

**ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2007



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

DEPARTMENT OF AUDIT
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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, 2007

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2007.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF FINANCE

- ◆ Central Cafeteria Fund expenditures exceeded total appropriations approved by the County Commission by \$22,938. Expenditures and encumbrances in the General, Solid Waste/Sanitation, General Purpose School, and School Federal Projects Funds exceeded appropriations approved by the County Commission at the major appropriation category level of control (the legal level of control).
- ◆ Morgan County did not follow the purchasing provisions of the County Financial Management Act of 1981.
- ◆ A lease-purchase agreement was not in compliance with state statutes.

OFFICE OF COUNTY CLERK

- ◆ Deficiencies were noted in records and procedures of the County Clerk's Office.
-

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, 2007

Officials

Rebecca Ruppe, County Executive
C. Roy Smith, Road Superintendent
Mike Davis, Director of Schools
Joyce Northrup, Trustee
Gilford Wilson, Assessor of Property
Carol Hamby, County Clerk
Pam Lively, Circuit and General Sessions Courts Clerk
Angela Anderson, Clerk and Master
Sandy Dalton, Register
Dennis Ledbetter, Sheriff
Gary Howard, Director of Finance

Board of County Commissioners

Wade Adcock	Terry Jackson
Juanita Armes	Kay Johnson
Vaughn Armes	Ken Jones
Nicholas Bishop	Vernon Justes
Lucinda Crouch	Susie Kries
Sue Duncan	Joe Reed
Lucy Freytag	Randy Roberts
David Hennessee	Paul Scarbrough
Marion Hawn	Fred Snow

Board of Education

Terry Armes, Chairman	Andy Lowe
M. Louise Coleman	Glen Moore
James Randy Harlan	James Rivers

Financial Management Committee

Rebecca Ruppe, Chairman	Gary Howard
Wade Adcock	Ken Jones
Juanita Armes	Susie Kries
Mike Davis	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
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

September 14, 2007

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, 2007, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Morgan County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Morgan County Emergency Communications District which should be included to conform to accounting principles generally accepted in United States of America. The effects on the

financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Morgan County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Morgan County, Tennessee, at June 30, 2007, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2007, 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 September 14, 2007, 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.

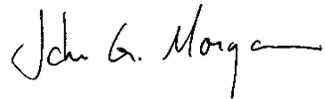
The management of Morgan County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison and pension information on pages 57 through 63 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements,

budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Assets
June 30, 2007

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Morgan County School Department</u>
<u>ASSETS</u>		
Cash	\$ 22,703	\$ 8,536
Equity in Pooled Cash and Investments	5,669,985	2,624,018
Accounts Receivable	378,715	14,322
Allowance for Uncollectible Accounts Receivable	(119,987)	0
Due from Primary Government	0	56,180
Due from Other Governments	501,795	490,339
Property Taxes Receivable	4,716,115	2,705,560
Allowance for Uncollectible Property Taxes	(293,367)	(168,301)
Prepaid Items	72,574	0
Capital Assets:		
Assets Not Depreciated:		
Land	322,834	1,104,029
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,963,375	26,716,443
Infrastructure	1,095,637	0
Other Capital Assets	611,545	1,116,116
Total Assets	<u>\$ 14,941,924</u>	<u>\$ 34,667,242</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 105,889	\$ 35,911
Accrued Payroll	93,135	0
Accrued Interest Payable	68,487	0
Payroll Deductions Payable	2,876	222,660
Due to Component Units	56,180	0
Due to State of Tennessee	6,848	2,573
Due to Litigant, Heirs, and Others	6,896	0
Deferred Revenue - Property Taxes	4,165,081	2,389,440
Noncurrent Liabilities:		
Due Within One Year	577,379	0
Due in More than One Year	14,379,148	0
Total Liabilities	<u>\$ 19,461,919</u>	<u>\$ 2,650,584</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Morgan County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,335,983	\$ 0
Invested in Capital Assets	0	28,936,588
Restricted for:		
Highways	1,423,488	0
Debt Service	3,281,383	0
Alcohol and Drug Treatment	42,282	0
Litigation Tax - Jail, Workhouse, or Courthouse	59,020	0
Computer Systems - Constitutional Offices	47,112	0
Solid Waste/Sanitation	267,790	0
Drug Control	59,521	0
Federal and State Educational Programs	0	1,531,172
Other Purposes	16,473	0
Unrestricted	<u>(12,053,047)</u>	<u>1,548,898</u>
Total Net Assets	<u>\$ (4,519,995)</u>	<u>\$ 32,016,658</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Morgan County School Department
<u>Primary Government:</u>						
Governmental Activities:						
General Government	\$ 1,162,637	\$ 177,084	\$ 31,591	\$ 0	\$ (953,962)	\$ 0
Finance	679,214	352,481	21,354	0	(305,379)	0
Administration of Justice	624,989	395,895	14,400	0	(214,694)	0
Public Safety	2,293,997	177,679	52,357	0	(2,063,961)	0
Public Health and Welfare	2,199,792	1,056,033	204,437	38,444	(900,878)	0
Social, Cultural, and Recreational Services	87,330	0	0	10,588	(76,742)	0
Agricultural and Natural Resources	55,931	0	0	0	(55,931)	0
Other Operations	510,137	16,324	0	278,708	(215,105)	0
Highways	2,074,345	1,942	1,762,253	204,983	(105,167)	0
Debt Service:						
Interest	679,514	0	0	0	(679,514)	0
Other Debt Service	14,954	0	0	0	(14,954)	0
Total Primary Government	<u>\$ 10,382,840</u>	<u>\$ 2,177,438</u>	<u>\$ 2,086,392</u>	<u>\$ 532,723</u>	<u>\$ (5,586,287)</u>	<u>\$ 0</u>
<u>Component Unit:</u>						
Morgan County School Department	\$ 24,961,426	\$ 645,369	\$ 3,863,621	\$ 0	\$ 0	\$ (20,452,436)
Total Component Unit	<u>\$ 24,961,426</u>	<u>\$ 645,369</u>	<u>\$ 3,863,621</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,452,436)</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 Government	Component Unit
					Total Governmental Activities	Morgan County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 4,284,418	\$ 2,534,760
Property Taxes Levied for General Debt Service					198,189	0
Local Option Sales Taxes					798,120	0
Other Local Taxes					164,906	124,452
Grants and Contributions Not Restricted to Specific Programs					383,812	16,877,472
Unrestricted Investment Income					90,096	200,649
Gain on Disposal of Capital Assets					30,000	3,753
Other					44,545	29,941
Total General Revenues					<u>\$ 5,994,086</u>	<u>\$ 19,771,027</u>
Change in Net Assets					\$ 407,799	\$ (681,409)
Net Assets, July 1, 2006					<u>(4,927,794)</u>	<u>32,698,067</u>
Net Assets, June 30, 2007					<u>\$ (4,519,995)</u>	<u>\$ 32,016,658</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, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 2,793	\$ 0	\$ 0	\$ 19,910	\$ 22,703
Equity in Pooled Cash and Investments	947,754	218,549	1,228,178	3,209,087	66,417	5,669,985
Accounts Receivable	352,018	26,697	0	0	0	378,715
Allowance for Uncollectibles	(119,987)	0	0	0	0	(119,987)
Due from Other Governments	66,392	6,480	299,667	129,256	0	501,795
Due from Other Funds	1,258	0	0	0	0	1,258
Property Taxes Receivable	3,698,427	749,614	57,090	210,984	0	4,716,115
Allowance for Uncollectible Property Taxes	(230,062)	(46,630)	(3,551)	(13,124)	0	(293,367)
Prepaid Items	59,790	6,684	6,100	0	0	72,574
Total Assets	\$ 4,775,590	\$ 964,187	\$ 1,587,484	\$ 3,536,203	\$ 86,327	\$ 10,949,791
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 6,975	\$ 24,910	\$ 74,004	\$ 0	\$ 0	\$ 105,889
Accrued Payroll	71,782	6,355	14,998	0	0	93,135
Payroll Deductions Payable	83	2,793	0	0	0	2,876
Due to Other Funds	0	0	0	0	1,258	1,258
Due to Component Units	56,180	0	0	0	0	56,180
Due to State of Tennessee	6,504	310	34	0	0	6,848
Due to Litigants, Heirs, and Others	0	0	0	0	6,896	6,896
Deferred Revenue - Current Property Taxes	3,266,300	662,029	50,419	186,333	0	4,165,081
Deferred Revenue - Delinquent Property Taxes	184,374	37,369	2,847	10,518	0	235,108
Other Deferred Revenues	125,597	0	155,102	63,914	0	344,613
Total Liabilities	\$ 3,717,795	\$ 733,766	\$ 297,404	\$ 260,765	\$ 8,154	\$ 5,017,884
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 38,756	\$ 30,214	\$ 42,959	\$ 0	\$ 0	\$ 111,929
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	30,984	30,984
Reserved for Alcohol and Drug Treatment	42,282	0	0	0	0	42,282
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	59,020	0	0	0	0	59,020

