessions Court			\$ 219,416

Drug Court

Travel	\$	135	
Other Charges		3,483	
Total Drug Court			3,618

Chancery Court

County Official/Administrative Officer	\$	63,607	
Deputy(ies)		244,783	
Educational Incentive - Official/Admin Officer		2,810	
Educational Incentive - Other County Employees		1,125	
In-Service Training		45	
Communication		280	
Maintenance & Repair Services- Office Equipment		5,000	
Rentals		7,932	
Travel		2,159	
Office Supplies		31,825	
Total Chancery Court			359,566

Juvenile Court

Judge(s)	\$	112,208	
Deputy(ies)		80,302	
Communication		1,486	
Data Processing Services		2,934	
Dues and Memberships		1,562	
Janitorial Services		367	
Maintenance & Repair Services- Buildings		7,324	
Maintenance & Repair Services- Equipment		736	
Rentals		2,390	
Travel		2,667	
Custodial Supplies		1,766	
Office Supplies		4,433	
Periodicals		775	
Utilities		22,756	
Other Supplies and Materials		1,258	
Building Improvements		6,506	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication Equipment	\$ 447	
Data Processing Equipment	1,166	
Furniture and Fixtures	214	
Heating and Air Conditioning Equipment	872	
Total Juvenile Court		\$ 252,169

District Attorney General

Assistant(s)	\$ 41,348	
Total District Attorney General		41,348

Office of Public Defender

Salary Supplements	\$ 42,643	
Travel	601	
Total Office of Public Defender		43,244

Probate Court

Deputy(ies)	\$ 29,000	
Communication	20	
Maintenance & Repair Services- Office Equipment	3,000	
Office Supplies	7,868	
Total Probate Court		39,888

Other Administration of Justice

Contracts with Government Agencies	\$ 39,738	
Other Contracted Services	295,841	
Total Other Administration of Justice		335,579

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 69,643	
Deputy(ies)	2,508,306	
Educational Incentive - Other County Employees	4,875	
Other Salaries & Wages	79,324	
In-Service Training	35,042	
Communication	92,019	
Contracts with Private Agencies	6,563	
Data Processing Services	39,881	
Maintenance & Repair Services- Buildings	37,994	
Maintenance & Repair Services- Vehicles	111,815	
Pest Control	480	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Rentals	\$ 4,000	
Travel	37,077	
Gasoline	141,036	
Law Enforcement Supplies	11,253	
Office Supplies	37,088	
Uniforms	31,624	
Utilities	34,512	
Law Enforcement Equipment	5,000	
Total Sheriff's Department		\$ 3,287,532

Special Patrols

Deputy(ies)	\$ 298,607	
Other Salaries & Wages	49,954	
Uniforms	3,467	
Total Special Patrols		352,028

Drug Enforcement

Maintenance & Repair Services- Equipment	\$ 5,035	
Travel	20,494	
Office Supplies	10,413	
Law Enforcement Equipment	15,000	
Total Drug Enforcement		50,942

Jail

Deputy(ies)	\$ 3,179,852	
Maintenance Personnel	77,514	
In-Service Training	40,977	
Communication	6,348	
Maintenance & Repair Services- Equipment	10,459	
Medical and Dental Services	28,988	
Custodial Supplies	38,181	
Drugs and Medical Supplies	235,769	
Food Preparation Supplies	12,663	
Food Supplies	283,037	
Law Enforcement Supplies	101,727	
Office Supplies	32,296	
Prisoners Clothing	4,773	
Uniforms	39,781	
Other Supplies and Materials	24,717	
Total Jail		4,117,082

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse

County Official/Administrative Officer	\$	12,768	
Guards		996,400	
In-Service Training		14,005	
Communication		10,333	
Maintenance & Repair Services- Buildings		14,210	
Maintenance & Repair Services- Equipment		4,282	
Maintenance & Repair Services- Vehicles		1,699	
Pest Control		840	
Custodial Supplies		10,215	
Drugs and Medical Supplies		36,714	
Food Preparation Supplies		5,012	
Food Supplies		94,960	
Gasoline		2,550	
Law Enforcement Supplies		807	
Office Supplies		4,518	
Prisoners Clothing		2,974	
Uniforms		6,458	
Utilities		73,328	
Other Supplies and Materials		2,988	
Total Workhouse			\$ 1,295,061

Correctional Incentive Program Improvements

Probation Officer(s)	\$	145,851	
Other Fringe Benefits		55,073	
Communication		11,613	
Evaluation and Testing		41,043	
Maintenance & Repair Services- Buildings		885	
Printing, Stationery, and Forms		35	
Rentals		18,258	
Travel		6,049	
Office Supplies		5,848	
Utilities		1,648	
Communication Equipment		3,187	
Motor Vehicles		67,760	
Total Correctional Incentive Program Improvements			357,250

Juvenile Services

County Official/Administrative Officer	\$	63,607	
Deputy(ies)		53,500	
Accountants/Bookkeepers		41,200	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Paraprofessionals	\$	13,801	
Clerical Personnel		98,416	
Communication		455	
Data Processing Services		600	
Dues and Memberships		125	
Maintenance & Repair Services- Buildings		474	
Maintenance & Repair Services- Equipment		772	
Printing, Stationery, and Forms		396	
Rentals		5,177	
Data Processing Supplies		1,000	
Office Supplies		2,736	
Building Improvements		431	
Office Equipment		1,000	
Total Juvenile Services			\$ 283,690

Work Release Program

Other Salaries & Wages	\$	252,337	
Other Fringe Benefits		73,437	
Communication		10,860	
Maintenance & Repair Services- Buildings		32,573	
Maintenance & Repair Services- Vehicles		20,203	
Printing, Stationery and Forms		197	
Rentals		41,002	
Travel		3,818	
Office Supplies		24,223	
Utilities		6,269	
Total Work Release Program			464,919

Fire Prevention and Control

Mechanic(s)	\$	77,979	
Other Salaries & Wages		173,886	
Communication		6,537	
Maintenance & Repair Services- Equipment		49,675	
Maintenance & Repair Services- Vehicles		44,758	
Travel		376	
Equipment and Machinery Parts		112,050	
Gasoline		14,901	
Utilities		42,296	
Gravel and Chert		5,205	
Total Fire Prevention and Control			527,663

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Other Salaries & Wages	\$ 110,803	
Other Fringe Benefits	25,834	
Communication	4,349	
Dues and Memberships	735	
Maintenance Agreements	2,028	
Maintenance & Repair Services- Vehicles	1,656	
Travel	1,738	
Gasoline	3,116	
Office Supplies	856	
Utilities	12,838	
Other Supplies and Materials	8,571	
Total Civil Defense		\$ 172,524

Disaster Relief

Maintenance & Repair Services- Buildings	\$ 1,629	
Other Contracted Services	24,183	
Office Equipment	28,929	
Total Disaster Relief		54,741

Other Emergency Management

Other Salaries & Wages	\$ 9,612	
Other Contracted Services	26,975	
Other Supplies and Materials	520,108	
Other Charges	3,906	
Total Other Emergency Management		560,601

Inspection and Regulation

County Official/Administrative Officer	\$ 42,155	
Other Salaries & Wages	63,233	
In-Service Training	574	
Communication	1,033	
Dues and Memberships	1,000	
Maintenance & Repair Services- Vehicles	1,652	
Gasoline	2,608	
Office Supplies	2,114	
Total Inspection and Regulation		114,369

County Coroner/Medical Examiner

Contracts with Government Agencies	\$ 34,085	
Contracts with Public Carriers	3,694	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner (Cont.)

Other Contracted Services	\$ 56,675	
Other Charges	662	
Total County Coroner/Medical Examiner		\$ 95,116

Other Public Safety

Other Salaries & Wages	\$ 11,946	
Travel	997	
Total Other Public Safety		12,943

Public Health and Welfare

Local Health Center

County Official/Administrative Officer	\$ 154,344	
Paraprofessionals	11,657	
Other Salaries & Wages	705,053	
Other Fringe Benefits	257,285	
Communication	40,040	
Janitorial Services	49,980	
Maintenance & Repair Services- Buildings	24,769	
Maintenance & Repair Services- Vehicles	5,872	
Travel	14,842	
Drugs and Medical Supplies	126,744	
Gasoline	7,169	
Office Supplies	28,606	
Utilities	38,432	
Other Supplies and Materials	1,513	
Liability Insurance	12,074	
Other Charges	36,320	
Furniture and Fixtures	90,928	
Site Development	9,317	
Total Local Health Center		1,614,945

Rabies and Animal Control

Other Salaries & Wages	\$ 117,794	
Other Fringe Benefits	43,497	
Communication	4,549	
Maintenance & Repair Services- Buildings	5,249	
Maintenance & Repair Services- Vehicles	1,329	
Travel	32	
Veterinary Services	1,699	
Animal Food and Supplies	12,346	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Gasoline	\$ 4,445	
Utilities	4,194	
Total Rabies and Animal Control		\$ 195,134

Maternal and Child Health Services

Other Salaries & Wages	\$ 1,781,137	
Other Fringe Benefits	526,222	
Contracts with Government Agencies	802,083	
Total Maternal and Child Health Services		3,109,442

Alcohol and Drug Programs

Contributions	\$ 31,880	
Total Alcohol and Drug Programs		31,880

Crippled Children Services

Contributions	\$ 4,021	
Total Crippled Children Services		4,021

Other Local Health Services

Contributions	\$ 46,955	
Total Other Local Health Services		46,955

General Welfare Assistance

Contracts with Government Agencies	\$ 14,550	
Total General Welfare Assistance		14,550

Sanitation Education/Information

Other Salaries & Wages	\$ 40,109	
Other Supplies and Materials	12,899	
Total Sanitation Education/Information		53,008

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 34,000	
Total Senior Citizens Assistance		34,000

Libraries

Other Fringe Benefits	\$ 63,973	
Contributions	864,799	
Total Libraries		928,772

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Temporary Personnel	\$ 15,166	
Part-time Personnel	5,100	
Other Salaries & Wages	408,205	
Communication	7,713	
Legal Notices, Recording and Court Costs	100	
Maintenance & Repair Services- Equipment	141,665	
Travel	1,598	
Gasoline	24,762	
Utilities	95,192	
Other Supplies and Materials	4,000	
Other Charges	15,339	
Total Parks and Fair Boards		\$ 718,840

Other Social, Cultural, and Recreational

Other Salaries & Wages	\$ 18,264	
Other Supplies and Materials	44,380	
Total Other Social, Cultural, and Recreational		62,644

Agriculture & Natural Resources

Agriculture Extension Service

Other Salaries & Wages	\$ 113,579	
Other Fringe Benefits	17,537	
Communication	5,374	
Contributions	3,299	
Office Supplies	3,700	
Total Agriculture Extension Service		143,489

Forest Service

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

Soil Conservation

Other Salaries & Wages	\$ 71,875	
Total Soil Conservation		71,875

Flood Control

Contributions	\$ 35,000	
Other Contracted Services	5,981	
Total Flood Control		40,981

(Continued)

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

General Fund (Cont.)

