

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

DEPARTMENT OF AUDIT
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Comptroller of the Treasury

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

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Audit Highlights
Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2005

Scope

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

Results

Our report on Morgan County's financial statements was unqualified. Our audit resulted in five findings and recommendations, which we have reviewed with Morgan County management. Detailed findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY CLERK

- ◆ A cash shortage of at least \$6,103.19 existed in the office as of June 30, 2005.
-

OFFICE OF DIRECTOR OF FINANCE

- ◆ General ledger payroll liability accounts were not reconciled monthly.
 - ◆ The office had several budget deficiencies.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ USDA claims for reimbursements were not accurate.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Director of Finance, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Morgan County Officials

June 30, 2005

Officials:

Rebecca Ruppe, County Executive
C. Roy Smith, Road Superintendent
David Freels, Director of Schools
Joyce Northrup, Trustee
Susan Wilson, Assessor of Property
Tim Steelman, County Clerk
Rachel Smith, Circuit and General Sessions Courts Clerk
Angela Anderson, Clerk and Master
Sandy Dalton, Register
Bobby Gibson, Sheriff
Gary Howard, Director of Finance

Board of County Commissioners:

Wade Adcock	James Jones
Juanita Armes	Ken Jones
Keith Dagley	Susie Kries
Sue Duncan	Joe Reed
Lucy Freytag	Randy Roberts
David Hennessee	Paul Scarbtough
Mandi Hooper	Fred Snow
Terry Jackson	Ronnie Trout
Kay Johnson	Samuel Williams

Board of Education:

Perry Spurling, Chairman	Andy Lowe
Terry Armes	Glen Moore
James Randy Harlan	Jim Rivers

Financial Management Committee:

Rebecca Ruppe, Chairman	Gary Howard
Wade Adcock	Ken Jones
Juanita Armes	Susie Kries
David Freels	C. Roy Smith

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

February 10, 2006

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive 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 Morgan County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Morgan County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morgan 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 Morgan County Emergency Communications District, which represent .9 percent and 1.1 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 Morgan 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2006, on our consideration of Morgan 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., Morgan 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.

Management did not prepare a management's discussion and analysis. The management's discussion and analysis 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 59 through 65 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 Morgan 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 Morgan 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 Morgan 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,

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/sb

BASIC FINANCIAL STATEMENTS

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

	Primary Government	Component Units	
	Governmental Activities and Total	Morgan County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 19,835	\$ 22,208	\$ 160,419
Equity in Pooled Cash and Investments	7,419,390	2,417,979	0
Accounts Receivable	183,654	17,293	26,528
Allowance for Uncollectible Accounts Receivable	(64,118)	0	0
Due from Other Governments	575,220	565,920	0
Due from Component Unit	44,769	0	0
Property Taxes Receivable	4,387,957	2,707,431	0
Allowance for Uncollectible Property Taxes	(249,091)	(157,286)	0
Accrued Interest Receivable	0	0	164
Prepaid Items	55,964	0	1,980
Capital Assets:			
Assets Not Depreciated:			
Land	335,634	1,150,754	84,000
Construction in Progress	20,496	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,087,372	29,192,957	0
Infrastructure	150,668	0	0
Other Capital Assets	594,411	1,057,564	76,194
Total Assets	<u>\$ 15,562,161</u>	<u>\$ 36,974,820</u>	<u>\$ 349,285</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 73,284	\$ 36,088	\$ 545
Accrued Payroll	71,189	41,509	0
Accrued Interest Payable	57,488	0	0
Payroll Deductions Payable	9,499	208,214	0
Due to State of Tennessee	3,156	1,952	0
Due to Primary Government	0	22,494	22,275
Due to Litigant, Heirs, and Others	6,896	0	0
Other Current Liabilities	0	4,339	0
Deferred Revenue - Property Taxes	3,859,593	2,367,650	0
Noncurrent Liabilities:			
Due Within One Year	639,405	0	0
Due in More than One Year	15,209,171	0	0
Total Liabilities	<u>\$ 19,929,681</u>	<u>\$ 2,682,246</u>	<u>\$ 22,820</u>

(Continued)

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

	<u>Primary Government</u>	<u>Component Units</u>	
	Governmental Activities and Total	Morgan County School Department	Emergency Communica- tions District
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	\$ 1,176,958	\$ 0	\$ 0
Invested in Capital Assets	0	31,401,275	160,194
Restricted for:			
Highways	2,986,688	0	0
Debt Service	3,907,455	0	0
Other Purposes	461,984	1,741,296	0
Unrestricted	<u>(12,900,605)</u>	<u>1,150,003</u>	<u>166,271</u>
Total Net Assets	<u>\$ (4,367,520)</u>	<u>\$ 34,292,574</u>	<u>\$ 326,465</u>

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

Exhibit B

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

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Expenses	Program Revenues			Primary Government	Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Morgan County School Department	Emergency Communications District
<u>Primary Government:</u>							
Governmental Activities:							
General Government	\$ 1,164,870	\$ 150,093	\$ 28,957	\$ 0	\$ (985,820)	\$ 0	\$ 0
Finance	593,103	339,352	20,919	0	(232,832)	0	0
Administration of Justice	487,694	357,881	9,000	0	(120,813)	0	0
Public Safety	2,221,976	96,292	4,075	0	(2,121,609)	0	0
Public Health and Welfare	1,777,926	792,586	219,338	83,680	(682,322)	0	0
Social, Cultural, and Recreational Services	61,960	0	0	13,602	(48,358)	0	0
Agricultural and Natural Resources	44,988	0	0	0	(44,988)	0	0
Other Operations	365,189	19,314	20,200	174,930	(150,745)	0	0
Highways	2,349,058	3,305	1,731,468	451,087	(163,198)	0	0
Debt Service:							
Interest	646,838	0	0	0	(646,838)	0	0
Other Debt Service	15,108	0	0	0	(15,108)	0	0
Total Primary Government	<u>\$ 9,728,710</u>	<u>\$ 1,758,823</u>	<u>\$ 2,033,957</u>	<u>\$ 723,299</u>	<u>\$ (5,212,631)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Component Units:</u>							
Morgan County School Department	\$ 23,102,995	\$ 480,246	\$ 2,995,831	\$ 99,863	\$ 0	\$ (19,527,055)	\$ 0
Emergency Communications District	147,332	220,694	0	0	0	0	73,362
Total Component Units	<u>\$ 23,250,327</u>	<u>\$ 700,940</u>	<u>\$ 2,995,831</u>	<u>\$ 99,863</u>	<u>\$ 0</u>	<u>\$ (19,527,055)</u>	<u>\$ 73,362</u>

(Continued)

Exhibit B

Morgan 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 Governmental	Component Units	
					Total Governmental Activities	Morgan County School Department	Emergency Communica- tions District
General Revenues:							
Property Taxes				\$ 4,099,087	\$ 2,464,525	\$ 0	
Sales Taxes				697,263	0	0	
Other Taxes				130,518	103,317	0	
Grants and Contributions not restricted to specific programs				541,864	14,730,982	14,809	
Unrestricted Investment Income				28,956	138,852	2,230	
Gain (Loss) on Sale of Capital Assets				8,374	0	0	
Other				104,964	526	0	
Total General Revenues				<u>\$ 5,611,026</u>	<u>\$ 17,438,202</u>	<u>\$ 17,039</u>	
Change in Net Assets				\$ 398,395	\$ (2,088,853)	\$ 90,401	
Net Assets - July 1, 2004				(4,882,830)	36,381,427	225,090	
Restatement of Prior Year Capital Assets				116,915	0	10,944	
Net Assets - June 30, 2005				<u>\$ (4,367,520)</u>	<u>\$ 34,292,574</u>	<u>\$ 326,435</u>	

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

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,835	\$ 19,835
Equity in Pooled Cash and Investments	623,524	211,255	2,702,279	3,814,229	58,603	7,409,890
Accounts Receivable	164,766	13,689	5,199	0	0	183,654
Allowance for Uncollectibles	(64,118)	0	0	0	0	(64,118)
Due from Other Governments	134,233	12,412	300,396	128,179	0	575,220
Due from Other Funds	10,650	52,144	0	0	0	62,794
Due from Component Units	44,769	0	0	0	0	44,769
Property Taxes Receivable	3,446,953	764,240	56,189	120,575	0	4,387,957
Allowance for Uncollectible Property Taxes	(187,044)	(46,565)	(3,391)	(12,091)	0	(249,091)
Prepaid Items	42,876	5,374	7,714	0	0	55,964
Total Assets	\$ 4,216,609	\$ 1,012,549	\$ 3,068,386	\$ 4,050,892	\$ 78,438	\$ 12,426,874
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 44,276	\$ 29,008	\$ 0	\$ 0	\$ 0	\$ 73,284
Accrued Payroll	50,397	10,083	10,709	0	0	71,189
Payroll Deductions Payable	4,610	601	4,288	0	0	9,499
Due to Other Funds	52,144	0	0	0	1,150	53,294
Due to State of Tennessee	3,150	6	0	0	0	3,156
Due to Litigants, Heirs, and Others	0	0	0	0	6,896	6,896
Deferred Revenue - Current Property Taxes	3,064,971	660,023	48,650	85,949	0	3,859,593
Deferred Revenue - Delinquent Property Taxes	176,927	53,753	3,861	21,644	0	256,185
Other Deferred Revenues	90,285	5,598	148,865	61,656	0	306,404
Total Liabilities	\$ 3,486,760	\$ 759,072	\$ 216,373	\$ 169,249	\$ 8,046	\$ 4,639,500
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 37,388	\$ 47,439	\$ 209,545	\$ 0	\$ 4,558	\$ 298,930
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	21,357	21,357
Reserved for Alcohol and Drug Treatment	35,667	0	0	0	0	35,667
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	29,103	0	0	0	0	29,103

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Computer System - Register	\$ 30,210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,210
Reserved for Other General Purposes	11,814	0	0	0	0	11,814
Unreserved, Reported In:						
General Fund	585,667	0	0	0	0	585,667
Special Revenue Funds	0	206,038	2,642,468	0	39,640	2,888,146
Debt Service Funds	0	0	0	3,881,643	0	3,881,643
Capital Projects Funds	0	0	0	0	4,837	4,837
Total Fund Balances	<u>\$ 729,849</u>	<u>\$ 253,477</u>	<u>\$ 2,852,013</u>	<u>\$ 3,881,643</u>	<u>\$ 70,392</u>	<u>\$ 7,787,374</u>
Total Liabilities and Fund Balances	<u>\$ 4,216,609</u>	<u>\$ 1,012,549</u>	<u>\$ 3,068,386</u>	<u>\$ 4,050,892</u>	<u>\$ 78,438</u>	<u>\$ 12,426,874</u>

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

Morgan County, Tennessee
Reconciliation of the Governmental Funds Balance Sheet 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)		\$ 7,787,374
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		3,188,581
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		562,589
(3) 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.		(57,488)
(4) Long-term liabilities, including other loans payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	\$ 420,000	
Notes payable	240,714	
Other loans payable	14,930,000	
Compensated absences	78,811	
Landfill postclosure care cost	179,051	(15,848,576)
Net assets of governmental activities (Exhibit A)		<u>\$ (4,367,520)</u>

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

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues						
Local Taxes	\$ 3,239,470	\$ 679,077	\$ 91,505	\$ 857,641	\$ 31,166	\$ 4,898,859
Licenses and Permits	48,397	0	0	0	0	48,397
Fines, Forfeitures, and Penalties	99,030	0	0	0	62,877	161,907
Charges for Current Services	689,755	112,215	0	0	94,098	896,068
Other Local Revenues	103,037	21,029	35,603	0	5,317	164,986
Fees Received from County Officials	541,364	0	0	0	0	541,364
State of Tennessee	459,799	188,651	2,182,555	0	0	2,831,005
Federal Government	261,942	0	0	0	0	261,942
Other Governments and Citizens Groups	32,117	0	0	200,000	0	232,117
Total Revenues	\$ 5,474,911	\$ 1,000,972	\$ 2,309,663	\$ 1,057,641	\$ 193,458	\$ 10,036,645
Expenditures						
Current:						
General Government	\$ 1,057,541	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,057,541
Finance	501,923	0	0	0	91,710	593,633
Administration of Justice	455,351	0	0	0	31,166	486,517
Public Safety	2,198,356	0	0	0	76,421	2,274,777
Public Health and Welfare	884,425	1,191,699	0	0	0	2,076,124
Social, Cultural, and Recreational Services	61,960	0	0	0	0	61,960
Agricultural and Natural Resources	44,988	0	0	0	0	44,988
Other Operations	350,608	14,581	0	0	0	365,189
Highways	0	0	2,396,094	0	0	2,396,094
Debt Service:						
Principal	0	0	0	545,350	0	545,350
Interest	0	0	0	637,701	0	637,701
Other Debt Service	0	0	0	15,108	0	15,108
Capital Projects	0	0	0	0	47,335	47,335
Total Expenditures	\$ 5,555,152	\$ 1,206,280	\$ 2,396,094	\$ 1,198,159	\$ 246,632	\$ 10,602,317
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,241)	\$ (205,308)	\$ (86,431)	\$ (140,518)	\$ (53,174)	\$ (565,672)
Other Financing Sources (Uses)						
Notes Issued	\$ 159,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 159,000
Transfers In	0	52,144	0	0	0	52,144

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (52,144)	\$ 0	\$ 0	\$ 0	\$ 0	(52,144)
Total Other Financing Sources (Uses)	\$ 106,856	\$ 52,144	\$ 0	\$ 0	\$ 0	159,000
Net Change in Fund Balances	\$ 26,615	\$ (153,164)	\$ (86,431)	\$ (140,518)	\$ (53,174)	(406,672)
Fund Balance, July 1, 2004	703,234	406,641	2,938,444	4,022,161	123,566	8,194,046
Fund Balance, June 30, 2005	\$ 729,849	\$ 253,477	\$ 2,852,013	\$ 3,881,643	\$ 70,392	\$ 7,787,374

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

Morgan 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 C-3)		\$ (406,672)
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$ 566,967	
Less: Current year depreciation	<u>(220,694)</u>	346,273
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (472,129)	
For the year ended June 30, 2005	<u>562,589</u>	90,460
(3) The issuance of long-term debt (e.g., 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.		
Less: capital outlay notes issued	\$ (159,000)	
Add: principal payment on notes	155,350	
Add: principal payment on bonds	40,000	
Add: principal payment on other loans	<u>350,000</u>	386,350
(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 the governmental funds.		
Change in accrued interest payable	\$ (9,137)	
Change in landfill closure/post-closure care costs	(2,623)	
Change in compensated absences	<u>(6,256)</u>	(18,016)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 398,395</u>

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

Exhibit D

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

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 460,967
Accounts Receivable	74
Due from Other Governments	42,273
Property Taxes Receivable	46,251
Cash Shortage	<u>6,103</u>
Total Assets	<u>\$ 555,668</u>
<u>LIABILITIES</u>	
Due to Component Units	\$ 5,798
Due to Other Taxing Units	88,524
Due to Litigants, Heirs, and Others	<u>461,346</u>
Total Liabilities	<u>\$ 555,668</u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morgan 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 Morgan County:

A. Reporting Entity

Morgan County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Morgan 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 Morgan 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 Morgan County School Department operates the public school system in the county, and the voters of Morgan 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 Morgan County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Morgan County, and the Morgan 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 Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Morgan County School Department are included in this report as listed in

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

Administrative Office:

Morgan County Emergency Communications District
122 Kingston Street
Wartburg, TN 37128

Related Organization – The Morgan County Industrial Development Board is a related organization of Morgan County. The county executive nominates and the Morgan County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

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 Morgan 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 Morgan 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.