(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	\$ 32,662	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,662
Reserved for Automation Purposes - General Sessions Court	8,977	0	0	0	0	8,977
Reserved for Automation Purposes - Chancery Court	5,471	0	0	0	0	5,471
Reserved for Prepaid Items	59,790	6,684	6,099	0	0	72,573
Reserved for Other General Purposes	16,475	0	0	0	0	16,473
Unreserved, Reported In:						
General Fund	794,362	0	0	0	0	794,362
Special Revenue Funds	0	193,523	1,241,022	0	47,189	1,481,734
Debt Service Funds	0	0	0	3,275,438	0	3,275,438
Total Fund Balances	\$ 1,057,795	\$ 230,421	\$ 1,290,080	\$ 3,275,438	\$ 78,173	\$ 5,931,907
Total Liabilities and Fund Balances	\$ 4,775,590	\$ 964,187	\$ 1,587,484	\$ 3,536,203	\$ 86,327	\$ 10,949,791

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

Exhibit C-2

Morgan County, Tennessee
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2007

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)		\$	5,931,907
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	322,834	
Add: infrastructure net of accumulated depreciation		1,095,637	
Add: buildings and improvements net of accumulated depreciation		1,963,375	
Add: other capital assets net of accumulated depreciation		<u>611,545</u>	3,993,391
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			579,721
(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.			(68,487)
(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.			
Less: bonds payable	\$	(340,000)	
Less: notes payable		(160,000)	
Less: other loans payable		(14,160,000)	
Less: compensated absences payable		(113,289)	
Less: landfill postclosure care cost payable		<u>(183,238)</u>	<u>(14,956,527)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (4,519,995)</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, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,623,626	\$ 714,611	\$ 126,622	\$ 996,213	\$ 21,840	\$ 5,482,912
Licenses and Permits	46,175	0	0	0	0	46,175
Fines, Forfeitures, and Penalties	93,398	0	0	0	36,350	129,748
Charges for Current Services	786,896	187,313	0	0	114,044	1,088,253
Other Local Revenues	130,664	25,253	11,424	3	2,641	169,985
Fees Received from County Officials	617,985	0	0	0	0	617,985
State of Tennessee	640,451	53,189	1,960,999	0	0	2,654,639
Federal Government	377,706	0	0	0	0	377,706
Other Governments and Citizens Groups	119,492	0	0	0	0	119,492
Total Revenues	\$ 6,436,393	\$ 980,366	\$ 2,099,045	\$ 996,216	\$ 174,875	\$ 10,686,895
<u>Expenditures</u>						
Current:						
General Government	\$ 1,090,273	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,090,273
Finance	563,055	0	0	0	111,524	674,579
Administration of Justice	597,517	0	0	0	26,134	623,651
Public Safety	2,302,201	0	0	0	16,652	2,318,853
Public Health and Welfare	1,192,729	968,619	0	0	0	2,161,348
Social, Cultural, and Recreational Services	87,330	0	0	0	0	87,330
Agricultural and Natural Resources	55,931	0	0	0	0	55,931
Other Operations	493,927	16,210	0	0	0	510,137
Highways	0	0	2,823,365	0	0	2,823,365
Debt Service:						
Principal on Debt	0	0	0	475,707	0	475,707
Interest on Debt	0	0	0	655,306	0	655,306
Other Debt Service	0	0	0	14,954	0	14,954
Total Expenditures	\$ 6,382,963	\$ 984,829	\$ 2,823,365	\$ 1,145,967	\$ 154,310	\$ 11,491,434
Excess (Deficiency) of Revenues	\$ 53,430	\$ (4,463)	\$ (724,320)	\$ (149,751)	\$ 20,565	\$ (804,539)
Over Expenditures						

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 160,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,000
Insurance Recovery	0	0	30,000	0	0	30,000
Total Other Financing Sources (Uses)	\$ 160,000	\$ 0	\$ 30,000	\$ 0	\$ 0	\$ 190,000
Net Change in Fund Balances	\$ 213,430	\$ (4,463)	\$ (694,320)	\$ (149,751)	\$ 20,565	\$ (614,539)
Fund Balance, July 1, 2006	844,365	234,884	1,984,400	3,425,189	57,608	6,546,446
Fund Balance, June 30, 2007	\$ 1,057,795	\$ 230,421	\$ 1,290,080	\$ 3,275,438	\$ 78,173	\$ 5,931,907