Other Operations

Industrial Development

Contributions	\$ 75,652	
Total Industrial Development		\$ 75,652

Other Economic and Community Development

Principal on Notes	\$ 12,684	
Interest on Notes	4,404	
Total Other Economic and Community Development		17,088

Airport

Other Fringe Benefits	\$ 49,876	
Contributions	203,120	
Liability Insurance	25,236	
Total Airport		278,232

Contributions to Other Agencies

Contributions	\$ 201,539	
Total Contributions to Other Agencies		201,539

Employee Benefits

Social Security	\$ 703,897	
State Retirement	1,408,770	
Employee and Dependent Insurance	1,129,952	
Life Insurance	36,547	
Unemployment Compensation	12,185	
Local Retirement	987	
Employer Medicare	165,618	
Other Fringe Benefits	1,190	
Total Employee Benefits		3,459,146

Miscellaneous

Medical Personnel	\$ 33,760
Other Salaries & Wages	131,295
Board and Committee Members Fees	5,892
Audit Services	21,087
Communication	109,076
Consultants	18,215
Contracts with Government Agencies	42,802
Contracts with Other Public Agencies	32,339
Data Processing Services	19,617
Dues and Memberships	11,683
Legal Services	560

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Legal Notices, Recording and Court Costs	\$	27,145	
Postal Charges		81,982	
Remittance of Revenue Collected		167,124	
Other Contracted Services		278,501	
Gasoline		16,313	
Utilities		90,650	
Other Supplies and Materials		18,468	
Excess Risk Insurance		284,867	
Liability Insurance		379,048	
Premiums on Corporate Surety Bonds		715	
Refunds		2,484	
Trustee's Commission		339,923	
Workers' Compensation Insurance		428,148	
Fines, Assessments, and Penalties		18,455	
Other Charges		8,247	
Building Improvements		1,240	
Heating and Air Conditioning Equipment		30,366	
Total Miscellaneous			<u>\$ 2,600,002</u>

Total General Fund

\$ 30,440,708

Juvenile Services Fund

Public Safety

Juvenile Services

County Official/Administrative Officer	\$	62,424
Supervisor/Director		122,439
Accountants/Bookkeepers		36,414
Social Workers		282,724
Paraprofessionals		5,487
Guards		233,320
Clerical Personnel		40,437
Cafeteria Personnel		31,411
Custodial Personnel		35,156
Other Salaries & Wages		1,950
Social Security		61,188
State Retirement		94,716
Employee and Dependent Insurance		94,274
Life Insurance		2,570
Unemployment Compensation		1,596
Communication		15,139

(Continued)

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

Juvenile Services Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Data Processing Services	\$	2,500	
Janitorial Services		2,246	
Maintenance & Repair Services- Buildings		14,994	
Maintenance & Repair Services- Equipment		11,500	
Maintenance & Repair Services- Vehicles		2,430	
Medical and Dental Services		5,133	
Printing, Stationery, and Forms		3,061	
Travel		9,648	
Other Contracted Services		12,793	
Custodial Supplies		4,015	
Data Processing Supplies		2,652	
Food Supplies		22,635	
Gasoline		1,494	
Instructional Supplies and Materials		1,654	
Office Supplies		7,898	
Utilities		35,774	
Other Supplies and Materials		1,633	
Excess Risk Insurance		22,411	
Liability Insurance		15,819	
Refunds		34	
Trustee's Commission		18,795	
Workers' Compensation Insurance		44,720	
Data Processing Equipment		2,904	
Office Equipment		1,429	
Other Equipment		14,025	
Total Juvenile Services			<u>\$ 1,383,442</u>

Total Juvenile Services Fund \$ 1,383,442

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Truck Drivers	\$	51,696
Part-time Personnel		241,212
Other Fringe Benefits		30,048
Communication		5,888
Operating Lease Payments		10,112
Maintenance & Repair Services- Equipment		20,215
Maintenance & Repair Services- Vehicles		21,097
Travel		431

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Gasoline	\$ 11,394	
Utilities	12,513	
Other Supplies and Materials	2,439	
Other Charges	38,943	
Total Convenience Centers		\$ 445,988

Landfill Operation and Maintenance

Contracts with Government Agencies	\$ 1,991,978	
Remittance of Revenue Collected	15,802	
Landfill Closure/Postclosure Care Costs	342,236	
Total Landfill Operation and Maintenance		<u>2,350,016</u>

Total Solid Waste/Sanitation Fund \$ 2,796,004

Drug Control Fund

Public Safety

Drug Enforcement

Trustee's Commission	\$ 51	
Law Enforcement Equipment	37,101	
Total Drug Enforcement		<u>\$ 37,152</u>

Total Drug Control Fund 37,152

District Attorney General Fund

Administration of Justice

District Attorney General

Communication	\$ 7,249	
Travel	18,138	
Office Supplies	23,344	
Trustee's Commission	380	
Other Charges	76,132	
Total District Attorney General		<u>\$ 125,243</u>

Total District Attorney General Fund 125,243

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 720	
Total Chancery Court		<u>\$ 720</u>

Total Constitutional Officers - Fees Fund 720

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	101,266	
Clerical Personnel		119,614	
Part-time Personnel		13,536	
Educational Incentive - Other County Employees		6,000	
Data Processing Services		5,390	
Dues and Memberships		3,100	
Maintenance & Repair Services- Buildings		7,724	
Maintenance & Repair Services- Office Equipment		886	
Postal Charges		1,374	
Printing, Stationery, and Forms		65	
Travel		1,657	
Office Supplies		1,720	
Other Charges		987	
Total Administration			\$ 263,319

Highway and Bridge Maintenance

Foremen	\$	294,868	
Equipment Operators		434,782	
Truck Drivers		110,844	
Laborers		83,478	
Asphalt - Hot Mix		23,528	
Asphalt - Liquid		312,588	
Concrete		1,167	
Crushed Stone		186,999	
Pipe - Metal		23,928	
Road Signs		8,228	
Salt		2,594	
Sand		242	
Small Tools		881	
Wood Products		2,836	
Gravel and Chert		220,997	
Chemicals		113,343	
Other Supplies and Materials		3,202	
Other Charges		3,193	
Total Highway and Bridge Maintenance			1,827,698

Operation and Maintenance of Equipment

Mechanic(s)	\$	40,433	
Laundry Service		766	
Maintenance & Repair Services- Equipment		19,034	

(Continued)

Madison 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	\$	51,022	
Equipment Parts - Heavy		2,949	
Equipment and Machinery Parts		67,211	
Garage Supplies		607	
Gasoline		41,559	
Lubricants		3,970	
Small Tools		874	
Tires and Tubes		23,405	
Other Supplies and Materials		8,954	
Other Capital Outlay		18	
Total Operation and Maintenance of Equipment	\$		260,802

Other Charges

Communication	\$	13,685	
Contracts with Private Agencies		635	
Natural Gas		18,339	
Trustee's Commission		59,411	
Vehicle and Equipment Insurance		50,981	
Other Charges		99	
Total Other Charges			143,150

Employee Benefits

Social Security	\$	87,391	
State Retirement		156,468	
Employee and Dependent Insurance		226,308	
Workers' Compensation Insurance		137,560	
Total Employee Benefits			607,727

Capital Outlay

Engineering Services	\$	44,091	
Asphalt - Hot Mix		360,472	
Road Signs		52,116	
Bridge Construction		814,749	
Highway Equipment		154,663	
Motor Vehicles		114,947	
Other Construction		50,000	
Other Capital Outlay		6,565	
Total Capital Outlay			1,597,603

Total Highway/Public Works Fund \$ 4,700,299

(Continued)

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

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 1,175,000	
Principal on Notes	2,940,000	
Total General Government	<u>4,115,000</u>	\$ 4,115,000

Interest

General Government

Interest on Bonds	\$ 1,857,600	
Interest on Notes	1,790,100	
Total General Government	<u>3,647,700</u>	3,647,700

Other Debt Service

General Government

Trustee's Commission	\$ 149,831	
Underwriter's Discount	167,343	
Other Debt Issuance Charges	151,738	
Other Debt Service	5,896	
Total General Government	<u>474,808</u>	474,808

Total General Debt Service Fund \$ 8,237,508

General Capital Projects Fund

General Government

Election Commission

Data Processing Equipment	\$ 3,398	
Total Election Commission		\$ 3,398

County Buildings

Building Improvements	\$ 14,895	
Motor Vehicles	7,447	
Total County Buildings	<u>22,342</u>	22,342

Finance

County Trustee's Office

Data Processing Equipment	\$ 21,535	
Total County Trustee's Office		21,535

County Clerk's Office

Data Processing Equipment	\$ 9,460	
Total County Clerk's Office		9,460

(Continued)

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

General Capital Projects Fund (Cont.)

Administration of Justice

Chancery Court

Communication Equipment	\$ 14,000	
Total Chancery Court		\$ 14,000

Public Safety

Sheriff's Department

Motor Vehicles	\$ 187,016	
Total Sheriff's Department		187,016

Juvenile Services

Heating and Air Conditioning Equipment	\$ 3,180	
Total Juvenile Services		3,180

Fire Prevention and Control

Motor Vehicles	\$ 112,100	
Total Fire Prevention and Control		112,100

Inspection and Regulation

Motor Vehicles	\$ 15,546	
Total Inspection and Regulation		15,546

Public Health and Welfare

Rabies and Animal Control

Motor Vehicles	\$ 13,735	
Total Rabies and Animal Control		13,735

Convenience Centers

Motor Vehicles	\$ 98,867	
Solid Waste Equipment	74,563	
Total Convenience Centers		173,430

Social, Cultural, and Recreational Services

Libraries

Building Improvements	\$ 50,000	
Other Capital Outlay	100,000	
Total Libraries		150,000

Parks and Fair Boards

Building Construction	\$ 10,367	
Motor Vehicles	20,000	
Other Capital Outlay	10,615	
Total Parks and Fair Boards		40,982

(Continued)

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

General Capital Projects Fund (Cont.)