Morgan County issues all debt for the discretely presented Morgan County School Department. However, no debt issues were contributed by the county to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements. 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 Morgan County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Morgan County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

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

penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Morgan 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.

Solid Waste/Sanitation Fund – This fund accounts for transactions related to the county garbage collection service.

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, Morgan County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Morgan County, and property taxes collected for the City of Sunbright. 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 Morgan County School Department reports the following major governmental funds:

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

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

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

Special Revenue Fund – The Central Cafeteria Fund accounts for the cafeteria operations in each of the schools.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 Morgan 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 to the discretely presented Morgan County School Department's General Purpose School Fund. Morgan County and the Morgan 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 is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectibles for the ambulance service receivables reflected in the General Funds consist of various amounts estimated based on the categories of payee (Medicare, Medicaid, insurance companies, and individuals). The allowance for uncollectible property taxes is equal to 3.4 percent of total taxes levied.

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

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the

following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

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

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 estimated useful life of more than two years and with an initial, individual cost based on the following table. 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.

<u>Type</u>	<u>Amount</u>
Land and Construction in Progress	\$ 1
Vehicles	5,000
Machinery and Equipment	5,000
Furniture and Fixtures	5,000
Land Improvements	25,000
Buildings and Improvements	50,000
Infrastructure (Roads and Bridges)	250,000

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	7-40
Other Capital Assets	5-30
Infrastructure	25-50

5. Compensated Absences

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. The discretely presented School Department's policy allows employees to accumulate sick pay benefits but not vacation benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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 and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

The county has entered into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expenditure resulting from the agreement, no amounts are recorded in the financial statements. See Note IV.D., for details of the swap agreement.

7. Net Assets and Fund Equity

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

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

As of June 30, 2005, Morgan County had \$13,579,091 in outstanding debt for capital purposes for the discretely presented Morgan County School Department. The debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$461,984 with the primary restriction being for solid waste (\$312,828). For the discretely presented Morgan County School Department, the account balance in Restricted for Other Purposes (\$1,741,296) consists of restrictions for various federal and state assistance programs, primarily cafeteria operations (\$163,363), school federal projects (\$477,100), and BEP non-classroom (\$1,099,881).

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:	
Matching Share of ARC Grant	\$ 55,000
Contribution to Visitor Center	69,000
Solid Waste/Sanitation:	
Capital Outlay - Equipment	3,650

8. Prior-period Adjustment

Capital assets were restated (\$116,915) from the prior year because a bridge project had been omitted.

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 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the governmental funds balance sheets (Exhibit C-1) to net assets reported in the primary government-governmental activities column of the statement of net assets (Exhibit A).

Discretely Presented Morgan County School Department

The discretely presented Morgan County School Department's Exhibit I-2 includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the governmental funds balance sheets (Exhibit I-1) to net assets reported in 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 C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statements of activities.

Discretely Presented Morgan County School Department

The discretely presented Morgan County School Department's Exhibit I-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statements of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Cash Shortage

A cash shortage of at least \$6,103.19 existed in the Office of County Clerk as of June 30, 2005. Details of the shortage are presented in the auditor's Schedule of Finding and Questioned Costs in the Single Audit section of this report.

B. Criminal Indictment

A former librarian for the Coalfield Library was indicted by a Morgan County grand jury on charges of theft of property of approximately \$6,401.40 relating to funds channeled through a bank account maintained for the library. Details regarding the bank account were presented in the auditor's Schedule of Findings and Questioned Costs in the 2003-04 annual financial report. An initial court date of March 3, 2006, has been set for the trial.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations in the General Fund by \$14,663 due to failing to budget for transactions of a federal grant channeled through the General Fund. Expenditures also exceeded total appropriations in the discretely presented School Department's Central Cafeteria Fund by \$26,000. Expenditures exceeded appropriations in certain major appropriation categories (the legal level of control) in the Solid Waste/Sanitation Fund and also in the discretely presented School Department's General Purpose School and School Federal Projects Funds. Such overexpenditures are a violation of state law. These overexpenditures were funded by available fund balance or by greater than anticipated revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Morgan County and the Morgan 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 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.

The county had no pooled or nonpooled investments as of June 30, 2005.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance			Balance
	7-1-04	Increases	Decreases	6-30-05
Capital Assets Not Depreciated:				
Land	\$ 335,634	\$ 0	\$ 0	\$ 335,634
Construction in Progress	116,915	20,496	(116,915)	20,496
Total Capital Assets Not Depreciated	<u>\$ 452,549</u>	<u>\$ 20,496</u>	<u>\$ (116,915)</u>	<u>\$ 356,130</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,764,779	\$ 0	\$ 0	\$ 2,764,779
Roads and Bridges	0	153,874	0	153,874
Other Capital Assets	2,985,704	509,512	(88,220)	3,406,996
Total Capital Assets Depreciated	<u>\$ 5,750,483</u>	<u>\$ 663,386</u>	<u>\$ (88,220)</u>	<u>\$ 6,325,649</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 615,408	\$ 61,999	\$ 0	\$ 677,407
Roads and Bridges	0	3,206	0	3,206
Other Capital Assets	2,745,316	155,489	(88,220)	2,812,585
Total Accumulated Depreciation	<u>\$ 3,360,724</u>	<u>\$ 220,694</u>	<u>\$ (88,220)</u>	<u>\$ 3,493,198</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,389,759</u>	<u>\$ 442,692</u>	<u>\$ 0</u>	<u>\$ 2,832,451</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,842,308</u>	<u>\$ 463,188</u>	<u>\$ (116,915)</u>	<u>\$ 3,188,581</u>

The above table includes the effect of a restatement of capital assets by a net amount of \$116,915 due to the omission of a certain bridge project in the previous year.

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

Governmental Activities:

General Government	\$ 59,177
Administration of Justice	57,016
Public Safety	65,270
Highway/Public Works	<u>39,231</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 220,694</u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 1,150,754	\$ 0	\$ 1,150,754
Total Capital Assets Not Depreciated	<u>\$ 1,150,754</u>	<u>\$ 0</u>	<u>\$ 1,150,754</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 45,873,164	\$ 1,157,905	\$ 47,031,069
Other Capital Assets	3,117,382	339,409	3,456,791
Total Capital Assets Depreciated	<u>\$ 48,990,546</u>	<u>\$ 1,497,314</u>	<u>\$ 50,487,860</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 16,603,046	\$ 1,235,066	\$ 17,838,112
Other Capital Assets	2,016,647	382,580	2,399,227
Total Accumulated Depreciation	<u>\$ 18,619,693</u>	<u>\$ 1,617,646</u>	<u>\$ 20,237,339</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,370,853</u>	<u>\$ (120,332)</u>	<u>\$ 30,250,521</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,521,607</u>	<u>\$ (120,332)</u>	<u>\$ 31,401,275</u>

Depreciation expense of \$1,617,646 was charged to the discretely presented Morgan County School Department.

C. Interfund Receivables, Payables, and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 10,650
Solid Waste/Sanitation	General	52,144
Discretely Presented School		
Department:		
General Purpose School	School Federal Projects	213,637
Nonmajor governmental	General Purpose School	19,034
General Purpose School	Nonmajor governmental	450

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

A portion of the receivable in the General Fund (\$9,500) was in transit from the Nonmajor Governmental Funds at June 30, 2005.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government: Component Unit:		
General	School Department	\$ 22,494
General	Emergency Communications District	22,275
Component unit: Primary Government:		
School Department	Agency	5,798

Interfund Transfers:

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

Primary Government

	<u>Transfers In</u>
	Solid Waste/ Sanitation Fund
<u>Transfers Out</u>	
General Fund	\$ 52,144
Total	<u>\$ 52,144</u>

Discretely Presented Morgan County School Department

	<u>Transfers In</u>
	Nonmajor Governmental Fund
<u>Transfers Out</u>	
General Purpose School Fund	\$ 35,132
Total	<u>\$ 35,132</u>

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

D. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 11 years for bonds, up to three years for notes, and up to 25 years for other loans. Repayment terms are generally

structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	2.8 %	\$ 500,000	\$ 420,000
Capital Outlay Notes	2.95 to 3.85	436,250	240,714
Other Loans - Fixed by Swap	4.26	10,000,000	10,000,000
Other Loans - Variable	Variable	5,500,000	4,930,000

Morgan County entered into two loan agreements, one each with the Public Building Authority of Blount County, Tennessee, and the Public Building Authority of Sevier County, Tennessee. Under the loan agreements, the authorities issued revenue bonds and made the proceeds available for loan to Morgan County. The variable-rate loan is repayable at an interest rate that is a function of the Bond Market Association Index with the rate changing daily or weekly. An interest rate swap agreement was entered into for the remaining loan in order to obtain a synthetic fixed rate on that debt. The following table summarizes loan agreements outstanding at June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
<u>Blount County Public Building Authority</u>					
Various (Series A-2-D)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	4.26%	0.48 %
<u>Sevier County Public Building Authority</u>					
Various (Series IV-I-3)	5,500,000	<u>4,930,000</u>	Variable	2.31	0.44
Total Other Loans Payable		<u>\$ 14,930,000</u>			

The annual requirements to amortize all general obligation bonds, notes, and other loans 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	\$ 40,000	\$ 11,760	\$ 200,008	\$ 7,086
2007	40,000	10,640	40,706	666
2008	45,000	9,520	0	0
2009	45,000	8,260	0	0
2010	45,000	7,000	0	0
2011-2014	205,000	14,560	0	0
Total	\$ 420,000	\$ 61,740	\$ 240,714	\$ 7,752

Year Ending June 30	Other Loan (\$10,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 426,000	\$ 48,256	\$ 474,256
2007	0	426,000	48,256	474,256
2008	0	426,000	48,256	474,256
2009	0	426,000	48,256	474,256
2010	0	426,000	48,256	474,256
2011-2015	0	2,130,000	241,279	2,371,279
2016-2020	3,760,000	1,829,031	207,186	5,796,217
2021-2025	5,045,000	924,207	104,691	6,073,898
2026	1,195,000	50,907	5,766	1,251,673
Total	\$ 10,000,000	\$ 7,064,145	\$ 800,202	\$ 17,864,347

Year Ending June 30	Other Loan (\$5,500,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 375,000	\$ 113,883	\$ 21,720	\$ 510,603
2007	395,000	105,221	20,068	520,289
2008	420,000	96,096	18,327	534,423
2009	450,000	86,394	16,477	552,871
2010	470,000	75,999	14,495	560,494
2011-2015	2,820,000	203,049	38,725	3,061,774
Total	\$ 4,930,000	\$ 680,642	\$ 129,812	\$ 5,740,454

There is \$3,881,643 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$21, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans, amounted to \$789, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Blount County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-D.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million, Series A-2-D variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.33 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series A-2-D Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2026. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.33 %
Variable payment from counterparty	70% of LIBOR	-2.33
Net interest rate swap payments		<u>2.00 %</u>
Variable-rate bond coupon payments		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>4.26 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$1,429,733. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and

Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 4.33 percent and the synthetic rate of 4.26 percent as of June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 70 percent of LIBOR was 2.33 percent.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap	Total
	Principal	Interest		
2006	\$ 0	\$ 226,000	\$ 200,000	\$ 426,000
2007	0	226,000	200,000	426,000
2008	0	226,000	200,000	426,000
2009	0	226,000	200,000	426,000
2010	0	226,000	200,000	426,000
2011-2015	0	1,130,000	1,000,000	2,130,000
2016-2020	3,760,000	970,331	858,700	5,589,031
2021-2025	5,045,000	490,307	433,900	5,969,207
2026	1,195,000	27,007	23,900	1,245,907
	<u>\$ 10,000,000</u>	<u>\$ 3,747,645</u>	<u>\$ 3,316,500</u>	<u>\$ 17,064,145</u>

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 460,000	\$ 237,064	\$ 15,280,000
Additions	0	159,000	0
Deductions	(40,000)	(155,350)	(350,000)
Balance, June 30, 2005	<u>\$ 420,000</u>	<u>\$ 240,714</u>	<u>\$ 14,930,000</u>
Balance Due Within One Year	<u>\$ 40,000</u>	<u>\$ 200,008</u>	<u>\$ 375,000</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 72,555	\$ 176,428
Additions	68,685	10,762
Deductions	(62,429)	(8,139)
Balance, June 30, 2005	<u>\$ 78,811</u>	<u>\$ 179,051</u>
Balance Due Within One Year	<u>\$ 15,762</u>	<u>\$ 8,635</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 15,848,576
Less: Balance Due Within One Year	<u>(639,405)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 15,209,171</u>

Compensated absences payable will be paid from the employing funds. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

E. Short-term Debt

Morgan County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. 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	\$ 900,000	\$ (900,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

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

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

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

B. Accounting Change

During the year, Morgan 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 20, 2005, Morgan County issued revenue anticipation notes totaling \$900,000 to provide interim financing for the General Fund. These notes were issued in the form of an interfund loan from the General Debt Service Fund.

David Freels, director of schools, left office on June 30, 2005, and was succeeded by Mike Davis on July 1, 2005.

D. Contingent Liabilities

There are several pending lawsuits in which the county and the discretely presented School Department are involved. Management, based on information from attorneys for the county and the discretely presented School Department, estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the county and the discretely presented School Department.

E. Changes in Administration

Alma Jones, county executive, left office on August 31, 2004, and was succeeded by Rebecca Ruppe on September 1, 2004.

Evert Kittrell, assessor of property, left office on August 31, 2004, and was succeeded by Susan Wilson on September 1, 2004.

F. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Morgan County's landfill was closed during the 1997-98 fiscal year. The \$179,051 reported as landfill postclosure care liability at June 30, 2005, represents the estimated postclosure care cost for the next 22 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2005. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the Ninth Judicial District; Meigs and Morgan Counties; and various cities within this district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board

of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Morgan County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Office of District Attorney General
Ninth Judicial District
P.O. Box 703
Kingston, TN 37763

H. Retirement Commitments

Plan Description

Employees of Morgan 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 Morgan 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

Morgan County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 4.19 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Morgan County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Morgan County's annual pension cost of \$213,553 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. Morgan County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$213,553	100%	\$0
6-30-04	105,980	100	0
6-30-03	97,735	100	0

Required Supplementary Information

Schedule of Funding Progress for Morgan 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	\$8,091	\$8,091	\$0	100%	\$3,940	0%
6-30-01	7,608	7,608	0	100	3,354	0
6-30-99	6,744	6,744	0	100	3,381	0

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department 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 the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$594,199, \$328,411, and \$314,081, respectively, equal to the required contributions for each year.

I. Office of Central Accounting and Budgeting

Office of Director of Finance

Morgan County operates under the provisions of the County Financial Management System of 1981. 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 the finance director.

J. Purchasing Laws

Purchasing procedures are governed by provisions of the County Financial Management System of 1981, which provides for purchases to be made by the Financial Management Committee. The committee established a policy that purchases exceeding \$5,000 are to be made on a competitive bid basis, except for the Highway Department, where the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, requires competitive bids for purchases exceeding \$10,000.