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

Exhibit C-4

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, 2007

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)		\$ (614,539)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,015,921	
Less: current year depreciation expense	<u>(316,773)</u>	699,148
(2) The net effect of various miscellaneous transactions involving capital assets, (sales, trade-ins, and donations) is to decrease net assets.		(15,439)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 579,721	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(505,977)</u>	73,744
(4) 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: note proceeds	\$ (160,000)	
Add: principal payment on notes	40,707	
Add: principal payment on bonds	40,000	
Add: principal payment on other loans	<u>395,000</u>	315,707
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (24,208)	
Change in compensated absences	(24,714)	
Change in landfill postclosure care costs	<u>(1,900)</u>	<u>(50,822)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 407,799</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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 731,148
Accounts Receivable	640
Due from Other Governments	43,541
Property Taxes Receivable	<u>46,399</u>
Total Assets	<u>\$ 821,728</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 89,970
Due to Litigants, Heirs, and Others	<u>731,788</u>
Total Liabilities	<u>\$ 821,758</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, 2007

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 financial statements of the Morgan County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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. Although required by GAAP, the financial statements of the Morgan County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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. However, where applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the 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, 2007.

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, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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’s 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 type:

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 fund:

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

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

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

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 outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectibles for the ambulance service receivables reflected in the General Fund consists of various amounts estimated based on the categories of the payee (Medicare, Medicaid, insurance companies, and individuals). The allowance for uncollectible property taxes is equal to 3.48 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 financial 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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences 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.E., 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, 2007, Morgan County had \$13,002,592 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 Morgan County 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.

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, 2007:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Matching Share of ARC Grant	\$ 42,559
Matching Share of CDBG Grant	12,414
Contribution to Visitor Center	67,532
Contribution to Tri County Project	3,320
Contribution to Drug Task Force	5,306
Contribution to Agriculture Extension Office	2,000
Solid Waste/Sanitation:	
Capital Outlay - Equipment	3,650

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide statement of net assets.

Discretely Presented Morgan County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

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

Discretely Presented Morgan County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide statements of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage

As noted in the previous years Annual Financial Report, a cash shortage of \$14,755.93 existed in the Office of County Clerk as of June 30, 2006. Tim Steelman liquidated that cash shortage from personal funds on September 7, 2006, and resigned from office on December 31, 2006. In January 2007, Mr. Steelman entered a guilty plea in Circuit Court to charges of theft related to the cash shortage.

C. Expenditures and Encumbrances Exceeded Appropriations

Central Cafeteria Fund expenditures exceeded total appropriations approved by the County Commission by \$22,938. These overexpenditures resulted primarily from management not budgeting the Summer Feeding Program appropriately.

For Morgan County and the discretely presented Morgan County School Department, expenditures and encumbrances exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control):

<u>Fund/Categories</u>	<u>Amount Overspent</u>
General Fund:	
Other Public Safety	\$ 12
Libraries	27,014
Solid Waste/Sanitation:	
Sanitation Education/Information	231
General Purpose School:	
Support Services - Regular Instruction	14,321
Operation of Non-Instructional Services - Food Service	92,848
School Federal Projects:	
Instruction - Regular Instruction Program	23,566
Instruction - Vocational Education Program	9
Support Services - Other Student Support	559

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance or by greater than anticipated revenues.

D. Lease-Purchase Agreement Did Not Comply With State Statutes

On July 9, 2007, the director of schools, with the approval of the Board of Education, entered into a 15-year lease-purchase agreement (\$6,448,282) for energy management projects for various school facilities without the approval of the County Commission. Section 7-51-904, Tennessee Code Annotated, requires such lease-purchase agreements to be first approved by the County Commission. Additionally, the director of finance was not involved in the acquisition process as required by the County Financial Management Act of 1981.

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 represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2007.

B. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 335,634	\$ 0	\$ (12,800)	\$ 322,834
Total Capital Assets Not Depreciated	\$ 335,634	\$ 0	\$ (12,800)	\$ 322,834
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,764,779	\$ 0	\$ 0	\$ 2,764,779
Roads and Bridges	459,057	683,645	0	1,142,702
Other Capital Assets	3,511,132	332,276	(241,739)	3,601,669
Total Capital Assets Depreciated	\$ 6,734,968	\$ 1,015,921	\$ (241,739)	\$ 7,509,150
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 739,406	\$ 61,998	\$ 0	\$ 801,404
Roads and Bridges	10,868	36,197	0	47,065
Other Capital Assets	3,010,646	218,578	(239,100)	2,990,124
Total Accumulated Depreciation	\$ 3,760,920	\$ 316,773	\$ (239,100)	\$ 3,838,593
Total Capital Assets Depreciated, Net	\$ 2,974,048	\$ 699,148	\$ (2,639)	\$ 3,670,557
Governmental Activities Capital Assets, Net	\$ 3,309,682	\$ 699,148	\$ (15,439)	\$ 3,993,391

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

Governmental Activities:

General Government	\$ 59,177
Public Safety	41,530
Public Health and Welfare	110,727
Highway/Public Works	<u>105,339</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 316,773</u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 1,114,029	\$ 0	\$ (10,000)	\$ 1,104,029
Construction in Progress	25,896	0	(25,896)	0
Total Capital Assets Not Depreciated	\$ 1,139,925	\$ 0	\$ (35,896)	\$ 1,104,029
Capital Assets Depreciated:				
Buildings and Improvements	\$ 47,031,069	\$ 0	\$ 0	\$ 47,031,069
Other Capital Assets	3,658,423	361,168	(104,055)	3,915,536
Total Capital Assets Depreciated	\$ 50,689,492	\$ 361,168	\$ (104,055)	\$ 50,946,605
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 19,076,370	\$ 1,238,256	\$ 0	\$ 20,314,626
Other Capital Assets	2,605,343	298,132	(104,055)	2,799,420
Total Accumulated Depreciation	\$ 21,681,713	\$ 1,536,388	\$ (104,055)	\$ 23,114,046
Total Capital Assets Depreciated, Net	\$ 29,007,779	\$ (1,175,220)	\$ 0	\$ 27,832,559
Governmental Activities Capital Assets, Net	\$ 30,147,704	\$ (1,175,220)	\$ (35,896)	\$ 28,936,588

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

Governmental Activities:

Instruction	\$ 4,075
Support Services	1,514,792
Operation of Non-Instructional Services	<u>17,521</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,536,388</u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,258
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	5,987

These balances resulted from the time lag between the dates that interfund goods and services are provided, reimbursable expenditures occur and payments between funds are made, or the correction of errors in posting of revenue among funds.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit: Primary Government:		
Discretely Presented School Department:		
General Purpose School	General	\$ 56,180

Interfund Transfers:

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

Discretely Presented Morgan County School Department

<u>Transfers Out</u>	<u>Transfers In</u>	
	Nonmajor Govern- mental Fund	General Purpose School Fund
General Purpose School Fund	\$ 57,204	\$ 0
Nonmajor Governmental Fund	0	54,651
Total	<u>\$ 57,204</u>	<u>\$ 54,651</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 Purpose School 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, 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, 2007, will be retired from the General Debt Service Fund.

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

Type	Interest Rate		Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	2.8	%	\$ 500,000	\$ 340,000
Capital Outlay Notes	4.19		160,000	160,000
Other Loans - Fixed by Swap	4.56		10,000,000	10,000,000
Other Loans - Variable	Variable		5,500,000	4,160,000

In prior years, 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 these loan agreements, the authorities loaned \$10,000,000 and \$5,500,000, respectively, to Morgan County for various renovation and construction projects. One loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent weekly. In addition, the county pays various other fees (liquidity, remarketing, and administration) in connection with this loan. At June 30, 2007, the variable interest rate was 3.95 percent, and other fees amounted to approximately .14 percent (liquidity), .14 percent (remarketing), and .2 percent (administration) of the outstanding loan principal. 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, 2007:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Other Fees on Variable Rate Debt
<u>Blount County Public</u>					
<u>Building Authority</u>					
Various (Series A-2-D)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	4.56 %	0.48 %
<u>Sevier County Public</u>					
<u>Building Authority</u>					
Various (Series IV-I-3)	5,500,000	<u>4,160,000</u>	Variable	3.95	0.48
Total Other Loans Payable		<u>\$ 14,160,000</u>			

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 45,000	\$ 9,520	\$ 80,000	\$ 6,704
2009	45,000	8,260	80,000	3,352
2010	45,000	7,000	0	0
2011	50,000	5,740	0	0
2012	50,000	4,340	0	0
2013-2014	105,000	4,480	0	0
Total	<u>\$ 340,000</u>	<u>\$ 39,340</u>	<u>\$ 160,000</u>	<u>\$ 10,056</u>
Year Ending June 30	Other Loan (\$10,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 456,000	\$ 48,000	\$ 504,000
2009	0	456,000	48,000	504,000
2010	0	456,000	48,000	504,000
2011	0	456,000	48,000	504,000
2012	0	456,000	48,000	504,000
2013-2017	1,370,000	2,249,904	236,832	3,856,736
2018-2022	4,235,000	1,604,208	168,864	6,008,072
2023-2026	4,395,000	515,508	54,264	4,964,772
Total	<u>\$ 10,000,000</u>	<u>\$ 6,649,620</u>	<u>\$ 699,960</u>	<u>\$ 17,349,580</u>