Other Operations

Airport

Airport Improvement

\$ 51,250

Total Airport

\$ 51,250

Total General Capital Projects Fund

\$ 817,974

Community Development/Industrial Park Fund

Other Operations

Industrial Development

Engineering Services

\$ 2,020

Remittance of Revenue Collected

242,821

Trustee's Commission

4

Site Development

86,210

Total Industrial Development

\$ 331,055

Total Community Development/Industrial Park Fund

331,055

Total Governmental Funds - Primary Government

\$ 48,870,105

Exhibit L-9

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 34,320,606	
Career Ladder Program	611,396	
Career Ladder Extended Contracts	232,700	
Homebound Teachers	90,792	
Educational Assistants	1,302,664	
Certified Substitute Teachers	638,618	
Social Security	2,675,406	
State Retirement	2,527,362	
Life Insurance	128,387	
Medical Insurance	2,259,738	
Dental Insurance	131,364	
Other Fringe Benefits	199,825	
Other Contracted Services	680,906	
Instructional Supplies and Materials	2,801,953	
Textbooks	825,939	
Other Charges	73,428	
Regular Instruction Equipment	346,460	
Total Regular Instruction Program		\$ 49,847,544

Special Education Program

Teachers	\$ 5,657,584	
Career Ladder Program	111,274	
Career Ladder Extended Contracts	4,500	
Homebound Teachers	49,442	
Educational Assistants	462,364	
Other Salaries & Wages	105,551	
Certified Substitute Teachers	95,366	
Social Security	462,720	
State Retirement	378,815	
Life Insurance	21,465	
Medical Insurance	310,316	
Dental Insurance	22,570	
Contracts with Private Agencies	385,687	
Travel	39,742	
Other Contracted Services	226,415	
Instructional Supplies and Materials	145,396	
Other Supplies and Materials	73,336	
Other Charges	14,116	
Special Education Equipment	98,583	
Total Special Education Program		8,665,242

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$ 1,947,906	
Career Ladder Program	30,000	
Other Salaries & Wages	242,691	
Certified Substitute Teachers	33,250	
Social Security	162,830	
State Retirement	121,945	
Life Insurance	7,602	
Medical Insurance	101,927	
Dental Insurance	6,590	
Instructional Supplies and Materials	368,736	
Vocational Instruction Equipment	129,384	
Total Vocational Education Program		\$ 3,152,861

Support Services

Attendance

Supervisor/Director	\$ 115,281	
Career Ladder Program	3,000	
Other Salaries & Wages	93,971	
Social Security	15,316	
State Retirement	14,177	
Life Insurance	502	
Medical Insurance	8,429	
Dental Insurance	830	
Travel	1,312	
Other Supplies and Materials	10,982	
Attendance Equipment	150	
Total Attendance		263,950

Health Services

Medical Personnel	\$ 22,751	
Social Security	1,315	
State Retirement	2,933	
Life Insurance	82	
Medical Insurance	5,181	
Dental Insurance	163	
Total Health Services		32,425

Other Student Support

Career Ladder Program	\$ 42,000	
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(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$ 1,652,436	
Psychological Personnel	416,222	
Clerical Personnel	25,935	
Other Salaries & Wages	56,743	
Social Security	157,684	
State Retirement	129,993	
Life Insurance	7,443	
Medical Insurance	105,874	
Dental Insurance	7,922	
Evaluation and Testing	51,726	
Travel	15,888	
Other Contracted Services	78,448	
Other Supplies and Materials	10,214	
Other Equipment	3,392	
Total Other Student Support		\$ 2,761,920

Regular Instruction Program

Supervisor/Director	\$ 583,191	
Career Ladder Program	49,114	
Career Ladder Extended Contracts	9,000	
Librarians	1,115,155	
Materials Supervisor	19,570	
Clerical Personnel	124,360	
Other Salaries & Wages	284,312	
Social Security	153,725	
State Retirement	138,861	
Life Insurance	7,286	
Medical Insurance	92,928	
Dental Insurance	8,370	
Maintenance & Repair Services- Equipment	17,059	
Travel	148,110	
Other Contracted Services	3,700	
Library Books/Media	303,685	
Other Supplies and Materials	43,731	
In Service/Staff Development	121,561	
Other Equipment	129,107	
Total Regular Instruction Program		3,352,825

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	124,189	
Career Ladder Program		5,000	
Clerical Personnel		26,725	
Other Salaries & Wages		246,095	
Social Security		29,106	
State Retirement		23,393	
Life Insurance		1,107	
Medical Insurance		19,354	
Dental Insurance		1,306	
Travel		3,338	
In Service/Staff Development		18,478	
Total Special Education Program			\$ 498,091

Vocational Education Program

Supervisor/Director	\$	67,370	
Career Ladder Program		3,000	
Secretary(s)		26,349	
Social Security		7,214	
State Retirement		7,144	
Life Insurance		420	
Medical Insurance		1,705	
Dental Insurance		92	
Travel		9,488	
Other Supplies and Materials		2,350	
Total Vocational Education Program			125,132

Board of Education

Secretary to Board	\$	5,400	
Board and Committee Members Fees		32,400	
Social Security		2,669	
State Retirement		696	
Unemployment Compensation		89,876	
Audit Services		29,650	
Dues and Memberships		8,203	
Legal Services		7,674	
Travel		21,082	
Liability Insurance		126,711	
Trustee's Commission		618,707	
Workers' Compensation Insurance		542,887	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 474	
Total Board of Education		\$ 1,486,429

Director of Schools

County Official/Administrative Officer	\$ 101,059	
Assistant(s)	86,055	
Secretary(s)	170,327	
Social Security	25,473	
State Retirement	32,052	
Life Insurance	1,144	
Medical Insurance	12,999	
Dental Insurance	1,032	
Communication	38,405	
Dues and Memberships	7,862	
Postal Charges	10,917	
Travel	2,396	
Total Director of Schools		489,721

Office of the Principal

Principals	\$ 1,998,119	
Career Ladder Program	69,382	
Career Ladder Extended Contracts	37,000	
Assistant Principals	1,157,370	
Secretary(s)	1,013,871	
Other Salaries & Wages	460,695	
Social Security	338,686	
State Retirement	359,607	
Life Insurance	16,018	
Medical Insurance	257,196	
Dental Insurance	18,823	
Communication	68,861	
Travel	24,276	
Other Supplies and Materials	86,782	
Total Office of the Principal		5,906,686

Fiscal Services

Supervisor/Director	\$ 67,675
Accountants/Bookkeepers	189,631
Social Security	18,499

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

State Retirement	\$	32,080	
Life Insurance		868	
Medical Insurance		11,991	
Dental Insurance		880	
Travel		3,876	
Office Supplies		12,553	
Total Fiscal Services	\$		338,053

Operation of Plant

Supervisor/Director	\$	46,993	
Custodial Personnel		1,532,958	
Other Salaries & Wages		36,002	
Social Security		115,617	
State Retirement		157,120	
Life Insurance		5,397	
Medical Insurance		88,516	
Dental Insurance		6,010	
Other Contracted Services		324,455	
Custodial Supplies		172,104	
Electricity		2,044,727	
Natural Gas		778,647	
Water and Sewer		247,395	
Building and Contents Insurance		423,628	
Other Charges		7,722	
Plant Operation Equipment		5,425	
Total Operation of Plant			5,992,716

Maintenance of Plant

Supervisor/Director	\$	90,348	
Secretary(s)		63,303	
Other Salaries & Wages		1,530,342	
Social Security		118,986	
State Retirement		194,946	
Life Insurance		6,272	
Medical Insurance		112,462	
Dental Insurance		2,831	
Travel		3,860	
Other Supplies and Materials		999,925	
Other Charges		4,272	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Maintenance Equipment	\$ 49,574	
Total Maintenance of Plant		\$ 3,177,121

Transportation

Supervisor/Director	\$ 95,505	
Mechanic(s)	266,602	
Bus Drivers	1,875,913	
Other Salaries & Wages	96,213	
Social Security	161,380	
State Retirement	260,257	
Life Insurance	6,272	
Medical Insurance	202,423	
Dental Insurance	15,449	
Contracts with Parents	1,348	
Travel	29,160	
Gasoline	536,534	
Tires and Tubes	76,592	
Vehicle Parts	334,604	
Vehicle and Equipment Insurance	111,691	
Other Charges	21,694	
Total Transportation		4,091,637

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$ 1,000	
Social Security	77	
State Retirement	55	
Total Food Service		1,132

Community Services

Supervisor/Director	\$ 115,423	
Teachers	62,873	
Other Salaries & Wages	285,942	
Social Security	34,375	
State Retirement	35,963	
Life Insurance	730	
Medical Insurance	7,073	
Dental Insurance	285	
Communication	5,521	

(Continued)

Exhibit L-9

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Community Services (Cont.)</u>		
Travel	\$ 4,271	
Other Contracted Services	1,484	
Other Supplies and Materials	49,994	
Other Equipment	887	
Total Community Services		\$ 604,821
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Building Construction	\$ 7,140,001	
Building Improvements	264,623	
Total Regular Capital Outlay		<u>7,404,624</u>
Total General Purpose School Fund		\$ 98,192,930
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 1,546,529	
Clerical Personnel	88,035	
Educational Assistants	142,561	
Other Salaries & Wages	160,001	
Certified Substitute Teachers	18,970	
Social Security	124,818	
State Retirement	112,427	
Life Insurance	5,924	
Medical Insurance	59,203	
Dental Insurance	4,790	
Employer Medicare	18,219	
Maintenance & Repair Services- Equipment	10,066	
Other Contracted Services	48,333	
Instructional Supplies and Materials	455,271	
Other Charges	65,986	
Regular Instruction Equipment	514,913	
Total Regular Instruction Program		\$ 3,376,046
<u>Special Education Program</u>		
Teachers	\$ 344,205	
Educational Assistants	1,454,104	
Other Salaries & Wages	289,493	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	149,223	
State Retirement		190,532	
Life Insurance		6,695	
Medical Insurance		118,292	
Dental Insurance		9,266	
Contracts with Private Agencies		37,070	
Other Contracted Services		15,107	
Instructional Supplies and Materials		202,986	
Textbooks		9,330	
Other Charges		1,758	
Special Education Equipment		333,325	
Total Special Education Program			\$ 3,161,386