VI. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

The Morgan County E-911 Emergency Communication District was established for the purpose of providing an enhanced level of 911 service to the Morgan County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Morgan County. The Morgan County E-911 Emergency Communications District is run by a board of directors, which is appointed by Morgan County. The district must file a budget with Morgan County each year. Any bond issued by the district is subject to approval by Morgan County.

The district uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

Depreciation – Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>2005 Depreciation</u>
Communications Equipment	S/L	5, 7, & 10 Years	\$ 3,287
Office Equipment	S/L	5, 7, & 10 Years	1,918
Vehicle	S/L	5 Years	4,378
Land	N/A	N/A	<u>0</u>
			<u><u>\$ 9,583</u></u>

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. The only non-operating revenue is interest and miscellaneous income.

Operating Income

Operating income includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the district's policy to use restricted resources first.

B. Deposits and Investments

The following is a schedule of bank accounts at June 30, 2005:

Checking – Citizen’s First Bank	\$ 58,068
CD – Citizen’s First Bank (6 months)	51,304
CD – Citizen’s First Bank (3 months)	<u>51,047</u>
Total	<u>\$160,419</u>

C. Bonding

Morgan County E-911 Emergency Communications District has a bond covering certain members of the board at June 30, 2005. They also have a general liability policy that covers all capital assets. There have been no losses or settlements during the past three years.

D. Capital Assets

The following is a schedule of equipment at June 30, 2005:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Communications Equipment	\$ 120,536	\$ 64,542	\$ 55,994
Office Equipment	19,687	10,066	9,621
Vehicle	21,888	11,309	10,579
Land	84,000	0	84,000
Total	<u>\$ 246,111</u>	<u>\$ 85,917</u>	<u>\$ 160,194</u>

<u>Assets</u>	<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Balance 6-30-05</u>
Communications Equipment	\$ 67,272	\$ 53,264	\$ 120,536
Office Equipment	11,383	8,305	19,687
Vehicle	21,888	0	21,888
Land	84,000	0	84,000
Total	<u>\$ 184,543</u>	<u>\$ 61,569</u>	<u>\$ 246,111</u>

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

F. Accounts Receivable/Due from State Emergency Communications Board

Highland Telephone	\$ 11,804
Twin Lakes Telephone Coop.	215
Bell South	<u>3,032</u>
Subtotal	\$ 15,051
State ECB	<u>11,477</u>
Total	<u><u>\$ 26,528</u></u>

G. Compensated Absences

There were no employees at June 30, 2005; therefore no accrual has been made in the financial statements for compensated absences payable.

H. Calculation of Invested in Capital Assets

Net Book Value	\$ 160,194
Current & Noncurrent Debt	<u>0</u>
Invested in Capital Assets, Net of Related Debt	<u><u>\$ 160,194</u></u>

I. Prior-Period Adjustment

A prior-period adjustment of \$10,944 was made to correct an overstatement in the prior year in A/R of \$10,090 and an understatement in the prior year of prepaid expenses of \$854.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Morgan 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	\$ 3,239,470	\$ 0	\$ 0	\$ 3,239,470	\$ 3,140,159	\$ 3,140,159	\$ 99,311
Licenses and Permits	48,397	0	0	48,397	47,600	47,600	797
Fines, Forfeitures, and Penalties	99,030	0	0	99,030	78,050	78,050	20,980
Charges for Current Services	689,755	0	0	689,755	623,250	633,250	56,505
Other Local Revenues	103,037	0	0	103,037	35,300	35,300	67,737
Fees Received from County Officials	541,364	0	0	541,364	695,000	620,000	(78,636)
State of Tennessee	459,799	0	0	459,799	344,100	431,944	27,855
Federal Government	261,942	0	0	261,942	0	78,075	183,867
Other Governments and Citizens Groups	32,117	0	0	32,117	10,000	10,000	22,117
Total Revenues	\$ 5,474,911	\$ 0	\$ 0	\$ 5,474,911	\$ 4,973,459	\$ 5,074,378	\$ 400,533
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 111,028	\$ (1,044)	\$ 0	\$ 109,984	\$ 73,371	\$ 114,132	\$ 4,148
County Mayor	130,435	0	0	130,435	122,378	131,454	1,019
County Attorney	7,349	0	0	7,349	10,500	10,500	3,151
Election Commission	117,195	(387)	2,505	119,313	109,872	121,165	1,852
Register of Deeds	93,057	(261)	0	92,796	101,517	105,351	12,555
County Buildings	598,477	(3,717)	3,600	598,360	597,059	602,227	3,867
<u>Finance</u>							
Accounting and Budgeting	198,983	0	1,019	200,002	205,070	206,193	6,191
Property Assessor's Office	131,564	0	0	131,564	135,419	131,829	265
Reappraisal Program	33,765	0	0	33,765	34,066	34,400	635
County Trustee's Office	12,389	0	0	12,389	88,249	12,462	73
County Clerk's Office	125,222	(1,099)	0	124,123	124,775	125,439	1,316
<u>Administration of Justice</u>							
Circuit Court	153,506	0	2,881	156,387	163,170	163,904	7,517

(Continued)

Exhibit E-1

Morgan 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>Administration of Justice (Cont.)</u>							
Criminal Court	\$ 44,656	\$ 0	\$ 0	\$ 44,656	\$ 42,000	\$ 44,000	\$ (656)
General Sessions Court	19,173	0	0	19,173	19,428	19,308	135
General Sessions Judge	95,725	0	0	95,725	95,562	95,896	171
Chancery Court	122,045	(180)	0	121,865	122,903	123,319	1,454
Juvenile Court	20,246	0	0	20,246	20,197	20,317	71
<u>Public Safety</u>							
Sheriff's Department	889,376	(9,727)	8,350	887,999	828,142	876,563	(11,436)
Jail	1,160,097	(14,603)	7,910	1,153,404	1,001,013	1,132,396	(21,008)
Juvenile Services	2,120	0	0	2,120	7,000	7,000	4,880
Fire Prevention and Control	34,163	0	5,000	39,163	42,183	42,183	3,020
Civil Defense	83,415	(12,626)	100	70,889	12,838	90,913	20,024
Rescue Squad	2,500	0	0	2,500	2,500	2,500	0
County Coroner/Medical Examiner	26,685	0	0	26,685	5,000	26,800	115
<u>Public Health and Welfare</u>							
Local Health Center	40,054	0	356	40,410	91,537	41,289	879
Ambulance/Emergency Medical Services	775,772	(3,036)	2,004	774,740	739,624	768,820	(5,920)
Crippled Children Services	5,000	0	0	5,000	5,937	5,937	937
Other Local Health Services	63,599	0	0	63,599	0	118,900	55,301
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	3,178	0	400	3,578	3,600	3,600	22
Libraries	54,097	(2,465)	200	51,832	52,400	53,363	1,531
Parks and Fair Boards	4,685	(2,249)	2,363	4,799	5,000	5,000	201
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	43,188	(490)	0	42,698	45,326	45,326	2,628
Soil Conservation	1,800	0	0	1,800	1,800	1,800	0

(Continued)

Exhibit E-1

Morgan 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</u>							
Tourism	\$ 175,930	\$ 0	\$ 0	\$ 175,930	\$ 1,000	\$ 1,000	\$ (174,930)
Industrial Development	16,514	0	0	16,514	100,000	100,000	83,486
Other Economic and Community Development	69,205	0	700	69,905	25,000	47,761	(22,144)
Veterans' Services	1,411	0	0	1,411	1,666	1,666	255
Miscellaneous	87,548	0	0	87,548	72,000	91,280	3,732
Total Expenditures	\$ 5,555,152	\$ (51,884)	\$ 37,388	\$ 5,540,656	\$ 5,109,102	\$ 5,525,993	\$ (14,663)
Excess (Deficiency) of Revenues Over Expenditures	\$ (80,241)	\$ 51,884	\$ (37,388)	\$ (65,745)	\$ (135,643)	\$ (451,615)	\$ 385,870
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 159,000	\$ 0	\$ 0	\$ 159,000	\$ 159,000	\$ 159,000	\$ 0
Transfers Out	(52,144)	0	0	(52,144)	0	(52,144)	0
Total Other Financing Sources (Uses)	\$ 106,856	\$ 0	\$ 0	\$ 106,856	\$ 159,000	\$ 106,856	\$ 0
Net Change in Fund Balance	\$ 26,615	\$ 51,884	\$ (37,388)	\$ 41,111	\$ 23,357	\$ (344,759)	\$ 385,870
Fund Balance, July 1, 2004	703,234	(51,884)	0	651,350	694,171	694,171	(42,821)
Fund Balance, June 30, 2005	\$ 729,849	\$ 0	\$ (37,388)	\$ 692,461	\$ 717,528	\$ 349,412	\$ 343,049

Exhibit E-2

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation 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	\$ 679,077	\$ 0	\$ 0	\$ 679,077	\$ 674,490	\$ 674,490	\$ 4,587
Charges for Current Services	112,215	0	0	112,215	100,000	100,000	12,215
Other Local Revenues	21,029	0	0	21,029	15,000	15,000	6,029
State of Tennessee	188,651	0	0	188,651	2,000	138,850	49,801
Total Revenues	\$ 1,000,972	\$ 0	\$ 0	\$ 1,000,972	\$ 791,490	\$ 928,340	\$ 72,632
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 70,519	\$ 0	\$ 0	\$ 70,519	\$ 83,480	\$ 83,480	\$ 12,961
Sanitation Education/Information	35,067	(400)	250	34,917	34,520	33,706	(1,211)
Waste Pickup	759,023	(37,800)	13,618	734,841	470,333	763,227	28,386
Convenience Centers	201,897	(1,219)	8,204	208,882	208,784	208,784	(98)
Recycling Center	63,685	(67)	410	64,028	59,392	66,113	2,085
Landfill Operation and Maintenance	61,508	(8,660)	24,957	77,805	92,650	92,650	14,845
<u>Other Operations</u>							
Other Charges	13,609	0	0	13,609	14,000	14,000	391
Miscellaneous	972	0	0	972	2,500	2,500	1,528
Total Expenditures	\$ 1,206,280	\$ (48,146)	\$ 47,439	\$ 1,205,573	\$ 965,659	\$ 1,264,460	\$ 58,887
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (205,308)	\$ 48,146	\$ (47,439)	\$ (204,601)	\$ (174,169)	\$ (336,120)	\$ 131,519
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 52,144	\$ 0	\$ 0	\$ 52,144	\$ 0	\$ 52,144	\$ 0
Total Other Financing Sources (Uses)	\$ 52,144	\$ 0	\$ 0	\$ 52,144	\$ 0	\$ 52,144	\$ 0

(Continued)

Exhibit E-2

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation 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	
Net Change in Fund Balance	\$ (153,164)	\$ 48,146	\$ (47,439)	\$ (152,457)	\$ (174,169)	\$ (283,976)	\$ 131,519
Fund Balance, July 1, 2004	406,641	(48,146)	0	358,495	439,214	439,214	(80,719)
Fund Balance, June 30, 2005	\$ 253,477	\$ 0	\$ (47,439)	\$ 206,038	\$ 265,045	\$ 155,238	\$ 50,800

Exhibit E-3

Morgan 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	\$ 91,505	\$ 0	\$ 0	\$ 91,505	\$ 59,663	\$ 59,663	\$ 31,842
Other Local Revenues	35,603	0	0	35,603	45,500	45,500	(9,897)
State of Tennessee	2,182,555	0	0	2,182,555	1,730,375	1,730,375	452,180
Total Revenues	\$ 2,309,663	\$ 0	\$ 0	\$ 2,309,663	\$ 1,835,538	\$ 1,835,538	\$ 474,125
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 97,230	\$ 0	\$ 92	\$ 97,322	\$ 98,598	\$ 100,598	\$ 3,276
Highway and Bridge Maintenance	1,317,698	(211,776)	85,115	1,191,037	1,459,740	1,459,740	268,703
Operation and Maintenance of Equipment	192,983	(8,208)	6,683	191,458	286,120	286,120	94,662
Other Charges	69,423	0	0	69,423	77,551	77,551	8,128
Employee Benefits	28,601	0	0	28,601	100,780	100,780	72,179
Capital Outlay	690,159	(242,073)	117,655	565,741	549,197	915,297	349,556
Total Expenditures	\$ 2,396,094	\$ (462,057)	\$ 209,545	\$ 2,143,582	\$ 2,571,986	\$ 2,940,086	\$ 796,504
Excess (Deficiency) of Revenues Over Expenditures	\$ (86,431)	\$ 462,057	\$ (209,545)	\$ 166,081	\$ (736,448)	\$ (1,104,548)	\$ 1,270,629
Net Change in Fund Balance	\$ (86,431)	\$ 462,057	\$ (209,545)	\$ 166,081	\$ (736,448)	\$ (1,104,548)	\$ 1,270,629
Fund Balance, July 1, 2004	2,938,444	(462,057)	0	2,476,387	2,807,272	2,807,272	(330,885)
Fund Balance, June 30, 2005	\$ 2,852,013	\$ 0	\$ (209,545)	\$ 2,642,468	\$ 2,070,824	\$ 1,702,724	\$ 939,744

MORGAN COUNTY, TENNESSEE
NOTES TO 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 Executive, County Attorney, and Election Commission, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Total expenditures and encumbrances exceeded appropriations by \$14,633 in the General Fund. This was the result of not budgeting revenues and expenditures related to a federal grant. Expenditures exceeded appropriations in two major categories by (\$1,211 and \$98) in the Solid Waste/Sanitation Fund. Such overexpenditures are a violation of state law. These overexpenditures were funded by available fund balance and greater than budgeted revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Capital Projects Fund

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 19,835	\$ 19,835	\$ 0	\$ 19,835
Equity in Pooled Cash and Investments	49,258	0	49,258	9,345	58,603
Total Assets	\$ 49,258	\$ 19,835	\$ 69,093	\$ 9,345	\$ 78,438
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Due to Litigants, Heirs, and Others	6,896	0	6,896	0	6,896
Total Liabilities	\$ 6,896	\$ 1,150	\$ 8,046	\$ 0	\$ 8,046
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 50	\$ 0	\$ 50	\$ 4,508	\$ 4,558
Reserved for Purchase of Electronic Fingerprint Imaging System	21,357	0	21,357	0	21,357
Unreserved	20,955	18,685	39,640	4,837	44,477
Total Fund Balances	\$ 42,362	\$ 18,685	\$ 61,047	\$ 9,345	\$ 70,392
Total Liabilities and Fund Balances	\$ 49,258	\$ 19,835	\$ 69,093	\$ 9,345	\$ 78,438

Exhibit F-2

Morgan 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			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 31,166	\$ 31,166	\$ 0	\$ 31,166
Fines, Forfeitures, and Penalties	62,877	0	62,877	0	62,877
Charges for Current Services	0	94,098	94,098	0	94,098
Other Local Revenues	0	1,618	1,618	3,699	5,317
Total Revenues	<u>\$ 62,877</u>	<u>\$ 126,882</u>	<u>\$ 189,759</u>	<u>\$ 3,699</u>	<u>\$ 193,458</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 91,710	\$ 91,710	\$ 0	\$ 91,710
Administration of Justice	0	31,166	31,166	0	31,166
Public Safety	76,421	0	76,421	0	76,421
Capital Projects	0	0	0	47,335	47,335
Total Expenditures	<u>\$ 76,421</u>	<u>\$ 122,876</u>	<u>\$ 199,297</u>	<u>\$ 47,335</u>	<u>\$ 246,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,544)</u>	<u>\$ 4,006</u>	<u>\$ (9,538)</u>	<u>\$ (43,636)</u>	<u>\$ (53,174)</u>
Net Change in Fund Balances	<u>\$ (13,544)</u>	<u>\$ 4,006</u>	<u>\$ (9,538)</u>	<u>\$ (43,636)</u>	<u>\$ (53,174)</u>
Fund Balance, July 1, 2004	<u>55,906</u>	<u>14,679</u>	<u>70,585</u>	<u>52,981</u>	<u>123,566</u>
Fund Balance, June 30, 2005	<u>\$ 42,362</u>	<u>\$ 18,685</u>	<u>\$ 61,047</u>	<u>\$ 9,345</u>	<u>\$ 70,392</u>