Year Ending June 30	Other Loan (\$5,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 420,000	\$ 164,320	\$ 20,051	\$ 604,371
2009	450,000	147,730	18,027	615,757
2010	470,000	129,955	15,858	615,813
2011	500,000	111,390	13,592	624,982
2012	530,000	91,640	11,182	632,822
2013-2015	1,790,000	144,175	17,593	1,951,768
Total	\$ 4,160,000	\$ 789,210	\$ 96,303	\$ 5,045,513

There is \$3,275,438 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$17, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$742, 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, 2007, rates were as follows:

	Terms	Rates
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.33 %
Variable payment from counterparty	70% of LIBOR	-3.72
Net interest rate swap payments		0.61 %
Variable-rate bond coupon payments		3.95
Synthetic interest rate on bonds		4.56 %

Fair value. As of June 30, 2007, the swap had a negative fair value of \$376,695. The negative fair value of the swap may be countered by reductions

in total interest payments required under the variable-rate bonds, 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.

Credit risk. As of June 30, 2007, 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, 2007. 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 should BMA increase 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.

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, 2007, 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		
2008	\$ 0	\$ 395,000	\$ 61,000	\$ 456,000
2009	0	395,000	61,000	456,000

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate Swap	Total
	Principal	Interest		
2010	\$ 0	\$ 395,000	\$ 61,000	\$ 456,000
2011	0	395,000	61,000	456,000
2012	0	395,000	61,000	456,000
2013-2017	1,370,000	1,948,930	300,974	3,619,904
2018-2022	4,235,000	1,389,610	214,598	5,839,208
2023-2026	4,395,000	446,548	68,961	4,910,509
Total	<u>\$ 10,000,000</u>	<u>\$ 5,760,088</u>	<u>\$ 889,533</u>	<u>\$ 16,649,621</u>

Changes in Long-term Liabilities

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

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 380,000	\$ 40,707	\$ 14,555,000
Additions	0	160,000	0
Deductions	(40,000)	(40,707)	(395,000)
Balance, June 30, 2007	<u>\$ 340,000</u>	<u>\$ 160,000</u>	<u>\$ 14,160,000</u>
Balance Due Within One Year	<u>\$ 45,000</u>	<u>\$ 80,000</u>	<u>\$ 420,000</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2006	\$ 88,575	\$ 181,338
Additions	100,350	11,062
Deductions	(75,636)	(9,162)
Balance, June 30, 2007	<u>\$ 113,289</u>	<u>\$ 183,238</u>
Balance Due Within One Year	<u>\$ 22,658</u>	<u>\$ 9,721</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 14,956,527
Less: Balance Due Within One Year	<u>(577,379)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,379,148</u>

Compensated absences payable will be paid from the employing funds. Landfill 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 and Solid Waste/Sanitation Funds. These notes were necessary because the cash balances were not sufficient to meet current obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
General	\$ 0	\$ 1,200,000	\$ (1,200,000)	\$ 0
Solid Waste/Sanitation		200,000	(200,000)	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. Subsequent Events

Subsequent to June 30, 2007, Morgan County issued revenue anticipation notes in the form of interfund loans from the General Debt Service Fund to the General Fund (\$1,000,000) and to the Solid Waste/Sanitation Fund (\$200,000).

On July 9, 2007, the Morgan County Director of Schools entered into a lease-purchase agreement totaling \$6,448,282 for energy management projects for various schools. For additional details, see the Stewardship, Compliance, and Accountability footnote (III. D.).

C. 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.

D. Changes in Administration

Tim Steelman, county clerk, resigned from office on December 31, 2006. The County Commission appointed R. B. Human as county clerk, effective January 2, 2007. Mr. Human resigned from office, effective May 31, 2007, and the County Commission appointed Carol Hamby as county clerk, effective June 1, 2007.

Susan Kittrell Wilson, assessor of property, died on July 27, 2006. The County Commission appointed Evert Kittrell as interim assessor of property, effective August 14, 2007. The County Commission appointed Gilford Wilson as assessor of property, effective February 12, 2007.

On August 31, 2006, Rachel Smith left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Pam Lively; Bobby Gibson left the Office of Sheriff and was succeeded by Dennis Ledbetter.

E. Landfill 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 \$183,238 reported as landfill postclosure care liability at June 30, 2007, represents the estimated postclosure care cost for the next 20 years. The postclosure care cost is based on what it would cost to perform all postclosure

care in 2007. Therefore, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the 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, 2007, 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:

Administrative Office:

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

During the year, Morgan County entered into an interlocal agreement with Roane and Cumberland counties to establish the Industrial Development Board of the counties of Cumberland, Morgan, and Roane, Tennessee. Under the agreement, each county will be responsible for one-third of the entity's funding. Morgan County provided no funding for the entity during the 2006-07 year, with the exception of \$8,000 which the county paid to an individual for a purchase option on land. In a separate resolution, the County Commission has authorized up to \$2,500,000 of other loans through a public building authority. As of the date of this report, this debt has not been issued by Morgan County.