Vocational Education Program

Educational Assistants	\$	21,000	
Social Security		1,610	
State Retirement		715	
Life Insurance		81	
Medical Insurance		3,740	
Dental Insurance		275	
Travel		60,028	
Instructional Supplies and Materials		180,368	
Vocational Instruction Equipment		32,495	
Total Vocational Education Program			300,312

Support Services

Other Student Support

Guidance Personnel	\$	49,145	
Clerical Personnel		5,613	
Other Salaries & Wages		17,475	
Social Security		4,989	
State Retirement		4,381	
Life Insurance		189	
Medical Insurance		4,499	
Dental Insurance		257	
Employer Medicare		80	
Travel		4,764	
Other Contracted Services		7,000	
Other Supplies and Materials		25,134	

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

In Service/Staff Development	\$	1,230	
Other Charges		429	
Other Equipment		38,922	
Total Other Student Support			\$ 164,107

Regular Instruction Program

Supervisor/Director	\$	62,065	
Secretary(s)		25,498	
Other Salaries & Wages		205,039	
Social Security		29,231	
State Retirement		23,776	
Life Insurance		981	
Medical Insurance		24,088	
Dental Insurance		1,152	
Consultants		9,450	
Maintenance & Repair Services- Equipment		3,206	
Travel		51,367	
Other Contracted Services		469	
Library Books/Media		40,216	
Other Supplies and Materials		52,577	
In Service/Staff Development		378,337	
Other Charges		17,906	
Other Equipment		5,855	
Total Regular Instruction Program			931,213

Special Education Program

In Service/Staff Development	\$	1,441	
Total Special Education Program			1,441

Vocational Education Program

Travel	\$	6,007	
Other Contracted Services		3,500	
In Service/Staff Development		4,891	
Total Vocational Education Program			14,398

Fiscal Services

Accountants/Bookkeepers	\$	33,190	
Social Security		2,381	
State Retirement		4,278	

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Life Insurance	\$	81	
Medical Insurance		1,513	
Dental Insurance		83	
Total Fiscal Services			\$ 41,526

Transportation

Bus Drivers	\$	27,162	
Other Salaries & Wages		17,385	
Social Security		3,047	
State Retirement		3,504	
Medical Insurance		4,663	
Gasoline		6,136	
Total Transportation			61,897

Total School Federal Projects Fund \$ 8,052,326

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	61,179	
Accountants/Bookkeepers		81,464	
Cafeteria Personnel		1,996,380	
Other Salaries & Wages		69,834	
Social Security		156,638	
State Retirement		230,217	
Life Insurance		7,158	
Medical Insurance		127,233	
Dental Insurance		11,153	
Unemployment Compensation		818	
Other Fringe Benefits		103	
Communication		12,914	
Maintenance & Repair Services- Equipment		18,837	
Transportation - Other than Students		43,542	
Travel		15,997	
Other Contracted Services		76,153	
Food Supplies		2,278,403	
Uniforms		20,352	
Other Supplies and Materials		263,500	
Trustee's Commission		8,256	

(Continued)

Exhibit L-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In Service/Staff Development	\$ 9,339	
Food Service Equipment	85,558	
Total Food Service	<u> </u>	\$ 5,575,028

Total Central Cafeteria Fund \$ 5,575,028

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Trustee's Commission	\$ 377	
Building Construction	2,776,822	
Building Improvements	1,156,123	
Maintenance Equipment	26,775	
Plant Operation Equipment	27,428	
Regular Instruction Equipment	45,822	
Transportation Equipment	770,709	
Total Education Capital Projects	<u> </u>	\$ 4,804,056

Total Education Capital Projects Fund 4,804,056

Total Governmental Funds - Madison County School Department \$ 116,624,340

Exhibit L-10

Madison County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 203,236	\$ 203,236
Prior Year's Property Tax	0	9,030	9,030
Interest and Penalty	0	1,349	1,349
Local Option Sales Tax	19,061,588	5,141	19,066,729
Hotel/Motel Tax	413,921	0	413,921
Total Cash Receipts	<u>\$ 19,475,509</u>	<u>\$ 218,756</u>	<u>\$ 19,694,265</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 19,277,699	\$ 217,544	\$ 19,495,243
Trustee's Commission	194,755	4,323	199,078
Total Cash Disbursements	<u>\$ 19,472,454</u>	<u>\$ 221,867</u>	<u>\$ 19,694,321</u>
<u>Excess of Cash Receipts Over(Under)</u>			
Cash Disbursements	\$ 3,055	\$ (3,111)	\$ (56)
Cash Balance, July 1, 2004	31,464	5,775	37,239
Cash Balance, June 30, 2005	<u>\$ 34,519</u>	<u>\$ 2,664</u>	<u>\$ 37,183</u>

STATISTICAL SECTION

Table 1

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

Year	Amount
1994	\$ 47,217
1995	60,842
1996	73,115
1997	75,874
1998	100,984
1999	134,762
2000	189,660
2001	351,676
2002	479,755
2003	<u>686,490</u>
Total	<u>\$ 2,200,375</u>

Table 2

Madison County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.788	\$ 0.700	\$ 0.740	\$ 0.955	\$ 0.7955	\$ 0.79	\$ 0.81	\$ 0.790	\$ 0.775	0.960
Juvenile Services	0.100	0.105	0.105	0.105	0.0810	0.08	0.07	0.070	0.060	0.065
Local Purpose Tax	0.122	0.115	0.115	0.000	0.0820	0.08	0.00	0.000	0.000	0.000
Highway/Public Works	0.140	0.150	0.150	0.150	0.1415	0.14	0.12	0.120	0.115	0.120
General Debt Service	0.570	0.570	0.670	0.670	0.5740	0.57	0.57	0.535	0.535	0.515
General Capital Projects	0.000	0.080	0.080	0.080	0.0710	0.08	0.01	0.000	0.000	0.000
General Purpose School	1.110	1.110	0.970	0.870	0.7150	0.72	0.88	0.945	0.975	0.800
Total Tax Rates	\$ 2.830	\$ 2.830	\$ 2.830	\$ 2.830	\$ 2.4600	\$ 2.46	\$ 2.46	\$ 2.460	\$ 2.460	2.460
<u>Assessed Valuation</u>										
Real and Personal	\$ 836,028,547	\$ 869,317,662	\$ 929,316,784	\$ 994,341,585	\$ 1,235,905,941	\$ 1,287,261,169	\$ 1,325,301,500	\$ 1,350,427,741	\$ 1,360,720,132	\$ 1,408,018,420
Public Utilities	50,297,531	48,038,651	43,938,757	43,505,011	51,033,963	57,277,808	52,673,806	55,894,884	54,831,776	56,286,851
Total Assessed Valuation	\$ 886,326,078	\$ 917,356,313	\$ 973,255,541	\$ 1,037,846,596	\$ 1,286,939,904	\$ 1,344,538,977	\$ 1,377,975,306	\$ 1,406,322,625	\$ 1,415,551,908	\$ 1,464,305,271

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 37243-0269
PHONE (615) 401-7841

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

March 16, 2006

Madison County Mayor and
Board of County Commissioners
Madison 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 Madison County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Madison County's basic financial statements and have issued our report thereon dated March 16, 2006. Our report was qualified because the county did not provide sufficient documentation to support the amounts recorded for the historical costs and the related depreciation for some capital assets in governmental activities and did not have an actuarial valuation performed for the City of Jackson Retirement Plan for the discretely presented School Department. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madison County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02(C,D,E), 05.03, 05.06, 05.12, 05.13, 05.14, 05.16, 05.17, and 05.24.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05.01 to be a material weakness.

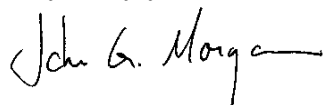
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's 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 which are described in the accompanying Schedule of Findings and Questioned Costs as item 05.02(A,B), 05.04, 05.05, 05.07, 05.08, 05.09, 05.10, 05.11, 05.15, 05.18, 05.19, 05.20, 05.21, 05.22, 05.23, 05.25, and 05.26.

We have also noted certain other matters that we reported to the management of Madison County in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

March 16, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Madison 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, 2005. Madison 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 Madison County's management. Our responsibility is to express an opinion on Madison 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 auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a

test basis, evidence about Madison 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 on Madison County's compliance with those requirements.

In our opinion, Madison 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, 2005.

Internal Control Over Compliance

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

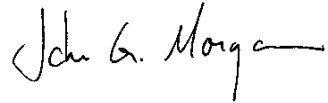
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Madison County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated March 16, 2006. Our report was qualified because the county did not provide sufficient documentation to support the amounts recorded for the historical costs and related depreciation for some capital assets in governmental activities and did not have an actuarial valuation performed for the City of Jackson Teachers Retirement Plan for the discretely presented School Department. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

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

For the Madison County Emergency Communications District

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

We have audited the financial statements of Madison County Emergency Communications District, a component unit of Madison County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted an immaterial weakness that has been reported to management of the district in a letter dated August 30, 2005.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the district'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the district's Board of Directors, management and the Comptroller of the Treasury, State of Tennessee. It is not intended to be and should not be used by anyone other than these specified parties.

MADISON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2005

Board of Directors
Madison County Emergency Communications District
Jackson, Tennessee

We have completed our audit of the financial statements of Madison County Emergency Communications District for the year ended June 30, 2005, and have issued our report thereon.

In addition, we have the following comment for strengthening the accounting system and improving operating efficiency.

In conducting our cash disbursement testing, we noted that purchase orders are being issued after the fact. Purchase orders are designed to be issued before purchases are made as a way to document authorization for the purchase. Currently, the district's purchasing policy requires their use. We advise you to review the policy and consider whether your situation is conducive to the use of purchase orders and update accordingly.