Exhibit F-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control 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>							
Fines, Forfeitures, and Penalties	\$ 62,877	\$ 0	\$ 0	\$ 62,877	\$ 35,400	\$ 52,000	\$ 10,877
Total Revenues	\$ 62,877	\$ 0	\$ 0	\$ 62,877	\$ 35,400	\$ 52,000	\$ 10,877
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 76,421	\$ (50)	\$ 50	\$ 76,421	\$ 35,400	\$ 84,000	\$ 7,579
Total Expenditures	\$ 76,421	\$ (50)	\$ 50	\$ 76,421	\$ 35,400	\$ 84,000	\$ 7,579
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,544)	\$ 50	\$ (50)	\$ (13,544)	\$ 0	\$ (32,000)	\$ 18,456
Net Change in Fund Balance	\$ (13,544)	\$ 50	\$ (50)	\$ (13,544)	\$ 0	\$ (32,000)	\$ 18,456
Fund Balance, July 1, 2004	55,906	(50)	0	55,856	55,906	55,906	(50)
Fund Balance, June 30, 2005	\$ 42,362	\$ 0	\$ (50)	\$ 42,312	\$ 55,906	\$ 23,906	\$ 18,406

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Morgan 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	\$ 857,641	\$ 810,620	\$ 810,620	\$ 47,021
Other Local Revenues	0	9,000	9,000	(9,000)
Other Governments and Citizens Groups	200,000	0	200,000	0
Total Revenues	<u>\$ 1,057,641</u>	<u>\$ 819,620</u>	<u>\$ 1,019,620</u>	<u>\$ 38,021</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 283,295	\$ 0	\$ 283,420	\$ 125
Education	262,055	0	262,055	0
<u>Interest</u>				
General Government	56,547	8,000	57,870	1,323
Education	581,154	0	692,655	111,501
<u>Other Debt Service</u>				
General Government	15,108	1,307,000	19,000	3,892
Total Expenditures	<u>\$ 1,198,159</u>	<u>\$ 1,315,000</u>	<u>\$ 1,315,000</u>	<u>\$ 116,841</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (140,518)</u>	<u>\$ (495,380)</u>	<u>\$ (295,380)</u>	<u>\$ 154,862</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (140,518)	\$ (295,380)	\$ (295,380)	\$ 154,862
Fund Balance, July 1, 2004	4,022,161	4,033,779	4,033,779	(11,618)
Fund Balance, June 30, 2005	<u>\$ 3,881,643</u>	<u>\$ 3,738,399</u>	<u>\$ 3,738,399</u>	<u>\$ 143,244</u>

Fiduciary Funds

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

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

Cities - Property Tax Fund – The Cities - Property Tax Fund is used to account for city property taxes levied by the City of Sunbright and collected by the county trustee for the benefit of the city. These revenues are forwarded to the City of Sunbright by the county trustee on a monthly basis.

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

Exhibit H-1

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

	Agency Funds			Total
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 460,967	\$ 460,967
Accounts Receivable	0	0	74	74
Due from Other Governments	42,273	0	0	42,273
Property Taxes Receivable	0	46,251	0	46,251
Cash Shortage	0	0	6,103	6,103
Total Assets	<u>\$ 42,273</u>	<u>\$ 46,251</u>	<u>\$ 467,144</u>	<u>\$ 555,668</u>
<u>LIABILITIES</u>				
Due to Component Units	\$ 0	\$ 0	\$ 5,798	\$ 5,798
Due to Other Taxing Units	42,273	46,251	0	88,524
Due to Litigants, Heirs, and Others	0	0	461,346	461,346
Total Liabilities	<u>\$ 42,273</u>	<u>\$ 46,251</u>	<u>\$ 467,144</u>	<u>\$ 555,668</u>

Exhibit H-2

Morgan 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	\$ 0	\$ 273,349	\$ 273,349	\$ 0
Due From Other Governments	40,133	42,273	40,133	42,273
Total Assets	\$ 40,133	\$ 315,622	\$ 313,482	\$ 42,273
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 40,133	\$ 315,622	\$ 313,482	\$ 42,273
Total Liabilities	\$ 40,133	\$ 315,622	\$ 313,482	\$ 42,273
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 36,437	\$ 36,437	\$ 0
Property Taxes Receivable	0	46,251	0	46,251
Total Assets	\$ 0	\$ 82,688	\$ 36,437	\$ 46,251
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 0	\$ 82,688	\$ 36,437	\$ 46,251
Total Liabilities	\$ 0	\$ 82,688	\$ 36,437	\$ 46,251
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 316,196	\$ 2,510,668	\$ 2,365,897	\$ 460,967
Accounts Receivable	134	74	134	74
Cash Shortage	0	6,103	0	6,103
Total Assets	\$ 316,330	\$ 2,516,845	\$ 2,366,031	\$ 467,144
<u>Liabilities</u>				
Due to Component Units	\$ 0	\$ 5,798	\$ 0	\$ 5,798
Due to Litigants, Heirs and Others	316,330	2,511,047	2,366,031	461,346
Total Liabilities	\$ 316,330	\$ 2,516,845	\$ 2,366,031	\$ 467,144

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 316,196	\$ 2,510,668	\$ 2,365,897	\$ 460,967
Equity in Pooled Cash and Investments	0	309,786	309,786	0
Account Receivable	134	74	134	74
Due From Other Governments	40,133	42,273	40,133	42,273
Property Taxes Receivable	0	46,251	0	46,251
Cash Shortage	0	6,103	0	6,103
Total Assets	<u>\$ 356,463</u>	<u>\$ 2,915,155</u>	<u>\$ 2,715,950</u>	<u>\$ 555,668</u>
<u>Liabilities</u>				
Due to Component Units	\$ 0	\$ 5,798	\$ 0	\$ 5,798
Due to Other Taxing Units	40,133	398,310	349,919	88,524
Due to Litigants, Heirs, and Others	316,330	2,511,047	2,366,031	461,346
Total Liabilities	<u>\$ 356,463</u>	<u>\$ 2,915,155</u>	<u>\$ 2,715,950</u>	<u>\$ 555,668</u>

Morgan County School Department

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

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

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

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

Exhibit I-1

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Govern-</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>mental</u>
			<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 16,812	\$ 0	\$ 5,396	\$ 22,208
Equity in Pooled Cash and Investments	1,765,235	568,379	84,365	2,417,979
Accounts Receivable	10,694	776	25	11,495
Due from Other Governments	299,274	152,574	114,072	565,920
Due from Other Funds	214,087	0	19,034	233,121
Due from Primary Government	5,798	0	0	5,798
Property Taxes Receivable	2,707,431	0	0	2,707,431
Allowance for Uncollectible Property Taxes	(157,286)	0	0	(157,286)
Total Assets	\$ 4,862,045	\$ 721,729	\$ 222,892	\$ 5,806,666
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 11,736	\$ 0	\$ 24,352	\$ 36,088
Accrued Payroll	32,402	0	9,107	41,509
Payroll Deductions Payable	177,222	30,992	0	208,214
Due to Other Funds	19,034	213,637	450	233,121
Due to Primary Government	22,494	0	0	22,494
Due to State of Tennessee	1,952	0	0	1,952
Other Current Liabilities	4,339	0	0	4,339
Deferred Revenue - Current Property Taxes	2,367,650	0	0	2,367,650
Deferred Revenue - Delinquent Property Taxes	168,603	0	0	168,603
Other Deferred Revenues	305,072	0	25,620	330,692
Total Liabilities	\$ 3,110,504	\$ 244,629	\$ 59,529	\$ 3,414,662
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 149,305	\$ 9,302	\$ 0	\$ 158,607
Reserved for Career Ladder Program	952	0	0	952
Reserved for Basic Education Program	1,099,881	0	0	1,099,881
Reserved for Title I Grants to Local Education Agencies	0	106,182	0	106,182
Reserved for Special Education - Grants to States	0	155,549	0	155,549
Other Federal Reserves	0	206,067	0	206,067
Unreserved, Reported In:				
General Fund	501,403	0	0	501,403
Special Revenue Funds	0	0	163,363	163,363
Total Fund Balances	\$ 1,751,541	\$ 477,100	\$ 163,363	\$ 2,392,004
Total Liabilities and Fund Balances	\$ 4,862,045	\$ 721,729	\$ 222,892	\$ 5,806,666

Morgan County, Tennessee
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
Discretely Presented Morgan 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 I-1)	\$ 2,392,004
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	31,401,275
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	<u>499,295</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 34,292,574</u></u>

Exhibit I-3

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

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,509,182	\$ 0	\$ 0	\$ 2,509,182
Licenses and Permits	865	0	0	865
Charges for Current Services	26,551	0	453,695	480,246
Other Local Revenues	139,224	0	3,777	143,001
State of Tennessee	14,536,871	0	19,034	14,555,905
Federal Government	213,637	1,803,547	817,373	2,834,557
Total Revenues	<u>\$ 17,426,330</u>	<u>\$ 1,803,547</u>	<u>\$ 1,293,879</u>	<u>\$ 20,523,756</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 11,523,727	\$ 1,321,274	\$ 0	\$ 12,845,001
Support Services	6,635,806	443,865	32	7,079,703
Operation of Non-Instructional Services	0	0	1,366,939	1,366,939
Capital Outlay	1,384,188	0	0	1,384,188
Debt Service:				
Other Debt Service	200,000	0	0	200,000
Total Expenditures	<u>\$ 19,743,721</u>	<u>\$ 1,765,139</u>	<u>\$ 1,366,971</u>	<u>\$ 22,875,831</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,317,391)</u>	<u>\$ 38,408</u>	<u>\$ (73,092)</u>	<u>\$ (2,352,075)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 35,132	\$ 35,132
Transfers Out	(35,132)	0	0	(35,132)
Total Other Financing Sources (Uses)	<u>\$ (35,132)</u>	<u>\$ 0</u>	<u>\$ 35,132</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (2,352,523)	\$ 38,408	\$ (37,960)	\$ (2,352,075)
Fund Balance, July 1, 2004	4,104,064	438,692	201,323	4,744,079
Fund Balance, June 30, 2005	<u>\$ 1,751,541</u>	<u>\$ 477,100</u>	<u>\$ 163,363</u>	<u>\$ 2,392,004</u>

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Morgan 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 I-3)		\$ (2,352,075)
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between depreciation and capital outlays is itemized as follows:		
Add: Capital outlays in the current period	\$ 1,497,314	
Less: Current year depreciation	<u>(1,617,646)</u>	(120,332)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (115,741)	
For the year ended June 30, 2005	<u>499,295</u>	<u>383,554</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,088,853)</u>

Exhibit I-5

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan 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	
Revenues							
Local Taxes	\$ 2,509,182	\$ 0	\$ 0	\$ 2,509,182	\$ 2,480,077	\$ 2,480,077	\$ 29,105
Licenses and Permits	865	0	0	865	750	750	115
Charges for Current Services	26,551	0	0	26,551	26,400	26,400	151
Other Local Revenues	139,224	0	0	139,224	160,000	160,690	(21,466)
State of Tennessee	14,536,871	0	0	14,536,871	14,697,726	14,751,726	(214,855)
Federal Government	213,637	0	0	213,637	0	35,849	177,788
Total Revenues	\$ 17,426,330	\$ 0	\$ 0	\$ 17,426,330	\$ 17,364,953	\$ 17,455,492	\$ (29,162)
Expenditures							
Instruction							
Regular Instruction Program	\$ 9,373,826	\$ (12,696)	\$ 16,201	\$ 9,377,331	\$ 8,829,232	\$ 9,408,568	\$ 31,237
Special Education Program	1,374,991	(62,150)	21,803	1,334,644	1,386,692	1,402,308	67,664
Vocational Education Program	774,910	(72)	458	775,296	780,791	789,011	13,715
Support Services							
Attendance	83,310	0	0	83,310	84,153	84,153	843
Health Services	136,868	(37)	8	136,839	153,612	144,612	7,773
Other Student Support	463,399	(976)	678	463,101	431,007	501,447	38,346
Regular Instruction Program	855,673	(6,777)	20,262	869,158	760,649	939,573	70,415
Special Education Program	140,192	0	0	140,192	142,044	142,044	1,852
Vocational Education Program	79,029	0	0	79,029	81,839	81,839	2,810
Board of Education	532,761	(345)	269	532,685	520,704	540,654	7,969
Director of Schools	229,677	(3,508)	2,635	228,804	222,147	231,977	3,173
Office of the Principal	1,099,024	0	2,556	1,101,580	1,083,470	1,087,170	(14,410)
Operation of Plant	1,332,856	(75)	2,398	1,335,179	1,303,454	1,320,454	(14,725)
Maintenance of Plant	569,382	(38,090)	15,817	547,109	537,823	592,823	45,714
Transportation	1,113,635	(166,969)	2,601	949,267	803,428	1,001,482	52,215

(Continued)

Exhibit I-5

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan 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>Capital Outlay</u>							
Regular Capital Outlay	\$ 1,384,188	\$ (1,358,138)	\$ 63,619	\$ 89,669	\$ 23,776	\$ 95,776	\$ 6,107
<u>Other Debt Service</u>							
Education	200,000	0	0	200,000	200,000	200,000	0
Total Expenditures	\$ 19,743,721	\$ (1,649,833)	\$ 149,305	\$ 18,243,193	\$ 17,344,821	\$ 18,563,891	\$ 320,698
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,317,391)	\$ 1,649,833	\$ (149,305)	\$ (816,863)	\$ 20,132	\$ (1,108,399)	\$ 291,536
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (35,132)	\$ 0	\$ 0	\$ (35,132)	\$ (20,132)	\$ (35,132)	\$ 0
Total Other Financing Sources (Uses)	\$ (35,132)	\$ 0	\$ 0	\$ (35,132)	\$ (20,132)	\$ (35,132)	\$ 0
Net Change in Fund Balance	\$ (2,352,523)	\$ 1,649,833	\$ (149,305)	\$ (851,995)	\$ 0	\$ (1,143,531)	\$ 291,536
Fund Balance, July 1, 2004	4,104,064	(1,649,833)	0	2,454,231	3,411,308	3,411,308	(957,077)
Fund Balance, June 30, 2005	\$ 1,751,541	\$ 0	\$ (149,305)	\$ 1,602,236	\$ 3,411,308	\$ 2,267,777	\$ (665,541)