G. Retirement Commitments

Employees

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 <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, 2007, was 6.36 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, 2007, Morgan County's annual pension cost of \$360,353 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$360,353	100%	\$0
6-30-06	227,330	100	0
6-30-05	213,553	100	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.

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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$721,105, \$622,656, and \$594,199, respectively, equal to the required contributions for each year.

H. Office of Central Accounting and Budgeting

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 also provides for the creation of a Finance Department operated under the direction of the finance director.

I. Purchasing Law

Purchasing procedures are governed by provisions of the County Financial Management System of 1981. This act 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.

**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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,623,626	\$ 0	\$ 0	\$ 3,623,626	\$ 3,484,827	\$ 3,484,827	\$ 138,799
Licenses and Permits	46,175	0	0	46,175	47,000	47,000	(825)
Fines, Forfeitures, and Penalties	93,398	0	0	93,398	105,650	105,650	(12,252)
Charges for Current Services	786,896	0	0	786,896	791,300	791,300	(4,404)
Other Local Revenues	130,664	0	0	130,664	70,000	93,064	37,600
Fees Received from County Officials	617,985	0	0	617,985	684,519	587,000	30,985
State of Tennessee	640,451	0	0	640,451	594,033	681,121	(40,670)
Federal Government	377,706	0	0	377,706	0	642,119	(264,413)
Other Governments and Citizens Groups	119,492	0	0	119,492	63,000	113,000	6,492
Total Revenues	\$ 6,436,393	\$ 0	\$ 0	\$ 6,436,393	\$ 5,840,329	\$ 6,545,081	\$ (108,688)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 115,308	\$ 0	\$ 0	\$ 115,308	\$ 84,389	\$ 116,223	\$ 915
County Mayor/Executive	154,089	(155)	0	153,934	150,516	159,264	5,330
County Attorney	27,221	0	0	27,221	10,500	27,255	34
Election Commission	136,497	(1,822)	0	134,675	129,066	136,154	1,479
Register of Deeds	105,451	0	0	105,451	105,768	105,768	317
County Buildings	551,707	(500)	4,389	555,596	538,237	556,624	1,028
<u>Finance</u>							
Accounting and Budgeting	224,606	(6,085)	5,000	223,521	222,410	225,410	1,889
Property Assessor's Office	128,963	(67)	0	128,896	126,711	132,710	3,814
Reappraisal Program	33,992	0	0	33,992	37,144	35,144	1,152
County Trustee's Office	24,511	0	0	24,511	125,199	27,680	3,169
County Clerk's Office	150,983	0	1,075	152,058	164,005	154,404	2,346
<u>Administration of Justice</u>							
Circuit Court	198,748	(1,195)	93	197,646	172,369	197,909	263

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Criminal Court	\$ 44,485	\$ (125)	\$ 0	\$ 44,360	\$ 42,693	\$ 45,123	\$ 763
General Sessions Court	24,810	(320)	573	25,063	26,172	26,172	1,109
General Sessions Judge	112,098	0	0	112,098	102,407	112,817	719
Drug Court	52,292	0	0	52,292	0	80,000	27,708
Chancery Court	143,490	0	425	143,915	142,247	144,153	238
Juvenile Court	21,594	0	0	21,594	22,704	22,704	1,110
<u>Public Safety</u>							
Sheriff's Department	992,485	(6,440)	4,033	990,078	939,134	991,198	1,120
Jail	967,689	(6,175)	9,658	971,172	1,186,738	990,304	19,132
Juvenile Services	4,115	0	0	4,115	5,000	5,000	885
Fire Prevention and Control	70,837	(450)	407	70,794	70,987	70,987	193
Civil Defense	34,418	(2,045)	100	32,473	16,332	47,998	15,525
Rescue Squad	2,500	0	0	2,500	2,500	2,500	0
Other Emergency Management	215,400	0	0	215,400	0	225,284	9,884
County Coroner/Medical Examiner	5,945	0	0	5,945	20,300	6,195	250
Other Public Safety	8,812	0	0	8,812	8,800	8,800	(12)
<u>Public Health and Welfare</u>							
Local Health Center	42,890	0	25	42,915	46,321	46,322	3,407
Ambulance/Emergency Medical Services	954,067	(1,750)	4,579	956,896	993,083	984,084	27,188
Crippled Children Services	5,937	0	0	5,937	5,937	5,937	0
Other Local Health Services	135,642	(21)	0	135,621	207,033	207,033	71,412
Other Local Welfare Services	54,193	0	0	54,193	0	131,717	77,524
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	3,587	0	0	3,587	3,600	3,600	13
Libraries	81,591	(351)	562	81,802	54,788	54,788	(27,014)
Parks and Fair Boards	2,152	(275)	560	2,437	2,500	2,500	63