Madison County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 431,286
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	986,670
National School Lunch Program	10.555	N/A	2,913,138
Passed-through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	GG051140400	305,407
Total U.S. Department of Agriculture			<u>\$ 4,636,501</u>
U.S. Department of Justice:			
Passed-through State Department of Children's Services:			
Juvenile Accountability Incentive Block Grants	16.523	GG03098110	\$ 322,482
Passed-through State Office of Criminal Justice Programs:			
Crime Victim Assistance	16.575	(2)	32,749
Assistance Discretionary Grants Program	16.580	Z0109896400	15,000
Local Law Enforcement Block Grant Program	16.592	(2)	39,418
Passed-through City of Jackson:			
Drug Prevention Program	16.728	(2)	13,709
Total U.S. Department of Justice			<u>\$ 423,358</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z0502411800	\$ 23,276
Occupant Protection	20.602	Z0401680200	3,032
Total U.S. Department of Transportation			<u>\$ 26,308</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 3,186,360
Special Education - Grants to States	84.027	GG051102400	3,399,948
Vocational Education - Basic Grants to States	84.048	N/A	314,710
Magnet Schools Assistance	84.165	N/A	2,049,808
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	129,221
State Grants for Innovative Programs	84.298	N/A	79,479
Education Technology State Grants	84.318	(2)	237,398
Advanced Placement Program	84.330	Z0301334100	66,999
Tech-Prep Demonstration Grant	84.353	N/A	2,000
Reading First State Grants	84.357	(2)	2,054,500
English Language Acquisition Grants	84.365	N/A	36,490
Improving Teacher Quality State Grants	84.367	N/A	889,171
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG041022101	99,283
Total U.S. Department of Education			<u>\$ 12,545,367</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Family Planning - Delivery Improvement Research Grants	93.217	GG051096400	\$ 170,000
Abstinence Education Program	93.235	Z0502146400	382
Immunization Grants	93.268	GG051169800	25,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG051092700	895,174 (3)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	GG051096400	76,162 (3)

(Continued)

Madison 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 Health and Human Services (Cont.):			
Passed-through State Department of Health (Cont.):			
HIV Prevention Activities - Health Department Based	93.940	Z0502405900	164,809
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	GG051096400	268,602
Preventive Health and Health Services Block Grant	93.991	GG051096400	20,523
Total U.S. Department of Health and Human Services			<u>\$ 1,620,652</u>
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z0402012100	\$ 432,831
State and Local Homeland Security Exercise Support	97.006	Z0401975600	100,638
Hazard Mitigation Grant	97.039	GG030988800	10,448
Emergency Management Performance Grants	97.042	Z0502541500	58,024
Citizens Corp	97.053	Z0410945900	3,544
Total U. S. Department of Homeland Security			<u>\$ 605,485</u>
Total Expenditures of Federal Awards			<u>\$ 19,857,671</u>
State Grants:			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 48,074
Title IV A - State Department of Children's Services	N/A	(2)	144,639
Family Planning - State Department of Health	N/A	(2)	155,994
Childhood Immunization Grant - State Department of Health	N/A	(2)	129,532
Health Services Block Grant - State Department of Health	N/A	(2)	505,472
GED + 2 Grant - State Department of Education	N/A	(2)	42,168
Family Resource Center - State Department of Education	N/A	Z0502140600	22,941
Early Childhood Grant - State Department of Education	N/A	Z0502214000	270,014
Safe Schools Act - State Department of Education	N/A	(2)	65,075
Art Grant - State Department of Education	N/A	Z0502305000	2,072
Ag Course Grant - Jackson State Community College	N/A	(2)	772
Litter Grant - State Department of Transportation	N/A	(2)	33,112
Waste Tire Disposal Grant - State Department of Transportation	N/A	(2)	125,947
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(2)	235,929
Hazard Elimination Program - State Department of Transportation	N/A	(2)	27,670
Total State Grants			<u>\$ 1,809,411</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

(3) Total Centers for Disease Control and Prevention - Investigations and Technical Assistance \$971,336

Madison County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Madison County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.04	186	The office paid invoices without documentation that goods had been received or services had been rendered
04.05	187	The office had deficiencies in budget operations

OFFICE OF PURCHASING AGENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07	190	The office did not solicit competitive bids for some applicable purchases
04.08	191	Purchase orders were not issued in some applicable instances

OFFICE OF HIGHWAY ENGINEER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.09	191	The office did not always issue purchase orders properly
04.10	191	Competitive bids were not solicited for some applicable purchases
04.12	192	The highway department did not maintain records for work performed on department vehicles
04.13	193	The highway department did not account for the use of some road materials

OFFICE OF JUVENILE COURT CLERK

Finding Number	Page Number	Subject
04.15	194	An execution docket trial balance was not prepared for juvenile court

OTHER FINDING

Finding Number	Page Number	Subject
04.16	194	Madison County did not provide sufficient documentation to support the establishment of some capital assets

MADISON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the governmental activities and aggregate discretely presented component units is qualified. Our report on each major fund and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Madison County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed four instances of noncompliance that were material to the financial statements of Madison County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Education Agencies (CFDA No. 84.010), Magnet Schools Assistance (CFDA No. 84.165), Reading First State Grants (CFDA No. 84.357), and Centers for Disease Control and Prevention – Investigations and Technical Assistance (CFDA No. 93.283) were determined to be major programs.
8. A threshold of \$595,730 was used to distinguish between Type A and Type B federal programs.
9. Madison 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 written responses of the finance director, highway engineer, sheriff, and health department director are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

GOVERNMENT-WIDE STATEMENTS

FINDING 05.01 **SUFFICIENT DOCUMENTATION WAS NOT PROVIDED TO SUPPORT THE ESTABLISHMENT OF SOME CAPITAL ASSETS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Our auditor's opinion on the financial statements of Madison County was qualified because the county did not provide sufficient documentation to support the establishment of historical costs for some capital assets. Because documentation was inadequate, we could not determine if depreciation expense was recorded correctly for these capital assets.

RECOMMENDATION

Officials should take steps to ensure that sufficient documentation is on hand to support the establishment of all the county's capital assets.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Most, if not all, of the assets responsible for this finding were items where the assets original cost/depreciation basis was not available because of the age of the asset. This office intends to document the valuations assigned to the assets in question. The methodology will involve establishing the current value of the assets and deflating the value using approved Consumer Price Index tables to the year that it can best be determined that the asset was acquired. The asset's depreciable basis will be adjusted to reflect the deflated price and the resultant accumulated depreciation will be re-stated. For many of the assets involved, the assets will be fully depreciated prior to the audit period regardless of the valuations. Little or no impact on the current year's depreciation expense should be noticed due to this revaluation.

OFFICE OF COUNTY MAYOR

FINDING 05.02 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A. Material Noncompliance Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards; C.,D., E. Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit of the County Mayor's Office revealed the following deficiencies in budget operations:

- A. Community Development/Industrial Park Fund total expenditures exceeded appropriations approved by the County Commission by \$201,622.
- B. General Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in the Property Assessor's Office (\$14,863) and Drug Court (\$3,618) major appropriation categories (the legal level of control).

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

- C. The budget and subsequent amendments submitted to and approved by the County Commission for the Community Development/Industrial Park Fund contained appropriations that exceeded estimated available funding causing a budgeted fund deficit of \$50,000.
- D. All expenditures (\$802,083), except for salaries and other fringe benefits, for the Health Department's Maternal and Child Health Services program were posted to the accounting records as Contracts with Government Agencies. Expenditures posted to this account were actually for office supplies, drugs and medical supplies, office equipment, utilities, communication services, travel, postage, and other operating expenses. Because of the number of misclassified expenditures, we did not attempt to properly classify these expenditures in the financial statements of this report. The incorrect postings of expenditures diminish the usefulness of the financial records as a management tool and result in a loss of budgetary and accounting control.
- E. In two instances, vehicle purchases were posted incorrectly in the accounting records. A sports utility vehicle (\$27,447) was purchased for the Parks and Recreation Department, and the expenditure was posted to the General Capital Projects Fund's Parks and Fair Boards – Motor Vehicles account (\$20,000) and to the General Fund's Parks and Fair Boards – Other Charges account (\$7,447). A truck (\$28,478) was purchased for the Fire Department, and the expenditure was posted to the General Capital Projects Fund's Fire

Prevention and Control – Motor Vehicles account (\$17,464) and to the General Fund’s Fire Prevention and Control – Equipment and Machinery Parts account (\$11,014). In both instances, the entire purchases should have been coded to the Motor Vehicles accounts. It appears the county incorrectly posted these purchases to avoid over-spending the Motor Vehicles budget line-item accounts. The incorrect postings of expenditures diminish the usefulness of the financial records as a management tool and result in a loss of budgetary and accounting control. We did not reclassify these expenditures in the financial statements of this report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission. Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

- A. We concur. An approved grant for improvements to the park led to the expenditures exceeding appropriations. This fund should have been amended to cover the grant transactions.
- B. We concur. Amendments should have been approved in June to appropriate funds for these major categories.
- C. The County Commission appropriated \$50,000 to the county library which led to appropriations exceeding estimated available funding.
- D.,E. We concur. Although these departments did not have sufficient funds in their capital accounts (motor vehicles) to cover the total purchases, they did have enough in their total budgets to make up the differences. We recommend that departments stay within their capital budget accounts and not use their other accounts to make up any differences. The departments should classify expenditures in the appropriate accounts.

MANAGEMENT'S RESPONSE – HEALTH DEPARTMENT DIRECTOR

- D. The account code Contracts with Government Agencies is reserved for all Maternal and Child Health state contracts. When the contracts are awarded to the Health Department, a detailed line-item budget is presented and approved by the state fiscal section of the Department of Health. Funds can only be dispersed as stated in the detailed budget. The Health Department maintains very detailed accounting records to support requests for reimbursement of funds and is audited by the appropriate program division each year. These are not county funds, but are state contracts with approved budgets by the State Department of Health. However, the Health Department will identify major accounts to submit to the county Finance Department as detailed line-items for the coming year's budget. Additional accounting worksheets to support the summary postings will continue to be available for review at the Health Department.