Exhibit I-6

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan County School Department
School Federal Projects 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>							
Federal Government	\$ 1,803,547	\$ 0	\$ 0	\$ 1,803,547	\$ 1,656,079	\$ 1,773,467	\$ 30,080
Total Revenues	\$ 1,803,547	\$ 0	\$ 0	\$ 1,803,547	\$ 1,656,079	\$ 1,773,467	\$ 30,080
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 602,156	\$ (1,503)	\$ 1,362	\$ 602,015	\$ 670,086	\$ 655,086	\$ 53,071
Special Education Program	661,208	(70)	879	662,017	588,692	606,888	(55,129)
Vocational Education Program	57,910	0	2,886	60,796	60,226	60,512	(284)
<u>Support Services</u>							
Other Student Support	20,771	(1,008)	3,617	23,380	17,500	19,214	(4,166)
Regular Instruction Program	313,102	0	558	313,660	315,575	376,605	62,945
Special Education Program	107,992	0	0	107,992	1,000	109,189	1,197
Vocational Education Program	2,000	0	0	2,000	3,000	2,000	0
Total Expenditures	\$ 1,765,139	\$ (2,581)	\$ 9,302	\$ 1,771,860	\$ 1,656,079	\$ 1,829,494	\$ 57,634
Excess (Deficiency) of Revenues Over Expenditures	\$ 38,408	\$ 2,581	\$ (9,302)	\$ 31,687	\$ 0	\$ (56,027)	\$ 87,714
Net Change in Fund Balance	\$ 38,408	\$ 2,581	\$ (9,302)	\$ 31,687	\$ 0	\$ (56,027)	\$ 87,714
Fund Balance, July 1, 2004	438,692	(2,581)	0	436,111	398,781	398,781	37,330
Fund Balance, June 30, 2005	\$ 477,100	\$ 0	\$ (9,302)	\$ 467,798	\$ 398,781	\$ 342,754	\$ 125,044

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 453,695	\$ 0	\$ 453,695	\$ 474,889	\$ 474,889	\$ (21,194)
Other Local Revenues	3,777	0	3,777	3,500	3,500	277
State of Tennessee	19,034	0	19,034	18,500	18,500	534
Federal Government	817,373	0	817,373	753,247	753,247	64,126
Total Revenues	<u>\$ 1,293,879</u>	<u>\$ 0</u>	<u>\$ 1,293,879</u>	<u>\$ 1,250,136</u>	<u>\$ 1,250,136</u>	<u>\$ 43,743</u>
<u>Expenditures</u>						
<u>Support Services</u>						
Board of Education	\$ 32	\$ 0	\$ 32	\$ 0	\$ 0	\$ (32)
<u>Operation of Non-Instructional Services</u>						
Food Service	1,277,476	(55,753)	1,221,723	1,203,537	1,203,537	(18,186)
Community Services	89,463	(14,950)	74,513	66,731	66,731	(7,782)
Total Expenditures	<u>\$ 1,366,971</u>	<u>\$ (70,703)</u>	<u>\$ 1,296,268</u>	<u>\$ 1,270,268</u>	<u>\$ 1,270,268</u>	<u>\$ (26,000)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (73,092)</u>	<u>\$ 70,703</u>	<u>\$ (2,389)</u>	<u>\$ (20,132)</u>	<u>\$ (20,132)</u>	<u>\$ 17,743</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 35,132	\$ 0	\$ 35,132	\$ 20,132	\$ 20,132	\$ 15,000
Total Other Financing Sources (Uses)	<u>\$ 35,132</u>	<u>\$ 0</u>	<u>\$ 35,132</u>	<u>\$ 20,132</u>	<u>\$ 20,132</u>	<u>\$ 15,000</u>
Net Change in Fund Balance	\$ (37,960)	\$ 70,703	\$ 32,743	\$ 0	\$ 0	\$ 32,743
Fund Balance, July 1, 2004	201,323	(70,703)	130,620	212,830	212,830	(82,210)
Fund Balance, June 30, 2005	<u>\$ 163,363</u>	<u>\$ 0</u>	<u>\$ 163,363</u>	<u>\$ 212,830</u>	<u>\$ 212,830</u>	<u>\$ (49,467)</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Capital Outlay - Voting Machine	\$ 125,250	3.85 %	7-9-02	7-9-05	\$ 85,064	\$ 0	\$ 41,724	\$ 43,340
Capital Outlay - Vehicles	152,000	2.95	10-20-03	10-20-05	152,000	0	74,812	77,188
Capital Outlay - Vehicles	159,000	3.2	11-17-04	11-17-06	0	159,000	38,814	120,186
Total Notes Payable					<u>\$ 237,064</u>	<u>\$ 159,000</u>	<u>\$ 155,350</u>	<u>\$ 240,714</u>
BONDS PAYABLE								
<u>Payable though General Debt Service Fund</u>								
General Obligation	500,000	2.8	4-22-03	6-1-14	\$ 460,000	\$ 0	\$ 40,000	\$ 420,000
Total Bonds Payable					<u>\$ 460,000</u>	<u>\$ 0</u>	<u>\$ 40,000</u>	<u>\$ 420,000</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority of Blount County - \$9,888,000 (Schools), \$112,000 (Jail)	10,000,000	(1)	6-21-01	6-1-26	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Public Building Authority of Sevier County - \$4,118,000 (Schools), \$1,382,000 (Jail)	5,500,000	Variable	1-31-02	6-1-15	5,280,000	0	350,000	4,930,000
Total Other Loans Payable					<u>\$ 15,280,000</u>	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 14,930,000</u>

- (1) This issue was swapped from a variable to a synthetic fixed rate by execution of a swap agreement during the year ended June 30, 2002.
This rate may vary from year to year.

Exhibit J-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 40,000	\$ 11,760	\$ 51,760
2007	40,000	10,640	50,640
2008	45,000	9,520	54,520
2009	45,000	8,260	53,260
2010	45,000	7,000	52,000
2011	50,000	5,740	55,740
2012	50,000	4,340	54,340
2013	50,000	2,940	52,940
2014	55,000	1,540	56,540
Total	\$ 420,000	\$ 61,740	\$ 481,740

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers - All Funds and the
Discretely Presented Morgan 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 the purchase of equipment	<u>\$ 52,144</u>
<u>Discretely Presented Morgan County</u>			
<u>School Department</u>			
General Purpose School	Central Cafeteria	To provide funds for operations	<u>\$ 35,132</u>

Morgan 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 Executive:				
Alma Jones (July 1, 2004 through August 31, 2004)	Section 8-24-102, <u>TCA</u>	\$ 9,234	\$ 50,000	Ohio Farmers Insurance Company
Rebecca Ruppe (September 1, 2004 through June 30, 2005)	Section 8-24-102, <u>TCA</u>	46,169	50,000	"
Road Superintendent	Section 8-24-102, <u>TCA</u>	52,765	100,000	"
Director of Schools	State Board of Education and County Board of Education	77,640 (1)	(2)	
Trustee	Section 8-24-102, <u>TCA</u>	47,969	515,000	"
Assessor of Property:				
Evert Kittrell (July 1, 2004 through August 31, 2004)	Section 8-24-102, <u>TCA</u>	7,995	10,000	"
Susan Wilson (September 1, 2004 through June 30, 2005)	Section 8-24-102, <u>TCA</u>	39,976	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	47,969	50,000	"
Register	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	53,311 (3)	25,000	"
Director of Finance	Board of County Commissioners	39,874	50,000	"
County Employees Blanket Bond Coverage:				
Employee Dishonesty - County			250,000	Specialty National Insurance Company
Employee Dishonesty - School Department			150,000	Tennessee School Boards Risk Management Trust

1 - Includes \$1,000 chief executive officer supplement.

2 - The director of schools is covered under the County Employee Blanket Bond Coverage (Employee Dishonesty - School Department).

3 - Includes law enforcement salary supplement of \$546.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,827,833	\$ 612,195	\$ 0	\$ 0	\$ 45,111	\$ 139,915	\$ 0	\$ 3,625,054
Trustee's Collections - Prior Year	132,037	35,486	0	0	2,640	6,781	0	176,944
Circuit/Clerk & Master Collections - Prior Years	106,162	23,590	0	31,166	1,739	5,390	0	168,047
Interest and Penalty	26,195	7,492	0	0	548	1,913	0	36,148
Pick-up Taxes	1,412	314	0	0	23	75	0	1,824
Payments in Lieu of Taxes - T.V.A.	1	0	0	0	0	0	0	1
Payments in Lieu of Taxes - Local Utilities	16,742	0	0	0	0	0	0	16,742
Payments in Lieu of Taxes - Other	9,038	0	0	0	0	0	0	9,038
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	697,263	0	697,263
Litigation Tax - General	38,295	0	0	0	0	0	0	38,295
Litigation Tax - Special Purpose	29,545	0	0	0	0	0	0	29,545
Litigation Tax - Jail, Workhouse, or Courthouse	13,880	0	0	0	0	0	0	13,880
Mineral Severance Tax	0	0	0	0	41,444	0	0	41,444
Other County Local Option Taxes	1,050	0	0	0	0	0	0	1,050
<u>Statutory Local Taxes</u>								
Bank Excise Tax	37,280	0	0	0	0	0	0	37,280
Interstate Telecommunications Tax	0	0	0	0	0	6,304	0	6,304
Total Local Taxes	\$ 3,239,470	\$ 679,077	\$ 0	\$ 31,166	\$ 91,505	\$ 857,641	\$ 0	\$ 4,898,859
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 864	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 864
Cable TV Franchise	45,217	0	0	0	0	0	0	45,217
<u>Permits</u>								
Beer Permits	2,316	0	0	0	0	0	0	2,316
Total Licenses and Permits	\$ 48,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,397
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 9,716	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,716
Officers Costs	8,505	0	0	0	0	0	0	8,505

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines	\$ 142	\$ 0	\$ 2,760	\$ 0	\$ 0	\$ 0	\$ 0	2,902
Jail Fees	281	0	0	0	0	0	0	281
Data Entry Fee - Circuit Court	320	0	0	0	0	0	0	320
<u>General Sessions Court</u>								
Fines	34,752	0	0	0	0	0	0	34,752
Officers Costs	31,367	0	0	0	0	0	0	31,367
Game and Fish Fines	326	0	0	0	0	0	0	326
Drug Control Fines	0	0	37,475	0	0	0	0	37,475
Jail Fees	5,560	0	0	0	0	0	0	5,560
DUI Treatment Fines	3,134	0	0	0	0	0	0	3,134
Data Entry Fee - General Sessions Court	3,598	0	0	0	0	0	0	3,598
<u>Juvenile Court</u>								
Fines	765	0	0	0	0	0	0	765
<u>Chancery Court</u>								
Data Entry Fee - Chancery Court	564	0	0	0	0	0	0	564
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	22,642	0	0	0	0	22,642
Total Fines, Forfeitures, and Penalties	\$ 99,030	\$ 0	\$ 62,877	\$ 0	\$ 0	\$ 0	\$ 0	161,907
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Solid Waste Disposal Fee	\$ 0	\$ 112,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	112,215
Patient Charges	658,197	0	0	0	0	0	0	658,197
Other General Service Charges	1,002	0	0	0	0	0	0	1,002
<u>Fees</u>								
Copy Fees	12,494	0	0	0	0	0	0	12,494
Telephone Commissions	6,820	0	0	0	0	0	0	6,820
Constitutional Officers' Fees and Commissions	0	0	0	94,098	0	0	0	94,098
Data Processing Fee - Register	8,374	0	0	0	0	0	0	8,374
Data Processing Fee - Sheriff	2,868	0	0	0	0	0	0	2,868
Total Charges for Current Services	\$ 689,755	\$ 112,215	\$ 0	\$ 94,098	\$ 0	\$ 0	\$ 0	896,068

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 27,338	\$ 0	\$ 0	\$ 1,618	\$ 0	\$ 0	\$ 0	28,956
Lease/Rentals	50	0	0	0	0	0	0	50
Sale of Gasoline	0	0	0	0	2,543	0	0	2,543
Sale of Recycled Materials	0	19,337	0	0	762	0	0	20,099
Miscellaneous Refunds	67,029	264	0	0	306	0	3,699	71,298
<u>Nonrecurring Items</u>								
Insurance Recovery	246	0	0	0	27,032	0	0	27,278
Sale of Equipment	0	1,428	0	0	4,960	0	0	6,388
Sale of Property	8,374	0	0	0	0	0	0	8,374
Total Other Local Revenues	\$ 103,037	\$ 21,029	\$ 0	\$ 1,618	\$ 35,603	\$ 0	\$ 3,699	\$ 164,986
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
Trustee	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	120,000
<u>Fees In Lieu of Salary</u>								
County Clerk	124,390	0	0	0	0	0	0	124,390
Circuit Court Clerk	32,410	0	0	0	0	0	0	32,410
General Sessions Court Clerk	95,037	0	0	0	0	0	0	95,037
Clerk and Master	68,527	0	0	0	0	0	0	68,527
Register	94,136	0	0	0	0	0	0	94,136
Sheriff	6,864	0	0	0	0	0	0	6,864
Total Fees Received from County Officials	\$ 541,364	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	541,364
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	8,634	0	0	0	0	0	0	8,634
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	131,716	0	0	131,716
State Aid Program	0	0	0	0	319,371	0	0	319,371
Litter Program	0	45,004	0	0	0	0	0	45,004

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
						General Debt Service	General Capital Projects	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues</u>								
Income Tax	\$ 9,964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,964
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	31,800	0	0	0	0	0	0	31,800
State Revenue Sharing - T.V.A.	188,144	0	0	0	0	0	0	188,144
Board of Jurors	743	0	0	0	0	0	0	743
Contracted Prisoner Boarding	86,560	0	0	0	0	0	0	86,560
Gasoline and Motor Fuel Tax	0	0	0	0	1,716,899	0	0	1,716,899
Petroleum Special Tax	0	0	0	0	14,569	0	0	14,569
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	12,285
Other State Grants	90,704	143,647	0	0	0	0	0	234,351
Other State Revenues	5,187	0	0	0	0	0	0	5,187
Total State of Tennessee	\$ 459,799	\$ 188,651	\$ 0	\$ 0	\$ 2,182,555	\$ 0	\$ 0	\$ 2,831,005
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 83,680	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	83,680
Other Federal through State	174,930	0	0	0	0	0	0	174,930
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	3,332	0	0	0	0	0	0	3,332
Total Federal Government	\$ 261,942	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 261,942
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 21,772	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	21,772
Contributions	0	0	0	0	0	200,000	0	200,000
<u>Citizens Groups</u>								
Donations	1,030	0	0	0	0	0	0	1,030
<u>Other</u>								
Other	9,315	0	0	0	0	0	0	9,315
Total Other Governments and Citizens Groups	\$ 32,117	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 232,117
Total	\$ 5,474,911	\$ 1,000,972	\$ 62,877	\$ 126,882	\$ 2,309,663	\$ 1,057,641	\$ 3,699	\$ 10,036,645

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,194,949	\$ 0	\$ 0	\$ 2,194,949
Trustee's Collections - Prior Year	107,394	0	0	107,394
Circuit/Clerk & Master Collections - Prior Years	83,457	0	0	83,457
Interest and Penalty	24,756	0	0	24,756
Pick-up Taxes	1,107	0	0	1,107
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	97,519	0	0	97,519
Total Local Taxes	\$ 2,509,182	\$ 0	\$ 0	\$ 2,509,182
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 865	\$ 0	\$ 0	\$ 865
Total Licenses and Permits	\$ 865	\$ 0	\$ 0	\$ 865
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 6,760	\$ 0	\$ 0	\$ 6,760
Tuition - Other	1,320	0	0	1,320
Lunch Payments - Children	0	0	186,914	186,914
Lunch Payments - Adults	0	0	29,165	29,165
Income from Breakfast	0	0	20,559	20,559
A la carte Sales	0	0	144,728	144,728
Receipts from Individual Schools	18,471	0	0	18,471
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	72,329	72,329
Total Charges for Current Services	\$ 26,551	\$ 0	\$ 453,695	\$ 480,246
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 138,852	\$ 0	\$ 3,251	\$ 142,103
Miscellaneous Refunds	0	0	526	526
<u>Other Local Revenues</u>				
Other Local Revenues	372	0	0	372
Total Other Local Revenues	\$ 139,224	\$ 0	\$ 3,777	\$ 143,001
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 13,792,858	\$ 0	\$ 0	\$ 13,792,858
School Food Service	0	0	19,034	19,034
Driver Education	5,580	0	0	5,580
Other State Education Funds	136,589	0	0	136,589
Career Ladder Program	276,067	0	0	276,067
Career Ladder - Extended Contract	137,633	0	0	137,633
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	188,144	0	0	188,144
Total State of Tennessee	\$ 14,536,871	\$ 0	\$ 19,034	\$ 14,555,905