FINDING 05.03 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination revealed the following purchasing deficiencies:

- A. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- B. Receipts were not provided to document meals purchased with credit cards. The failure to document meals purchased with credit cards increases the risks of unauthorized purchases.
- C. In several instances, invoices were paid after the due date resulting in late charges.

RECOMMENDATION

The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. In the absence of a per diem allowance for meals, receipts should be submitted as documentation for all meals purchased with the county's credit cards. Vendors should be paid on a timely basis to avoid finance charges and loss of allowable discounts.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

- B. We concur. When requests for payments of credits cards are received without itemized receipts, the requests will be returned to the department and will not be paid until the department has furnished the documentation.
- C. We concur. The county changed to a semi-monthly accounts payable schedule due to cash flow and efficiency. In some cases, late fees were assessed due to this change. We will continue to monitor this and, if need be, change payment dates.

FINDING 05.04 **THE ECONOMIC BENEFIT DERIVED FROM THE USE OF EMPLOYER PROVIDED VEHICLES WAS NOT CALCULATED AND REPORTED ON FEDERAL W-2 FORMS**
(Noncompliance Under Government Auditing Standards)

Certain employees used county-owned vehicles to commute to and from work. The economic benefit received by these individuals from using the county vehicles to commute to and from work was not calculated and reported to the federal government on the individuals’ W-2 Forms as required by Internal Revenue Service (IRS) regulations.

RECOMMENDATION

The economic benefit received by these employees from using county vehicles to commute to and from work should be calculated and included on their W-2 Forms as required by IRS regulations.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

We concur. Those employees and elected officials that the county has identified as using department vehicles have been reported to the IRS for commuting to and from work. Madison County is in the process of identifying all other employees who use county vehicles to travel to and from work, and we will calculate and report this to the IRS on their W-2 Forms.

FINDING 05.05 **TRAVEL CLAIM FORMS WERE NOT ALWAYS SUBMITTED IN ACCORDANCE WITH THE COUNTY’S TRAVEL POLICY**
(Noncompliance Under Government Auditing Standards)

The county mayor, his assistant, and some county commissioners did not complete travel claim forms documenting their travel expenses. These expenditures were paid with county credit cards. The county’s travel policy provides that “Employees should submit claims for reimbursement for travel expense no later than thirty (30) days after completion of travel.”

RECOMMENDATION

All county officials and employees should submit travel claims as required by the county's travel policy.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The County Personnel Committee will soon meet to review all regulations in the county's travel policy. Travel claim forms, costs, documentation, explanations, and credit card charges for travel will be addressed.

FINDING 05.06 **THE PARKS AND RECREATION DEPARTMENT PURCHASED SAM'S CLUB MEMBERSHIPS FOR EMPLOYEES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Parks and Recreation Department purchased Sam's Club memberships for 16 employees for \$480 (eight corporate cards and eight personal cards). The eight employees with corporate cards were authorized to make purchases on behalf of the department; however, the other eight employees received their cards as perks from their employment.

RECOMMENDATION

The county should not purchase personal Sam's Club memberships for employees.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur. The annual memberships paid for employees that are not authorized to make purchases for the county should be voided.

OFFICE OF THE DIRECTOR OF THE HEALTH DEPARTMENT

FINDING 05.07 **THE DIRECTOR OF THE HEALTH DEPARTMENT RECEIVED ADDITIONAL COMPENSATION**
(Noncompliance Under Government Auditing Standards)

Effective October 16, 1993, Dr. Tony Emison, director of the Health Department, began receiving compensation charged to the Other Salaries & Wages budgetary line-item account of the Women, Infants, and Children (WIC) program in addition to his regular salary which was charged to the County Officials budgetary line-item account. According to documents we reviewed and conversations with Dr. Emison, this additional compensation was charged to the Professional Fees budgetary line-item in the approved WIC program grant. According to the WIC program grant guidelines, the Professional Fees line-item "will

reimburse the Jackson-Madison County Health Department for county employees' time spent in the WIC Program." These funds were intended to reimburse Madison County for Health Department employees pulled away from their normal job responsibilities to work on the WIC program, not to supplement the director's salary. Therefore, since Dr. Emison is receiving the WIC program funds, the county is losing funds which would have been applied against the time employees devoted to the WIC program. It should be noted that monthly WIC time study reports for the year ended June 30, 2005, indicated that reimbursements to the county for Dr. Emison's salary totaled \$2,418. However the table below indicates Dr. Emison was paid \$38,256 from the WIC program. Dr. Emison also receives compensation as the county coroner. The following is an analysis of Dr. Emison's salary for fiscal year 2004-05.

<u>Description</u>	<u>Amount</u>
Health Department - Director's Salary	\$ 154,344
Other Salaries & Wages - WIC Program	38,256
County Coroner Compensation	<u>21,031</u>
Total	<u><u>\$ 213,631</u></u>

RECOMMENDATION

County officials should review total compensation from all sources provided to Dr. Emison. Dr. Emison's total compensation should be charged to the director's salary line-item account in the Health Department's budget.

MANAGEMENT'S RESPONSE – HEALTH DEPARTMENT DIRECTOR

Over the years since the salary change in 1993, the amount designated for professional fees has declined as other costs of the program have increased and have required more of the base grant to cover program operations. The amount granted for professional fees currently covers only about two-thirds of employees' time spent in the delivery of WIC services. The grant no longer has enough funds under professional fees to cover the director's salary. Program auditors of the WIC division at the state Department of Health have audited this contract every year and they are aware of all charges to the contract.

REBUTTAL

These grant funds (professional fees) are meant to reimburse the county for employees' time spent on the WIC program, not to supplement the director's salary.

FINDING 05.08 FAILURE TO PROPERLY DOCUMENT PAYMENTS TO A FORMER EMPLOYEE
 (Noncompliance Under Government Auditing Standards)

On January 5, 2005, Trish Lowry resigned her position as administrator of the Health Department and moved to Arizona. In a letter to the Personnel Department dated January 6, 2005, Dr. Emison, director of the Health Department, authorized Ms. Lowry to be employed in a part-time capacity and compensated at a rate of \$50 an hour to train the new administrator. The new administrator was hired on January 18, 2005. The new administrator advised auditors that she received very little training from Ms. Lowry. During the period January 6, 2005, through June 30, 2005, Ms. Lowry submitted time sheets and was paid for the following hours:

<u>Month</u>	<u>Hours</u>	<u>Amount</u>
January, 2005	85	\$ 4,250
February	31	1,550
March	49	2,450
April	52	2,600
May	15	750
June	<u>65</u>	<u>3,250</u>
Total	<u>297</u>	<u>\$ 14,850</u>

Ms. Lowry was paid for 234 hours for work performed from her home in Arizona. The Health Department had no documentation on file to support these hours, and Ms. Lowry was not supervised during this time or required to submit any details for the hours worked.

RECOMMENDATION

Accurate records should be maintained to document payments to part-time employees.

MANAGEMENT’S RESPONSE – HEALTH DEPARTMENT DIRECTOR

Although little time was spent in the office with the new administrator, other items of business continued to be handled by Ms. Lowry. It cannot be known at this point as to all that Ms. Lowry worked on as she continued in her part-time capacity. It is known that she continued to be a liaison with the State of Tennessee and continued to conduct budget transactions. In the future, when an employee has submitted a letter of resignation but has been retained to assist with training, a written contract will be prepared and signed by both parties.

FINDING 05.09 GRANTING OF SABBATICAL LEAVE WITHOUT A POLICY APPROVED BY THE COUNTY COMMISSION
(Noncompliance Under Government Auditing Standards)

On November, 30, 2005, Dr. Emison entered into a work sabbatical agreement with Brent Lewis, an employee of the Health Department. According to this agreement, Mr. Lewis will be allowed to pursue a higher level of education for a 12-month period beginning January 2006. Mr. Lewis will continue to receive his full compensation (\$65,208) and benefits during this time. The personnel policies adopted by the County Commission do not provide for sabbaticals for employees to continue their education.

RECOMMENDATION

The county should not enter into agreements with employees for sabbaticals that do not comply with the approved county personnel policy.

MANAGEMENT’S RESPONSE – HEALTH DEPARTMENT DIRECTOR

In reference to the policy for a sabbatical leave for Mr. Lewis, the Health Department is in a unique position as the county completes its bio-preparedness plan. Because Mr. Lewis has an extensive background in the area of environmental health, the department believes this agreement positions the Health Department to use the environmental health background, combined with the degree in nursing, to be better prepared in the event of future biohazard or bioterrorism occurrences. This will be a definite benefit to Madison County should such an event occur. Prior to entering into any formal arrangement, a written contract was prepared, reviewed, and approved by the county attorney, and signed by both parties.

REBUTTAL

If the County Commission desires to provide a sabbatical benefit to county employees, the County Commission should officially include the benefit as part of the county’s personnel policies.

FINDING 05.10 THE HEALTH DEPARTMENT DID NOT FOLLOW THE COUNTY’S LEAVE POLICY
(Noncompliance Under Government Auditing Standards)

The Health Department did not comply with the county’s policies and procedures concerning annual leave adopted by the County Commission on May 18, 1998. During the period under examination, Health Department employees earned and accumulated more annual leave than allowed by the county’s leave policy.

As noted in Finding 05.08, on January 5, 2005, Trish Lowry resigned her position as administrator of the county’s Health Department. Upon Ms. Lowry’s resignation, she was paid for 39 accumulated annual leave days; however, according to the county’s personnel policy “an employee may accumulate a maximum of thirty (30) work days of annual leave.

Any greater amount of annual leave shall be forfeited.” Therefore, Ms. Lowry was overpaid for nine days of annual leave which cost the county \$2,583.

RECOMMENDATION

The Health Department should comply with the county’s leave policies.

MANAGEMENT’S RESPONSE – HEALTH DEPARTMENT DIRECTOR

For the 12 years I have been director and even before my tenure, the Health Department has operated with the understanding that personnel policies observed by the state Department of Health were also observed by the county Health Department. To make the recommended change after all this time would adversely affect over 100 employees. The Health Department feels a better solution to this finding would be to present a policy change to the County Commission that would benefit all county employees.

REBUTTAL

All county employees should comply with provisions of the county’s personnel policies and procedures. The county has the discretion of changing its leave policies; however, all department, offices, and agencies should comply with applicable policy.

OFFICE OF PURCHASING AGENT

FINDING 05.11 **THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR SOME APPLICABLE PURCHASES**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for custodial services at the Health Department (\$50,760). Purchasing procedures for the general county government are governed by Chapter 102, Private Acts of 1947, as amended, which requires that competitive bids be solicited through public advertisement for all purchases exceeding \$5,000.

RECOMMENDATION

Competitive bids should be solicited through public advertisement for all purchases exceeding \$5,000.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

Bids should have been solicited for this service. The purchasing agent was unaware that this service had been contracted by the Health Department.

FINDING 05.12 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Reportable Condition Under Government Auditing Standards)

In most instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before the purchases are made.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

This deficiency will be resolved in April 2006 upon implementation of the new purchasing procedures that will require purchase orders to be approved by the Finance Office prior to any purchase.

FINDING 05.13 POLICIES AND PROCEDURES FOR CREDIT CARDS HAD NOT BEEN FULLY IMPLEMENTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Section IV of the county’s policies and procedures for purchasing and credit cards states “...Employees will sign an agreement before receiving a purchasing and/or credit card for approved business purposes only...” Also, stated in a memo to all offices, departments, and agencies of, or under the control of the county government, from the county purchasing agent dated March 4, 2003, “The Cardholder Agreement is to be signed by anyone within your department or agency which has issued or will be issued, a purchasing and credit card for county use. Each department head must keep a copy of this agreement on file and forward a copy to the county purchasing agent. These agreements must be kept up-to-date at all times for possible review by the State of Tennessee Comptroller’s Office or the county purchasing agent.”

Our review of the files in the Office of Purchasing Agent revealed that out of 17 departments using county credit cards, only the Register, Juvenile Court Services, and the Highway Department had returned the signed agreements to the county purchasing agent.

RECOMMENDATION

The county purchasing agent should ensure that all departments that have purchasing and/or credit cards return the cardholder agreements to the Office of Purchasing Agent.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

This problem was addressed in a purchasing procedures meeting held in February 2006, and all county employees who were involved in the procurement process, along with many department heads were present. Cardholder agreements, along with copies of the credit card policies and procedures were made available to all.

REBUTTAL

We verified with the purchasing agent that as of March 23, 2006, only two additional departments had returned their cardholder agreements to the purchasing agent’s office.

OFFICE OF HIGHWAY ENGINEER

FINDING 05.14 **THE OFFICE DID NOT ALWAYS ISSUE PURCHASE ORDERS PROPERLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, purchase orders were not issued. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Also, in some instances purchase orders were issued after the 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.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made.

MANAGEMENT’S RESPONSE – HIGHWAY ENGINEER

Most problems with missing or late purchase orders were caused by purchase orders issued after hours, weekends, etc. Purchase orders were issued the next day. In the future, purchase orders will be issued by the Finance Department.

FINDING 05.15 COMPETITIVE BIDS WERE NOT SOLICITED FOR ALL APPLICABLE PURCHASES
(Noncompliance Under Government Auditing Standards)

The office did not solicit competitive bids for the purchase of rock hauling (\$39,460) and roadside treatments (\$40,335). The Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, requires that competitive bids be solicited through public advertisement for all purchases exceeding \$10,000.

RECOMMENDATION

The office should solicit competitive bids for purchases exceeding \$10,000 as required by state statute.

MANAGEMENT'S RESPONSE – HIGHWAY ENGINEER

Until recently, we had used existing bids for some items. We understood this as being acceptable to avoid price increases. We now bid once a year.

FINDING 05.16 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN RECORDS FOR WORK PERFORMED ON DEPARTMENT VEHICLES
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department did not maintain records of maintenance and repair work performed on department vehicles. Therefore, it was difficult to determine what maintenance and repairs were performed and when.

RECOMMENDATION

The department should keep records of all maintenance and repair work performed on its vehicles.

MANAGEMENT'S RESPONSE – HIGHWAY ENGINEER

Such records would have a definite cost to the department and their value would be less than the cost.

REBUTTAL

Vehicle maintenance and repair records provide valuable information to the department in determining the cost-benefit of retaining, managing, and/or disposing of equipment.

FINDING 05.17 THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR MATERIALS USED ON SOME TYPES OF ROAD PROJECTS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department had a system to determine the use of road materials for state-aid road projects. However, the department did not have a system to account for materials used on other types of road projects. The failure to maintain a system to document the use of all road materials results in a loss of control over the assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for materials used on all types of road projects.

MANAGEMENT’S RESPONSE – HIGHWAY ENGINEER

Such records would have a definite cost to the county and the value to this department would be less than said cost.

REBUTTAL

Without accurate materials usage records, the department has no means of accounting for its materials.

FINDING 05.18 THE ECONOMIC BENEFIT DERIVED FROM THE USE OF EMPLOYER PROVIDED VEHICLES WAS NOT CALCULATED AND REPORTED ON FEDERAL W-2 FORMS
(Noncompliance Under Government Auditing Standards)

The highway engineer, the assistant highway engineer, and three other employees used Highway Department vehicles to commute to and from work. The economic benefit received by these individuals from using the department vehicles to commute to and from work was not calculated and reported to the federal government on the individuals’ W-2 Forms as required by Internal Revenue Service (IRS) regulations.

RECOMMENDATION

The economic benefits derived by employees of the Highway Department from the use of county vehicles should be calculated and reported to the federal government on their W-2 Forms as required by IRS regulations.

MANAGEMENT'S RESPONSE – HIGHWAY ENGINEER

We have our vehicles with radio communications, saws, etc., that are available 24/7 for emergencies.

REBUTTAL

The Highway Department should communicate with the appropriate agencies and document whether vehicles equipped with radio communications, saws, etc., would exempt these vehicles from this IRS requirement.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.19 **THE GENERAL PURPOSE SCHOOL FUND HAD A FUND DEFICIT**
(Material Noncompliance Under Government Auditing Standards)

At June 30, 2005, the General Purpose School Fund had a fund deficit of \$5,334,295. A portion of this deficit resulted from the reservation of Basic Education Program (BEP) funds totaling \$3,408,323. In accordance with BEP guidelines, actual local revenues collected for the fiscal year must be equal to or greater than local budgeted revenues, as amended. Actual local revenues for the 2004-05 year failed to equal budgeted amounts by \$3,408,323, resulting in the establishment of the BEP reserve. The remaining deficit (\$1,925,972) resulted from expenditures and encumbrances exceeding available funds. Madison County officials have submitted a plan to the state director of Local Finance to liquidate the fund deficit; however, this plan excludes any deficit resulting from the BEP reserve.

RECOMMENDATION

County officials should liquidate the fund deficit, continue to monitor the financial position of the General Purpose School Fund, and develop a plan to comply with BEP guidelines.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

When the self-funded health insurance program ceased, the program's total deficit had to be expensed in the year 2004-05. With the additional expenditure of \$3,269,921 near the end of the year, nothing could be done except that the fund reflect a deficit. The BEP reserve came about when the Tennessee Department of Education informed us in October 2005 that this reserve was established. With revenues coming in above budget projections in 2005-06, this BEP reserve will be cancelled. With expenditures held below budget estimates, the fund balance will be positive and in future years continue to grow.

FINDING 05.20 TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTES
(Material Noncompliance Under Government Auditing Standards)

In May and June 2005, Madison County issued tax anticipation notes totaling \$3,000,000 and \$2,000,000, respectively, to provide the General Purpose School Fund with cash for operations. These notes should have been retired by June 30, 2005, but were still outstanding. Section 9-21-801, Tennessee Code Annotated, provides that tax anticipation notes shall mature no later than the close of the fiscal year issued. These notes are reflected on the General Purpose School Fund's balance sheet as Due to Primary Government (\$3,000,000) and Revenue Anticipation Notes Payable (\$2,000,000). County officials have submitted a plan to the state director of Local Finance to retire \$2,000,000 during 2005-06 and the remaining \$3,000,000 during 2006-07.

RECOMMENDATION

Officials should closely monitor the financial operations of the General Purpose School Fund to ensure these notes are retired as planned.

FINDING 05.21 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(Material Noncompliance Under Government Auditing Standards)

Our audit of the School Department revealed the following deficiencies in budget operations:

- A. The budget and subsequent amendments submitted to and approved by the County Commission for the General Purpose School Fund contained appropriations that exceeded estimated available funding by \$4,221,622.
- B. Expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category of the General Purpose School Fund by \$3,269,921. These transfers were made to the school's Employee Insurance Fund to eliminate its net assets deficit. This deficit resulted from inadequate funding by employee participants and the School Department since the fund's inception. The Employee Insurance Fund ceased operations in May 2005 when the School Department began participating in the Local Government Group Insurance Fund.

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

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission. Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

Fund balance projections should reflect actual fund balances as closely as possible. The previous accounting department had difficulty in estimating fund balances when constructing new buildings destroyed by the tornado were accounted for through the General Purpose School Fund. If we ever have a similar situation, these capital projects will be accounted for separately through an Education Capital Projects Fund.

OFFICE OF JUVENILE COURT CLERK

FINDING 05.22 **THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under Government Auditing Standards)

At June 30, 2005, the juvenile court clerk had prepared a trial balance of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, this trial balance did not reconcile with cash journal accounts by \$48,078. Therefore, we were unable to determine if the clerk had complied with 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 be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The execution docket trial balance should be reconciled with cash control accounts. 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.