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 637,068	\$ 637,068
Breakfast	0	0	176,574	176,574
USDA - Other	0	0	3,731	3,731
Vocational Education - Basic Grants to States	0	71,052	0	71,052
Title I Grants to Local Education Agencies	0	732,286	0	732,286
Innovative Education Program Strategies	0	16,457	0	16,457
Special Education - Grants to States	24,927	700,086	0	725,013
Special Education Preschool Grants	0	36,021	0	36,021
Eisenhower Professional Development State Grants	0	226,522	0	226,522
Other Federal through State	188,710	21,123	0	209,833
Total Federal Government	\$ 213,637	\$ 1,803,547	\$ 817,373	\$ 2,834,557
Total	\$ 17,426,330	\$ 1,803,547	\$ 1,293,879	\$ 20,523,756

Exhibit J-7

Morgan 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	\$	29,561	
Social Security		1,833	
Employer Medicare		429	
Audit Services		4,461	
Communication		1,405	
Dues and Memberships		11,998	
Legal Services		15,108	
Legal Notices, Recording and Court Costs		2,363	
Pauper Burials		1,000	
Postal Charges		555	
Office Supplies		714	
Other Supplies and Materials		10,366	
Premiums on Corporate Surety Bonds		8,853	
Other Charges		22,382	
Total County Commission			\$ 111,028

County Mayor

County Official/Administrative Officer	\$	55,403	
Assistant(s)		16,761	
Clerical Personnel		18,380	
Longevity Pay		600	
Social Security		5,322	
State Retirement		3,432	
Medical Insurance		24,201	
Employer Medicare		1,245	
Communication		2,276	
Postal Charges		593	
Travel		1,572	
Office Supplies		650	
Total County Mayor			130,435

County Attorney

Legal Services	\$	7,349	
Total County Attorney			7,349

Election Commission

County Official/Administrative Officer	\$	38,375	
Clerical Personnel		15,976	
Temporary Personnel		2,434	
Election Commission		9,300	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	7,935	
Social Security		3,319	
State Retirement		2,277	
Medical Insurance		12,353	
Employer Medicare		776	
Advertising		1,431	
Communication		1,195	
Dues and Memberships		120	
Maintenance & Repair Services- Office Equipment		6,033	
Postal Charges		1,170	
Rentals		2,000	
Travel		2,258	
Office Supplies		6,589	
Data Processing Equipment		3,654	
Total Election Commission			\$ 117,195

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Secretary(s)		17,228	
Part-time Personnel		1,794	
Longevity Pay		100	
Social Security		4,133	
State Retirement		2,736	
Medical Insurance		3,834	
Employer Medicare		967	
Communication		1,897	
Postal Charges		702	
Printing, Stationery and Forms		1,272	
Rentals		1,792	
Other Contracted Services		118	
Office Supplies		873	
Office Equipment		7,642	
Total Register of Deeds			93,057

County Buildings

Custodial Personnel	\$	28,616	
Social Security		1,517	
State Retirement		585	
Employer Medicare		355	
Communication		6,613	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services- Buildings	\$	30,541	
Pest Control		2,695	
Rentals		1,200	
Custodial Supplies		6,281	
Electricity		64,093	
Natural Gas		19,049	
Water and Sewer		19,529	
Other Supplies and Materials		2,992	
Building and Contents Insurance		21,235	
Liability Insurance		288,899	
Workers' Compensation Insurance		104,277	
Total County Buildings			\$ 598,477

Finance

Accounting and Budgeting

Supervisor/Director	\$	39,874	
Accountants/Bookkeepers		87,150	
Longevity Pay		1,700	
Social Security		7,451	
State Retirement		5,394	
Medical Insurance		28,923	
Employer Medicare		1,743	
Communication		2,998	
Maintenance & Repair Services- Office Equipment		8,509	
Postal Charges		4,582	
Travel		192	
Office Supplies		6,477	
Data Processing Equipment		3,990	
Total Accounting and Budgeting			198,983

Property Assessor's Office

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		38,240	
Longevity Pay		2,400	
Board and Committee Members Fees		2,850	
Social Security		5,201	
State Retirement		3,713	
Medical Insurance		13,310	
Employer Medicare		1,216	
Audit Services		7,225	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	1,336	
Data Processing Services		3,661	
Maintenance & Repair Services- Office Equipment		477	
Postal Charges		710	
Travel		2,031	
Office Supplies		1,225	
Total Property Assessor's Office			\$ 131,564

Reappraisal Program

Clerical Personnel	\$	17,830	
Longevity Pay		300	
Social Security		963	
State Retirement		760	
Medical Insurance		8,770	
Employer Medicare		225	
Data Processing Services		2,670	
Travel		2,048	
Other Supplies and Materials		199	
Total Reappraisal Program			33,765

County Trustee's Office

Social Security	\$	4,640	
State Retirement		2,824	
Medical Insurance		3,840	
Employer Medicare		1,085	
Total County Trustee's Office			12,389

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Secretary(s)		36,704	
Part-time Personnel		4,536	
Longevity Pay		1,000	
Social Security		5,456	
State Retirement		3,590	
Medical Insurance		17,540	
Employer Medicare		1,276	
Communication		1,721	
Postal Charges		2,596	
Office Supplies		2,834	
Total County Clerk's Office			125,222

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		52,984	
Longevity Pay		800	
Overtime Pay		1,746	
Social Security		5,874	
State Retirement		4,337	
Medical Insurance		29,836	
Employer Medicare		1,374	
Communication		1,950	
Dues and Memberships		120	
Postal Charges		1,900	
Travel		51	
Office Supplies		4,565	
Total Circuit Court			\$ 153,506

Criminal Court

Other Salaries & Wages	\$	24,568	
Jury and Witness Fees		14,368	
Social Security		1,464	
Employer Medicare		342	
Postal Charges		1,957	
Rentals		1,642	
Law Enforcement Equipment		315	
Total Criminal Court			44,656

General Sessions Court

Paraprofessionals	\$	3,766	
Clerical Personnel		7,638	
Social Security		707	
State Retirement		158	
Employer Medicare		165	
Communication		2,011	
Dues and Memberships		120	
Postal Charges		157	
Travel		1,450	
Office Supplies		3,001	
Total General Sessions Court			19,173

General Sessions Judge

Judge(s)	\$	80,932	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Social Security	\$	4,881	
Medical Insurance		8,770	
Employer Medicare		1,142	
Total General Sessions Judge			\$ 95,725

Chancery Court

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		40,156	
Longevity Pay		3,000	
Social Security		5,564	
State Retirement		3,818	
Medical Insurance		12,716	
Employer Medicare		1,301	
Communication		1,748	
Dues and Memberships		60	
Maintenance & Repair Services- Office Equipment		255	
Postal Charges		1,118	
Travel		300	
Office Supplies		4,040	
Total Chancery Court			122,045

Juvenile Court

Social Workers	\$	16,058	
Longevity Pay		200	
Social Security		1,008	
State Retirement		681	
Employer Medicare		236	
Communication		203	
Travel		1,053	
Office Supplies		807	
Total Juvenile Court			20,246

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	52,765	
Deputy(ies)		335,137	
Salary Supplements		5,599	
Clerical Personnel		17,588	
Longevity Pay		2,500	
Overtime Pay		55,154	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Salaries & Wages	\$	15,933	
Board and Committee Members Fees		1,850	
In-Service Training		5,892	
Social Security		29,356	
State Retirement		19,877	
Medical Insurance		106,903	
Employer Medicare		6,866	
Contracts with Other Public Agencies		12,251	
Dues and Memberships		120	
Postal Charges		3,621	
Travel		954	
Other Contracted Services		731	
Gasoline		59,979	
Office Supplies		6,092	
Uniforms		3,745	
Vehicle Parts		31,598	
Communication Equipment		6,800	
Law Enforcement Equipment		9,778	
Motor Vehicles		98,287	
Total Sheriff's Department			\$ 889,376

Jail

Assistant(s)	\$	24,636
Dispatchers/Radio Operators		94,356
Guards		402,122
Clerical Personnel		19,869
Cafeteria Personnel		15,719
Temporary Personnel		3,996
Longevity Pay		2,900
Overtime Pay		28,065
Other Salaries & Wages		24,354
In-Service Training		7,268
Social Security		36,796
State Retirement		23,349
Medical Insurance		132,983
Employer Medicare		8,606
Communication		20,345
Maintenance & Repair Services- Office Equipment		16,723
Medical and Dental Services		106,662
Pest Control		360

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Travel	\$	1,035	
Custodial Supplies		18,734	
Drugs and Medical Supplies		82,371	
Food Supplies		70,153	
Office Supplies		2,676	
Uniforms		4,004	
Other Supplies and Materials		11,635	
Law Enforcement Equipment		380	
Total Jail			\$ 1,160,097

Juvenile Services

Other Contracted Services	\$	2,120	
Total Juvenile Services			2,120

Fire Prevention and Control

Medical Insurance	\$	9,591	
Contracts with Government Agencies		2,000	
Contributions		15,000	
Workers' Compensation Insurance		7,572	
Total Fire Prevention and Control			34,163

Civil Defense

Supervisor/Director	\$	7,500	
Social Security		465	
Employer Medicare		109	
Communication		4,385	
Dues and Memberships		181	
Travel		1,592	
Gasoline		1,201	
Office Supplies		224	
Other Supplies and Materials		67,758	
Total Civil Defense			83,415

Rescue Squad

Contributions	\$	2,500	
Total Rescue Squad			2,500

County Coroner/Medical Examiner

Supervisor/Director	\$	4,435	
Medical and Dental Services		22,250	
Total County Coroner/Medical Examiner			26,685

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	3,558	
Social Security		221	
Employer Medicare		52	
Communication		3,349	
Contributions		28,087	
Maintenance & Repair Services- Buildings		259	
Maintenance & Repair Services- Equipment		84	
Postal Charges		1,603	
Custodial Supplies		522	
Drugs and Medical Supplies		1,284	
Office Supplies		658	
Other Charges		211	
Office Equipment		166	
Total Local Health Center			\$ 40,054

Ambulance/Emergency Medical Services

Assistant(s)	\$	28,383
Supervisor/Director		33,415
Medical Personnel		249,394
Temporary Personnel		6,631
Longevity Pay		9,600
Overtime Pay		143,700
Other Salaries & Wages		9,595
In-Service Training		2,480
Social Security		27,967
State Retirement		17,673
Medical Insurance		96,296
Employer Medicare		6,541
Communication		5,616
Dues and Memberships		100
Licenses		835
Maintenance & Repair Services- Equipment		3,799
Maintenance & Repair Services- Vehicles		12,799
Postal Charges		74
Travel		865
Custodial Supplies		915
Drugs and Medical Supplies		26,211
Gasoline		13,144
Office Supplies		671
Uniforms		2,125

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Charges	\$	4,285	
Attendance Equipment		8,646	
Communication Equipment		2,278	
Data Processing Equipment		2,721	
Motor Vehicles		59,013	
Total Ambulance/Emergency Medical Services			\$ 775,772

Crippled Children Services

Other Charges	\$	5,000	
Total Crippled Children Services			5,000

Other Local Health Services

Medical Personnel	\$	44,381	
Clerical Personnel		5,502	
Social Security		3,093	
State Retirement		1,641	
Medical Insurance		5,691	
Employer Medicare		723	
Travel		2,479	
Liability Insurance		89	
Total Other Local Health Services			63,599

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$	3,178	
Total Senior Citizens Assistance			3,178

Libraries

Librarians	\$	35,809	
In-Service Training		37	
Social Security		2,220	
Employer Medicare		519	
Advertising		52	
Communication		7,271	
Postal Charges		494	
Rentals		1,166	
Travel		77	
Instructional Supplies and Materials		200	
Office Supplies		430	
Periodicals		3,671	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Data Processing Equipment	\$ 2,151	
Total Libraries		\$ 54,097

Parks and Fair Boards

Maintenance & Repair Services- Buildings	\$ 618	
Other Supplies and Materials	1,966	
Site Development	2,101	
Total Parks and Fair Boards		4,685

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$ 1,704	
Maintenance & Repair Services- Office Equipment	576	
Other Contracted Services	36,368	
Office Supplies	1,488	
Other Supplies and Materials	3,052	
Total Agriculture Extension Service		43,188

Soil Conservation

Contributions	\$ 1,800	
Total Soil Conservation		1,800

Other Operations

Tourism

Contributions	\$ 174,930	
Building Improvements	1,000	
Total Tourism		175,930

Industrial Development

Site Development	\$ 16,514	
Total Industrial Development		16,514

Other Economic and Community Development

Contributions	\$ 20,000	
Other Charges	26,444	
Other Construction	22,761	
Total Other Economic and Community Development		69,205

Veterans' Services

Other Salaries & Wages	\$ 600	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Social Security	\$	37	
Employer Medicare		9	
Other Supplies and Materials		765	
Total Veterans' Services			\$ 1,411

Miscellaneous

Unemployment Compensation	\$	11,273	
Trustee's Commission		76,275	
Total Miscellaneous			87,548

Total General Fund \$ 5,555,152

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	34,653	
Longevity Pay		1,500	
Social Security		2,241	
State Retirement		1,493	
Medical Insurance		3,948	
Employer Medicare		524	
Communication		709	
Building and Contents Insurance		2,686	
Liability Insurance		2,356	
Vehicle and Equipment Insurance		7,061	
Workers' Compensation Insurance		13,348	
Total Sanitation Management			\$ 70,519

Sanitation Education/Information

Supervisor/Director	\$	6,928	
Attendants		12,810	
Part-time Personnel		2,440	
Social Security		1,297	
Employer Medicare		303	
Advertising		2,980	
Communication		104	
Postal Charges		74	
Travel		244	
Other Contracted Services		400	
Gasoline		3,274	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Instructional Supplies and Materials	\$	3,337	
Office Supplies		205	
Vehicle Parts		505	
Other Supplies and Materials		166	
Total Sanitation Education/Information			\$ 35,067

Waste Pickup

Truck Drivers	\$	25,949	
Part-time Personnel		16,749	
Longevity Pay		300	
Overtime Pay		1,125	
Social Security		2,631	
State Retirement		1,494	
Medical Insurance		8,777	
Employer Medicare		615	
Licenses		100	
Other Contracted Services		380,808	
Equipment and Machinery Parts		3,155	
Gasoline		20,316	
Lubricants		979	
Tires and Tubes		3,131	
Solid Waste Equipment		292,894	
Total Waste Pickup			759,023

Convenience Centers

Attendants	\$	146,107	
Longevity Pay		3,600	
Overtime Pay		2,610	
Other Salaries & Wages		2,646	
Social Security		9,346	
State Retirement		3,756	
Medical Insurance		21,328	
Employer Medicare		2,186	
Rentals		3,000	
General Construction Materials		5,509	
Gravel and Chert		1,327	
Other Supplies and Materials		482	
Total Convenience Centers			201,897

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)
Public Health and Welfare (Cont.)

Recycling Center

Attendants	\$	32,702	
Longevity Pay		1,300	
Other Salaries & Wages		542	
Social Security		2,067	
State Retirement		1,375	
Medical Insurance		16,954	
Employer Medicare		483	
Communication		1,099	
Electricity		2,396	
Gasoline		1,723	
Uniforms		1,010	
Vehicle Parts		90	
Water and Sewer		380	
Other Supplies and Materials		1,423	
Solid Waste Equipment		141	
Total Recycling Center			\$ 63,685

Landfill Operation and Maintenance

Attendants	\$	11,266	
Social Security		657	
State Retirement		444	
Medical Insurance		5,227	
Employer Medicare		154	
Communication		2,197	
Engineering Services		2,800	
Maintenance & Repair Services- Equipment		8,453	
Rentals		2,489	
Electricity		6,870	
Equipment and Machinery Parts		5,271	
Gasoline		6,120	
General Construction Materials		4,436	
Lubricants		1,493	
Office Supplies		413	
Water and Sewer		1,500	
Site Development		1,718	
Total Landfill Operation and Maintenance			61,508

Other Operations

Other Charges

Trustee's Commission	\$	13,609	
Total Other Charges			13,609

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Unemployment Compensation	\$ 972	
Total Miscellaneous		\$ 972

Total Solid Waste/Sanitation Fund \$ 1,206,280

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,500	
Rentals	3,850	
Instructional Supplies and Materials	1,422	
Other Supplies and Materials	57,084	
Trustee's Commission	585	
Law Enforcement Equipment	10,980	
Total Drug Enforcement		\$ 76,421

Total Drug Control Fund 76,421

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 91,710	
Total County Trustee's Office		\$ 91,710

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 31,166	
Total Chancery Court		31,166

Total Constitutional Officers - Fees Fund 122,876

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 52,765
Secretary(s)	20,484
Longevity Pay	1,500
Social Security	4,592
State Retirement	3,103
Employee and Dependent Insurance	8,771

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Employer Medicare	\$	1,074	
Dues and Memberships		2,060	
Legal Services		1,195	
Office Supplies		1,628	
Other Charges		58	
Total Administration			\$ 97,230

Highway and Bridge Maintenance

Foremen	\$	56,033	
Equipment Operators		31,561	
Truck Drivers		64,608	
Laborers		84,401	
Longevity Pay		9,200	
Social Security		14,262	
State Retirement		9,851	
Employee and Dependent Insurance		63,215	
Employer Medicare		3,336	
Other Contracted Services		364,544	
Asphalt - Hot Mix		332,595	
Asphalt - Liquid		108,574	
Concrete		536	
Crushed Stone		148,995	
Pipe - Metal		25,749	
Road Signs		238	
Total Highway and Bridge Maintenance			1,317,698

Operation and Maintenance of Equipment

Mechanic(s)	\$	25,808	
Laborers		23,392	
Longevity Pay		2,900	
Social Security		3,170	
State Retirement		2,147	
Employee and Dependent Insurance		12,718	
Employer Medicare		741	
Other Contracted Services		1,688	
Diesel Fuel		53,967	
Equipment and Machinery Parts		30,920	
Garage Supplies		6,137	
Gasoline		5,424	
Lubricants		3,172	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tires and Tubes	\$	16,210	
Uniforms		4,589	
Total Operation and Maintenance of Equipment			\$ 192,983

Other Charges

Communication	\$	2,774	
Electricity		1,844	
Natural Gas		1,861	
Water and Sewer		396	
Liability Insurance		19,362	
Trustee's Commission		18,653	
Vehicle and Equipment Insurance		24,210	
Other Charges		323	
Total Other Charges			69,423

Employee Benefits

Unemployment Compensation	\$	964	
Workers' Compensation Insurance		27,637	
Total Employee Benefits			28,601

Capital Outlay

Bridge Construction	\$	51,069	
Communication Equipment		133	
Highway Equipment		13,694	
Motor Vehicles		32,500	
Right-of-Way		8,000	
State Aid Projects		584,763	
Total Capital Outlay			690,159

Total Highway/Public Works Fund \$ 2,396,094

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	40,000	
Principal on Notes		155,350	
Principal on Other Loans Payable		87,945	
Total General Government			\$ 283,295

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Principal (Cont.)

Education

Principal on Other Loans Payable	<u>\$ 262,055</u>	
Total Education		\$ 262,055

Interest

General Government

Interest on Bonds	\$ 12,880	
Interest on Notes	10,463	
Interest on Other Loans Payable	<u>33,204</u>	
Total General Government		56,547

Education

Interest on Other Loans Payable	<u>\$ 581,154</u>	
Total Education		581,154

Other Debt Service

General Government

Fiscal Agent Charges	\$ 5,000	
Trustee's Commission	<u>10,108</u>	
Total General Government		<u>15,108</u>

Total General Debt Service Fund		\$ 1,198,159
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General Capital Projects Fund

Capital Projects

Other General Government Projects

General Construction Materials	\$ 46,273	
Other Supplies and Materials	<u>1,062</u>	
Total Other General Government Projects		<u>\$ 47,335</u>

Total General Capital Projects Fund		<u>47,335</u>
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Total Governmental Funds - Primary Government		<u>\$ 10,602,317</u>
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Exhibit J-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,718,616	
Career Ladder Program	160,584	
Career Ladder Extended Contracts	102,000	
Educational Assistants	170,826	
Certified Substitute Teachers	150,375	
Social Security	449,477	
State Retirement	389,144	
Life Insurance	9,071	
Medical Insurance	731,910	
Dental Insurance	34,379	
Unemployment Compensation	15,820	
Employer Medicare	105,120	
Instructional Supplies and Materials	108,099	
Textbooks	168,608	
Other Supplies and Materials	11,618	
Fee Waivers	29,994	
Other Charges	18,185	
Total Regular Instruction Program		\$ 9,373,826

Special Education Program

Teachers	\$ 860,162	
Career Ladder Program	10,000	
Career Ladder Extended Contracts	2,000	
Homebound Teachers	15,129	
Educational Assistants	47,672	
Other Salaries & Wages	947	
Social Security	66,225	
State Retirement	50,714	
Life Insurance	1,300	
Medical Insurance	113,312	
Dental Insurance	5,158	
Unemployment Compensation	4,490	
Employer Medicare	13,341	
Contracts with Private Agencies	108,958	
Other Contracted Services	18,709	
Instructional Supplies and Materials	15,663	
Other Charges	553	
Special Education Equipment	40,658	
Total Special Education Program		1,374,991

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	583,056	
Career Ladder Program		12,000	
Career Ladder Extended Contracts		600	
Educational Assistants		9,047	
Social Security		36,571	
State Retirement		33,135	
Life Insurance		798	
Medical Insurance		66,150	
Dental Insurance		2,933	
Employer Medicare		8,553	
Instructional Supplies and Materials		18,159	
Vocational Instruction Equipment		<u>3,908</u>	
Total Vocational Education Program	\$		774,910

Support Services

Attendance

Supervisor/Director	\$	55,050	
Career Ladder Program		1,000	
Social Security		3,415	
State Retirement		3,029	
Life Insurance		48	
Medical Insurance		4,062	
Dental Insurance		204	
Employer Medicare		799	
Travel		905	
Other Charges		<u>14,798</u>	
Total Attendance			83,310

Health Services

Medical Personnel	\$	30,706	
Other Salaries & Wages		64,494	
Social Security		5,885	
State Retirement		5,236	
Life Insurance		135	
Medical Insurance		16,763	
Dental Insurance		796	
Employer Medicare		1,376	
Travel		3,250	
Drugs and Medical Supplies		<u>8,227</u>	
Total Health Services			136,868

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		302,943	
Social Security		18,887	
State Retirement		16,796	
Life Insurance		341	
Medical Insurance		22,245	
Dental Insurance		1,243	
Employer Medicare		4,417	
Evaluation and Testing		11,850	
Travel		552	
Other Contracted Services		44,154	
In Service/Staff Development		4,446	
Other Charges		30,525	
Total Other Student Support			\$ 463,399

Regular Instruction Program

Supervisor/Director	\$	58,014	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		2,000	
Librarians		258,495	
Instructional Computer Personnel		41,098	
Secretary(s)		18,368	
Other Salaries & Wages		25,985	
Social Security		24,820	
State Retirement		22,212	
Life Insurance		468	
Medical Insurance		36,131	
Dental Insurance		1,887	
Employer Medicare		5,805	
Maintenance & Repair Services- Equipment		33,424	
Travel		10,094	
Other Contracted Services		13,211	
Instructional Supplies and Materials		295	
Library Books/Media		17,223	
In Service/Staff Development		44,432	
Other Equipment		235,711	
Total Regular Instruction Program			855,673

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	58,126	
Career Ladder Program		2,000	
Psychological Personnel		41,339	
Secretary(s)		8,769	
Social Security		6,835	
State Retirement		5,930	
Life Insurance		97	
Medical Insurance		8,694	
Dental Insurance		419	
Employer Medicare		1,598	
Travel		5,422	
In Service/Staff Development		963	
Total Special Education Program			\$ 140,192

Vocational Education Program

Supervisor/Director	\$	53,917	
Secretary(s)		11,556	
Social Security		2,854	
State Retirement		2,885	
Life Insurance		48	
Medical Insurance		5,036	
Dental Insurance		201	
Employer Medicare		667	
Travel		1,865	
Total Vocational Education Program			79,029

Board of Education

Board and Committee Members Fees	\$	18,675	
Social Security		1,158	
Employer Medicare		271	
Audit Services		9,950	
Dues and Memberships		10,311	
Legal Services		10,079	
Postal Charges		189	
Travel		8,353	
Natural Gas		712	
Liability Insurance		219,747	
Trustee's Commission		93,721	
Workers' Compensation Insurance		157,795	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 1,800	
Total Board of Education		\$ 532,761

Director of Schools

County Official/Administrative Officer	\$ 77,640	
Assistant(s)	63,974	
Career Ladder Program	4,000	
Secretary(s)	21,202	
Social Security	10,343	
State Retirement	8,852	
Life Insurance	126	
Medical Insurance	4,567	
Dental Insurance	212	
Employer Medicare	2,419	
Communication	14,470	
Dues and Memberships	295	
Travel	9,975	
Other Contracted Services	6,224	
Office Supplies	4,515	
Other Supplies and Materials	21	
Other Charges	763	
Administration Equipment	79	
Total Director of Schools		229,677

Office of the Principal

Principals	\$ 402,329
Career Ladder Program	17,000
Career Ladder Extended Contracts	16,000
Assistant Principals	285,567
Secretary(s)	88,920
Clerical Personnel	51,406
Social Security	53,245
State Retirement	45,949
Life Insurance	793
Medical Insurance	43,343
Dental Insurance	1,813
Employer Medicare	12,453
Communication	12,275
Travel	4,276

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Other Contracted Services	\$	50,000	
In Service/Staff Development		606	
Other Charges		13,049	
Total Office of the Principal			\$ 1,099,024

Operation of Plant

Custodial Personnel	\$	446,211	
Social Security		27,603	
State Retirement		17,335	
Life Insurance		764	
Unemployment Compensation		2,278	
Employer Medicare		6,455	
Other Contracted Services		65,103	
Electricity		616,727	
Natural Gas		74,420	
Water and Sewer		75,960	
Total Operation of Plant			1,332,856

Maintenance of Plant

Supervisor/Director	\$	27,853	
Custodial Personnel		1,195	
Maintenance Personnel		89,126	
Social Security		7,320	
State Retirement		4,643	
Life Insurance		146	
Employer Medicare		1,712	
Communication		62	
Maintenance & Repair Services- Buildings		167,036	
Other Contracted Services		43,613	
Other Supplies and Materials		120,519	
Other Charges		7,141	
Administration Equipment		80	
Maintenance Equipment		98,936	
Total Maintenance of Plant			569,382

Transportation

Supervisor/Director	\$	27,019
Mechanic(s)		52,891
Bus Drivers		420,532

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	31,014	
State Retirement		20,271	
Life Insurance		600	
Medical Insurance		172	
Dental Insurance		8	
Unemployment Compensation		912	
Employer Medicare		7,253	
Communication		1,794	
Travel		358	
Other Contracted Services		4,512	
Diesel Fuel		67,630	
Equipment and Machinery Parts		1,469	
Gasoline		59,681	
Lubricants		3,372	
Tires and Tubes		9,445	
Vehicle Parts		47,842	
Other Charges		8,494	
Transportation Equipment		348,366	
Total Transportation			\$ 1,113,635

Capital Outlay

Regular Capital Outlay

Building Construction	\$	198,126	
Building Improvements		1,132,628	
Other Capital Outlay		53,434	
Total Regular Capital Outlay			1,384,188

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	200,000	
Total Education			200,000

Total General Purpose School Fund \$ 19,743,721

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	376,301	
Clerical Personnel		15,877	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Certified Substitute Teachers	\$	7,280	
Social Security		26,182	
State Retirement		19,624	
Life Insurance		515	
Medical Insurance		44,572	
Dental Insurance		2,096	
Unemployment Compensation		993	
Employer Medicare		5,740	
Instructional Supplies and Materials		34,595	
Other Charges		306	
Regular Instruction Equipment		68,075	
Total Regular Instruction Program			\$ 602,156

Special Education Program

Teachers	\$	40,717	
Educational Assistants		269,680	
Other Salaries & Wages		80	
Certified Substitute Teachers		2,960	
Social Security		19,407	
State Retirement		12,951	
Life Insurance		579	
Medical Insurance		4,445	
Unemployment Compensation		1,855	
Employer Medicare		4,539	
Maintenance & Repair Services- Equipment		1,245	
Other Contracted Services		265,070	
Instructional Supplies and Materials		18,397	
Other Supplies and Materials		18,217	
Fee Waivers		1,066	
Total Special Education Program			661,208

Vocational Education Program

Educational Assistants	\$	6,800
Other Salaries & Wages		1,055
Social Security		487
State Retirement		325
Unemployment Compensation		94
Employer Medicare		114
Instructional Supplies and Materials		13,941

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Vocational Instruction Equipment	\$ 35,094	
Total Vocational Education Program		\$ 57,910

Support Services

Other Student Support

Travel	\$ 5,995	
In Service/Staff Development	2,718	
Other Charges	12,058	
Total Other Student Support		20,771

Regular Instruction Program

Supervisor/Director	\$ 55,050	
Secretary(s)	19,664	
Social Security	4,632	
State Retirement	3,778	
Life Insurance	77	
Medical Insurance	4,567	
Dental Insurance	212	
Unemployment Compensation	245	
Employer Medicare	1,083	
Consultants	600	
Travel	60,298	
Library Books/Media	16,457	
Other Supplies and Materials	68,385	
In Service/Staff Development	40,713	
Other Charges	37,341	
Total Regular Instruction Program		313,102

Special Education Program

Assessment Personnel	\$ 21,386	
Other Salaries & Wages	49,453	
Social Security	4,290	
State Retirement	2,033	
Life Insurance	118	
Unemployment Compensation	1,146	
Employer Medicare	1,003	
Travel	16,488	
Other Contracted Services	500	
Other Supplies and Materials	21	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