OFFICE OF SHERIFF

FINDING 05.23 **THE SHERIFF’S DEPARTMENT HAD DEFICIENCIES IN CONTROLS OVER TRAVEL
(Noncompliance Under Government Auditing Standards)**

The following deficiencies were noted in travel:

- A. Reimbursements for meals which did not involve an overnight stay were not paid in accordance with the county’s travel policy. According to the county’s travel policy, “The meals will be reimbursed if leaving before 6:00 a.m., and or arriving home after 7:00 p.m.” We noted several instances where meals were paid to individuals who left after 6:00 a.m. and returned home before 7:00 p.m.
- B. The sheriff and the two chief deputies did not complete travel claim forms documenting travel costs. Their travel expenses were generally paid with county credit cards or by obtaining reimbursements from the sheriff’s petty cash fund. The county’s travel policy provides that, “Employees should submit claims for reimbursement for travel expense no later than thirty (30) days after completion of travel.”
- C. In some instances, the sheriff received travel advances. According to the county’s travel policy, “Travel advances are available under extraordinary circumstances. Advances...will be allowed only if: (a) the employee is ineligible for a corporate charge card; (b) the employee can justify the existence of other extraordinary circumstances that warrant an advance.” The sheriff has a county credit card and should not receive travel advances.
- D. Sheriff David Woolfork, Chief Tommy Cunningham, Assistant Chief Dan Paar, Sergeants Lisa Balderrama and Annette Martin attended the National Sheriff’s Association Annual Conference in Louisville, Kentucky, from June 25-29, 2005. Chief Cunningham’s wife also registered and attended this conference. Sergeants Balderrama and Martin were given travel advances of \$204.25 each to cover their meals. The sheriff and the two chief deputies had county credit cards to pay for their meals. Among the meal charges on the credit cards were the following:

Date	Payee	Amount	Number Served
6-25-05	Cracker Barrel	\$ 61.77	6
6-25-05	Outback Steakhouse	119.43	5
6-28-05	Applebee's	50.03	4
6-28-05	Spaghetti Factory	91.29	6
6-29-05	Cracker Barrel	39.00	4

The above table shows meals were charged to the county’s credit cards for the two sergeants and the chief deputy’s spouse. Meals should not have been

charged to the county's credit cards for the two sergeants since they had received per diems for their meal expenses. Also, meals should not have been charged to the county's credit cards for the chief deputy's spouse since she is not a department employee.

RECOMMENDATION

Meals should be reimbursed in accordance with the county's travel policy. All employees should submit travel claims documenting travel expenses. Travel advances should not be given to individuals who have county credit cards. The sheriff has a county credit card and should not receive travel advances unless the extraordinary circumstances are documented prior to the advance. Employees receiving travel advances should not have meals charged to the county's credit cards. Meal expenses should not be paid for spouses that are not employed by the department.

MANAGEMENT'S RESPONSE – SHERIFF

- A. In response to meals that were reimbursed for travel that did not include an overnight stay, a letter and policy directive from the county personnel director indicate that overnight stays are not necessary for a meal reimbursement as long as certain criteria are met. It is our position that all authorized reimbursements met the county policy as directed by the personnel director.
- B. It is our position that the sheriff and chief deputies did document travel costs. We agree that travel expenses are generally paid using county credit cards and by obtaining reimbursements from the sheriff's petty cash funds for travel. In every situation and in every incident, all credit card receipts are used to verify and justify the expenses, and it would seem to be duplicative to require them to fill out an additional form when the receipts are readily available and provided to the county.
- C. We agree that the sheriff travels with the county credit card. It is, however, burdensome, cumbersome, and impossible to use the credit card in all situations, for example with a taxi. In addition to it being impractical to use the credit card in every situation, there are several occasions, including restaurants and the purchase of other necessities, where the stores do not accept credit cards. We would direct you to subparagraph (b) which mimics the state travel advance policy in paragraph 13, indicating that if the employee can justify the existence of other extraordinary circumstances that warrant an advance, then the advance is allowed. Certainly, if it is impractical in certain situations to use the credit card or the credit card is not available for use in certain stores or restaurants, then that justifies an extraordinary circumstance. We would note that the sheriff, in every situation, provides all the receipts for any of the cash that is used and returns any unused petty cash to that fund upon completion of travel.
- D. Chief Cunningham's wife is a commissioned part-time employee and would be authorized to act on behalf of the county. We would additionally direct you to Special Travel Regulation 3, as cited earlier, where the department heads are authorized to receive reimbursement of meals and related costs when acting as host to guests of the state or other official business functions. The sheriff and the chiefs,

from time to time when they are on official business of the county, will entertain other guests at other business functions.

Certainly employees of the county receiving travel per diem should not have meals charged to the county credit card. Although it is possible that some oversight may have occurred at some point, the sheriff and the chiefs make every effort to comply with both the state and county travel policies with regard to travel per diem and charges to the county credit card.

REBUTTAL

- A. We noted several instances where the criteria for reimbursements were not met.
- B. The county's travel policy requires that travel claims be filled out to properly document expenses.
- C. The sheriff did not present us with documentation to justify extraordinary circumstances as referred to in the county's travel policy. Also, paragraph 14 of the travel policy states that "Immediately upon return the employee must submit a request for reimbursement regardless of whether he/she owes advance moneys back to the state or is due additional reimbursement." There were instances where advances were received by the sheriff, and this money was not accounted for until several weeks following the trip rather than immediately after he returned from the trip.
- D. We verified with the Madison County Personnel Department that Chief Cunningham's wife has never received any compensation for part-time employment with the Madison County Sheriff's Department.

FINDING 05.24 **ITEMIZED RECEIPTS WERE NOT SUBMITTED BY THE SHERIFF'S DEPARTMENT FOR MEALS PURCHASED USING THE COUNTY'S CREDIT CARD**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Itemized receipts were not submitted for meals purchased using the county's credit card. The failure to obtain itemized receipts subjects the county to unauthorized expenditures.

RECOMMENDATION

Itemized receipts should be submitted for all meals charged to the county's credit card detailing who the meal was for and the purpose of the meal.

MANAGEMENT'S RESPONSE – SHERIFF

All employees of the Sheriff's Department make every effort to submit itemized receipts when they are available. Itemized receipts are not always available to the employees to be turned in with travel claims. On many occasions, the receipts obtained from restaurants or

items purchased do not include an itemized statement and, therefore, are impossible to submit. The sheriff and chief deputies continue to make every effort to provide as much information as can be obtained in providing receipts on all authorized expenditures.

REBUTTAL

In reviewing credit card statements, we found that in a majority of instances, the only backup to support the credit card charges were credit card receipts. We were able to obtain itemized receipts for meals charged to the sheriff's credit card from Rafferty's, Longhorn Steakhouse, The Fifth Quarter, Logan's, Applebee's, O'Charley's, The Old Town Spaghetti Factory, and Outback Steakhouse. In instances where itemized receipts are not provided, such receipts would generally be available upon request.

FINDING 05.25 TRAVEL EXPENSES WERE PAID FOR SPOUSES, EMPLOYEES, AND A RETIRED EMPLOYEE WHO WERE NOT ON OFFICIAL BUSINESS STATUS
(Noncompliance Under Government Auditing Standards)

Travel expenses were paid for spouses, employees, and a retired employee who were not on official business status as follows:

- A. We noted two conferences where county funds were used to pay registration fees of the sheriff's wife and three conferences where county funds were used to pay registration fees of Chief Cunningham's wife. These are personal expenses and not an authorized use of county funds.
- B. One employee of the Sheriff's Department attended a conference for personal reasons with the sheriff and Assistant Chief Parr and a meal was purchased for her with a county credit card. Another employee of the Sheriff's Department attended two conferences for personal reasons with the sheriff and Assistant Chief Parr and a meal was purchased for her at each conference with a county credit card.
- C. On December 4-5, 2002, Tommy Freeman, a former employee of the Sheriff's Department, attended a Tennessee Sheriff's Association meeting with Sheriff Woolfork and Chief Cunningham. Hotel accommodations for \$155.97 were purchased for Mr. Freeman with the county's credit card. Mr. Freeman had terminated his employment with the Sheriff's Department effective January 31, 2001.

RECOMMENDATION

Travel expenses should only be paid for employees of Madison County while on official business status.

MANAGEMENT'S RESPONSE – SHERIFF

- A. The sheriff's and chief's wives are commissioned part-time employees of the Madison County Sheriff's Department and would be authorized to attend conferences on behalf of the county.
- B. We requested, and the auditors were unable to provide, documentation for the allegation that meals were purchased for the aforementioned employees with the county's credit card. It's impossible to respond to this allegation without specific information. Both Sheriff Woolfork and Chief Paar make every effort to comply with the travel policies as they understand those to be in effect from the county.
- C. Tommy Freeman retired as a full-time employee of the Madison County Sheriff's Department. However, he is a commissioned part-time employee of the Madison County Sheriff's Department. We would also note for the auditor's information that a significant amount of the court's security officers utilized by the county are part-time employees.

REBUTTAL

- A. We verified with the Madison County Personnel Department that neither the sheriff's wife nor the chief's wife have ever received compensation for part-time work at the Sheriff's Department.
- B. The sheriff was shown the receipt copy in question during the interview that was conducted with him. At the time of the interview, the sheriff stated that paying for the meal on the credit card was an oversight.
- C. We verified with the Madison County Personnel Department that Tommy Freeman has not received any compensation for part-time work at the Sheriff's Department since his resignation on January 31, 2001.

FINDING 05.26 **THE SHERIFF RECEIVED AN HONORARIUM AND TRAVEL REIMBURSEMENT FOR A SPEAKING ENGAGEMENT** (Noncompliance Under Government Auditing Standards)

On February 8, 2003, Sheriff Woolfork traveled to Knoxville, Tennessee, to speak at a dinner meeting for the Willie P. Osborne Foundation. According to the sheriff, he received approximately \$1,500 from the foundation for this meeting. The sheriff also used the county's credit card to pay for his travel expenses totaling \$542.75. The county's travel policy states, "For those employees who receive honorariums for appearing at meetings while on official business, the employee may, at his/her option, accept the honorarium as full payment of travel expenses including airfare, or choose to surrender the honorarium to the county, and be reimbursed in accordance with established travel policy."

RECOMMENDATION

The sheriff should either adhere to the county's travel policy by accepting honorariums as payment for his travel expenses or surrender the honorarium to the county and be reimbursed in accordance with travel policies.

MANAGEMENT'S RESPONSE – SHERIFF

Sheriff Woolfork voluntarily reported to the auditors that he received an honorarium to speak at the dinner as the president of the Tennessee Sheriff's Association. Sheriff Woolfork was unaware that honorariums, if accepted, should be accepted as full payment in-lieu-of per diem travel. Certainly in the future, the sheriff will adhere to this travel policy.

REBUTTAL

The sheriff should reimburse the county \$542.75 for the travel expenses covered by the honorarium.

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

There were no findings and questioned costs for federal awards.

MADISON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

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