In Service/Staff Development	\$ 11,554	
Total Special Education Program		\$ 107,992

Vocational Education Program

Travel	\$ 2,000	
Total Vocational Education Program		<u>2,000</u>

Total School Federal Projects Fund		\$ 1,765,139
------------------------------------	--	--------------

Central Cafeteria Fund

Support Services

Board of Education

Trustee's Commission	\$ 32	
Total Board of Education		\$ 32

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 22,976	
Clerical Personnel	8,169	
Cafeteria Personnel	437,055	
Social Security	29,028	
State Retirement	15,951	
Life Insurance	491	
Medical Insurance	3,810	
Dental Insurance	361	
Unemployment Compensation	43	
Employer Medicare	6,789	
Maintenance & Repair Services- Equipment	9	
Travel	3,736	
Other Contracted Services	8,490	
Food Preparation Supplies	62,092	
Food Supplies	599,695	
Office Supplies	585	
Uniforms	3,743	
Other Supplies and Materials	20,434	
In Service/Staff Development	1,304	
Other Charges	82	
Food Service Equipment	<u>52,633</u>	
Total Food Service		1,277,476

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Part-time Personnel	\$ 33,807	
Social Security	2,096	
State Retirement	1,030	
Employer Medicare	490	
Travel	122	
Food Preparation Supplies	114	
Food Supplies	50,651	
Other Supplies and Materials	1,153	
Total Community Services	<u>89,463</u>	\$ <u>89,463</u>

Total Central Cafeteria Fund \$ 1,366,971

Total Governmental Funds - Morgan County School Department \$ 22,875,831

Exhibit J-9

Morgan County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - 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	\$ 36,394	\$ 36,394
Interest and Penalty	0	43	43
Local Option Sales Tax	273,349	0	273,349
Total Cash Receipts	<u>\$ 273,349</u>	<u>\$ 36,437</u>	<u>\$ 309,786</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 270,616	\$ 35,704	\$ 306,320
Trustee's Commission	2,733	733	3,466
Total Cash Disbursements	<u>\$ 273,349</u>	<u>\$ 36,437</u>	<u>\$ 309,786</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2004	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATISTICAL SECTION

Table 1

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

Year	Amount
1997	\$ 6,722
1998	16,542
1999	6,309
2000	37,547
2001	56,920
2002	83,677
2003	<u>163,294</u>
Total	<u><u>\$ 371,011</u></u>

Table 2

Morgan County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.05	\$ 1.39	\$ 1.50	\$ 1.37	\$ 1.4775	\$ 1.4775	\$ 1.3900	\$ 1.4100	\$ 1.4500	\$ 1.8800
Solid Waste/Sanitation	0.55	0.56	0.58	0.54	0.5375	0.5375	0.4263	0.4170	0.4070	0.4070
Highway/Public Works	0.04	0.04	0.04	0.04	0.0375	0.0375	0.0300	0.0300	0.0300	0.0300
General Purpose School	1.87	1.88	1.88	1.71	1.6700	1.6700	1.3200	1.3200	1.3600	1.4500
General Debt Service	1.66	1.05	0.87	0.60	0.4875	0.4875	0.1729	0.1630	0.0930	0.0930
Total Tax Rate	\$ 5.17	\$ 4.92	\$ 4.87	\$ 4.26	\$ 4.2100	\$ 4.2100	\$ 3.3392	\$ 3.3400	\$ 3.3400	\$ 3.8600
<u>Assessed Valuations</u>										
Real and Personal	\$ 79,568,298	\$ 79,907,900	\$ 81,531,016	\$ 95,558,640	\$ 97,341,483	\$ 98,988,210	\$ 135,811,712	\$ 138,817,041	\$ 141,459,598	\$ 144,849,650
Public Utilities	21,406,517	23,302,153	20,781,991	22,908,708	24,071,728	18,535,333	23,898,451	24,014,321	22,663,547	23,078,084
Total Assessed Valuation	\$ 100,974,815	\$ 103,210,053	\$ 102,313,007	\$ 118,467,348	\$ 121,413,211	\$ 117,523,543	\$ 159,710,163	\$ 162,831,362	\$ 164,123,145	\$ 167,927,734

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

February 10, 2006

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive 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 Morgan County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated February 10, 2006. 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 Morgan 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 Morgan 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, 05.03(C,D,E), 05.04, and 05.05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.01 and 05.04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05.03(A,B).

We have also noted certain other matters that we reported to the management of Morgan 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/sb



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

February 10, 2006

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Morgan 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. Morgan 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 Morgan County's management. Our responsibility is to express an opinion on Morgan 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 Morgan 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 Morgan County's compliance with those requirements.

In our opinion, Morgan 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 Morgan 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 Morgan 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Morgan County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items 05.04 and 05.06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above (items 05.04 and 05.06) to be a material weakness.

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 Morgan County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated February 10, 2006. 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/sb

OTHER AUDITOR'S 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

For the Morgan County Emergency Communications District

To the Board of Directors of the
Morgan County Emergency Communications District
Wartburg, Tennessee

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

Internal Control over Financial Reporting

In planning and performing my audit, I considered Morgan County Emergency Communications District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. I noted no matters involving the internal control over financial reporting and its operation that we consider to 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morgan County Emergency Communications District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the management of Morgan County Emergency Communications District and the Comptroller of the Treasury State of Tennessee and is not intended to be used and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

Federal/Pass-through Agency/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	(2)	\$ 106,832
Total Passed-through State Department of Agriculture			\$ 106,832
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 176,574
National School Lunch Program	10.555	(2)	666,419
Total Passed-through State Department of Education			\$ 842,993
Total U.S. Department of Agriculture			\$ 949,825
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/States Program	14.228	GG-05011856-00	\$ 26,935
Total U.S. Department of Housing and Urban Development			\$ 26,935
U.S. Department of Justice:			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 3,332
Total U.S. Department of Justice			\$ 3,332
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 174,930
Total U.S. Department of Transportation			\$ 174,930
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	\$ 694,566
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	758,930
Special Education - Preschool Grants	84.173	N/A	35,195
Vocational Education - Basic Grants to States	84.048	N/A	68,622
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	22,437
Twenty First Century Community Learning Centers	84.287	(2)	354,821
State Grants for Innovative Programs	84.298	N/A	58,778
Education Technology State Grants	84.318	(2)	19,912
Comprehensive School Reform Demonstration	84.332	(2)	99,862
Improving Teacher Quality State Grants	84.367	N/A	131,623
Total U.S. Department of Education			\$ 2,244,746

(Continued)

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017786-00/	\$ 5,117 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020131-00/	36,753 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022479-00	37,494 (3)
Emergency Management Performance Grants	97.042	Z-05-025376-00	3,045
State and Local All Hazards Emergency Operations Planning	97.051	Z-03015199-01	1,272
Total U.S. Department of Homeland Security			<u>\$ 83,681</u>
Total Expenditures of Federal Awards			<u>\$ 3,483,449</u>
<u>State Grants</u>			
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	\$ 8,634
Juvenile Services Program - State Children Services Commission	N/A	(2)	9,000
Fast Track Industrial Development Project - State Department of Economic and Community Development	N/A	(2)	20,200
Litter Program - State Department of Transportation	N/A	(2)	49,905
Waste Tire Grant - State Department of Transportation	N/A	(2)	9,344
Waste Reduction Grant - State Department of Economic and Community Development	N/A	(2)	135,000
Health Department Programs - State Department of Health	N/A	(2)	70,504
Family Resource Center Grant - State Department of Education	N/A	(2)	<u>33,300</u>
Total State Grants			<u>\$ 335,887</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 for CFDA No. 97.004 (State Domestic Preparedness Equip. Support Program) from the U.S. Dept. of Homeland Security was \$79,364.

Morgan 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 Morgan County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF DIRECTOR OF FINANCE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	154, 155	Payroll deduction accounts were not properly reconciled
04.04	155	The School Federal Projects Fund had budgetary deficiencies

OTHER FINDING AND RECOMMENDATION

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	157	Duties were not segregated adequately in the Offices of Director of Finance, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

MORGAN 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 financial statements of Morgan County is unqualified.
2. The audit of the financial statements of Morgan County disclosed reportable conditions in internal control. Two of those conditions were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Morgan County.
4. The audit disclosed one reportable condition in internal control over major programs. This condition was considered to be a material weakness.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Twenty-first Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Morgan 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 response of the director of schools is 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.

OFFICE OF COUNTY CLERK

FINDING 05.01 **A CASH SHORTAGE OF AT LEAST \$6,103.19 EXISTED IN THE OFFICE AS OF JUNE 30, 2005**
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of receipts, deposit slips, and bank statements revealed discrepancies resulting in a cash shortage of at least \$6,103.19 as of June 30, 2005. The following discrepancies were noted:

- A. The county clerk could not account for three wholesale beer tax checks totaling \$6,103.19 paid to the office by a Cookeville beer distributor. These three checks had not been receipted by the County Clerk's Office but were deposited to the clerk's bank account. Therefore, checks which had not been receipted by the office were substituted for cash which had been receipted. As discussed below, improprieties existing in deposit records of the office were apparently used to conceal that the checks had been substituted for other collections of the office.

At our request, the beer distributor presented us copies of their canceled checks for these three wholesale beer tax payments. Two of the three checks reflected the county clerk's stamped endorsement and were processed through the local bank where the county clerk maintained the office checking account. The remaining check did not reflect an endorsement, but was also processed through this same local bank. The following table details the checks that were not receipted.

<u>Date of Check</u>	<u>Amount</u>	<u>Date Processed by Bank</u>	<u>Endorsement</u>
1-14-05	\$ 2,108.23	1-28-2005	County Clerk's Stamp
3-15-05	1,673.25	4-4-2005	County Clerk's Stamp
4-15-05	<u>2,321.71</u>	5-9-2005	None
	<u>\$ 6,103.19</u>		

We examined deposits of the County Clerk's Office for the days that the checks were processed. We discovered that the duplicate copies of deposit

slips on file in the clerk's office did not agree with deposit slips returned with bank statements for those days. Although the total amount of each deposit agreed between the two documents, the allocation between cash and checks did not agree. The deposit slips returned with the bank statements reflected more checks and less cash being deposited on those days, indicating that the wholesale beer tax checks had been substituted for other collections of the clerk's office. The county clerk was unable to explain why the payments had not been receipted or why deposit slips retained in the office did not agree with the deposit slips returned in the bank statements.

- B. Our examination also revealed other days where deposit slips on file in the clerk's office did not agree with deposit slips returned by the bank. The deposit slips returned by the bank reflected more checks and less cash than duplicate copies of deposit slips on file in the office. The clerk could not explain these differences and the propriety of these deposits has not yet been determined. Our review of these deposit discrepancies is continuing and if any additional shortage is determined from that review, we will communicate those results in a future report.

This finding has been discussed with the county executive and the district attorney general.

RECOMMENDATION

The county clerk should immediately liquidate the cash shortage of \$6,103.19 from personal funds.

OFFICE OF DIRECTOR OF FINANCE

FINDING 05.02 **GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**
(Internal Control – Reportable Condition Under Government Auditing Standards)

General ledger payroll liability accounts were not reconciled monthly with payroll records and payments. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll records and payments, and errors should be corrected promptly.

FINDING 05.03

THE OFFICE HAD BUDGET DEFICIENCIES

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

Our examination revealed the following deficiencies:

- A. Expenditures exceeded appropriations approved by the County Commission in certain major appropriation categories of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
Solid Waste/Sanitation:	
Sanitation Education/Information	\$ 1,211
Convenience Centers	98
General Purpose School Fund:	
Office of the Principal	14,410
Operation of Plant	14,725
School Federal Projects:	
Instruction Special Education Program	55,129
Instruction Vocational Education Program	284
Support Services Other Student Support	4,166

- B. Total expenditures exceeded total appropriations in the General Fund (\$14,663) and the Central Cafeteria Fund (\$26,000).
- C. Budget amendments for some funds were presented to the County Commission after year-end. Appropriations lapse at year-end; therefore, these budget amendments have not been recognized in the financial statements of this report.
- D. A federal grant totaling \$174,930 was channeled through the General Fund; however, the fund’s budget was not amended to reflect this grant.
- E. Management did not recognize certain liabilities at June 30, 2005. Audit adjustments were proposed to management to record these additional expenditures which directly affected budget to actual comparisons noted in items A and B above.

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

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. All budget amendments should be presented to the County Commission prior to the end of the fiscal year. Grant revenue estimates and appropriations should be included in the fund processing the grant activity. Year-end liabilities should be accurately posted to the accounting records.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.04 **USDA CLAIMS FOR REIMBURSEMENTS WERE NOT ACCURATE**

(Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133)

Requests for reimbursements for the USDA school lunch and breakfast programs were not accurate. The claims for reimbursements of meals served did not agree with source documents provided from the individual schools, resulting in the School Department receiving incorrect amounts of reimbursements. Once the errors were discovered, the School Department worked with state Department of Education personnel to file corrected reports for the period. However, the School Department was unable to obtain reimbursements for approximately \$4,200 because the time for filing adjusted claims had expired. Also, reimbursement claims had not been filed for snacks served during the year until questioned by auditors.

RECOMMENDATION

Management should ensure that accurate USDA school lunch and breakfast reimbursement requests are filed timely, all amounts reflected on the claims agree with source documents, and that all items eligible for reimbursement are claimed.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Steps have already been taken to ensure the accurate preparation and submission of USDA reimbursement claims.

OTHER FINDING AND RECOMMENDATION

FINDING 05.05 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF DIRECTOR OF FINANCE, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

<u>Federal/Pass-through Agency</u>	<u>Finding Number</u>	<u>Federal CFDA Number(s)</u>	<u>Criteria</u>	<u>Explanation</u>	<u>Amount Questioned</u>
U.S. Department of Agriculture Passed-through Tennessee Department of Education	05.06	10.553 & 10.555	Circular A-133, Section 300 (b) and Compliance Supplement Part 3 (L)	Material Weakness in Internal Control, see Finding No. 05.04: Controls over the Preparation and Submission of USDA Claims for Reimbursement were not adequate	\$0

MORGAN 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 and one finding relative to federal awards presented in the current audit's Schedule of Findings and Questioned Costs.

Director of Schools – Corrective Action Plan for Current Year Finding

FINDING 05.04 and 05.06

Steps have been taken to ensure controls over the preparation and submission of USDA claims for reimbursement are adequate for Morgan County schools.

- Step 1: New computer software and the necessary training have been purchased at an expense of over \$21,000. With these new programs, we have centralized our point of sales for 2005-2006 and can generate up-to-date information and reports for the seven schools in our system.
- Step 2: A new nutrition food supervisor was hired in February 2005 and is working diligently to get Morgan County back on track and processing USDA claims in a timely manner.
- Step 3: A full-time secretary/assistant was hired in August 2005 to work with the application process for the free and reduced program and to help with the new computer system's input and report generation.
- Step 4: Employees in the Food Service Department have been attending any necessary training to learn the requirements necessary for the school nutrition program such as: Administrative Review and School Meal Initiative Training, Horizon Software training for point of sale and inventory, In-Team Associates Training, Quarterly Supervisor Training by state representatives, and ServSafe Classes. We are in the process of preparing for our first State Coordinated Review (CRE).

We feel that these steps will enable us to ensure adequate controls for USDA claims for reimbursement.