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	\$ 50,931	\$ (1,185)	\$ 0	\$ 49,746	\$ 52,518	\$ 52,518	\$ 2,772
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0
<u>Other Operations</u>							
Tourism	999	0	0	999	1,000	1,000	1
Industrial Development	118,496	(2,529)	3,327	119,294	84,275	144,991	25,697
Other Economic and Community Development	272,829	(215,987)	3,950	60,792	34,200	487,061	426,269
Veterans' Services	5,994	0	0	5,994	6,000	6,000	6
Miscellaneous	95,609	0	0	95,609	92,000	99,150	3,541
Total Expenditures	\$ 6,382,963	\$ (247,477)	\$ 38,756	\$ 6,174,242	\$ 6,040,583	\$ 6,885,481	\$ 711,239
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 53,430	\$ 247,477	\$ (38,756)	\$ 262,151	\$ (200,254)	\$ (340,400)	\$ 602,551
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 160,000	\$ 0	\$ 0	\$ 160,000	\$ 160,000	\$ 160,000	\$ 0
Total Other Financing Sources (Uses)	\$ 160,000	\$ 0	\$ 0	\$ 160,000	\$ 160,000	\$ 160,000	\$ 0
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 213,430	\$ 247,477	\$ (38,756)	\$ 422,151	\$ (40,254)	\$ (180,400)	\$ 602,551
	844,365	(247,477)	0	596,888	824,791	824,791	(227,903)
Fund Balance, June 30, 2007	\$ 1,057,795	\$ 0	\$ (38,756)	\$ 1,019,039	\$ 784,537	\$ 644,391	\$ 374,648

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 714,611	\$ 0	\$ 0	\$ 714,611	\$ 681,115	\$ 681,115	\$ 33,496
Charges for Current Services	187,313	0	0	187,313	200,000	200,000	(12,687)
Other Local Revenues	25,253	0	0	25,253	18,000	18,000	7,253
State of Tennessee	53,189	0	0	53,189	29,237	29,237	23,952
Total Revenues	\$ 980,366	\$ 0	\$ 0	\$ 980,366	\$ 928,352	\$ 928,352	\$ 52,014
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 78,207	\$ 0	\$ 0	\$ 78,207	\$ 77,472	\$ 78,501	\$ 294
Sanitation Education/Information	29,714	(200)	300	29,814	29,583	29,583	(231)
Waste Pickup	477,959	(3,500)	11,669	486,128	479,156	489,686	3,558
Convenience Centers	212,911	0	5,735	218,646	255,517	249,967	31,321
Recycling Center	69,416	(410)	619	69,625	75,541	70,041	416
Landfill Operation and Maintenance	100,412	(4,641)	11,891	107,662	109,928	115,848	8,186
<u>Other Operations</u>							
Other Charges	15,544	0	0	15,544	15,000	15,700	156
Miscellaneous	666	0	0	666	2,500	1,800	1,134
Total Expenditures	\$ 984,829	\$ (8,751)	\$ 30,214	\$ 1,006,292	\$ 1,044,697	\$ 1,051,126	\$ 44,834
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,463)	\$ 8,751	\$ (30,214)	\$ (25,926)	\$ (116,345)	\$ (122,774)	\$ 96,848
Net Change in Fund Balance	\$ (4,463)	\$ 8,751	\$ (30,214)	\$ (25,926)	\$ (116,345)	\$ (122,774)	\$ 96,848
Fund Balance, July 1, 2006	234,884	(8,751)	0	226,133	250,121	250,121	(23,988)
Fund Balance, June 30, 2007	\$ 230,421	\$ 0	\$ (30,214)	\$ 200,207	\$ 133,776	\$ 127,347	\$ 72,860

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 126,622	\$ 0	\$ 0	\$ 126,622	\$ 87,483	\$ 87,483	\$ 39,139
Other Local Revenues	11,424	0	0	11,424	5,500	5,500	5,924
State of Tennessee	1,960,999	0	0	1,960,999	2,016,242	2,016,242	(55,243)
Total Revenues	\$ 2,099,045	\$ 0	\$ 0	\$ 2,099,045	\$ 2,109,225	\$ 2,109,225	\$ (10,180)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 105,469	\$ 0	\$ 120	\$ 105,589	\$ 112,093	\$ 112,093	\$ 6,504
Highway and Bridge Maintenance	2,032,238	(56,536)	30,873	2,006,575	2,871,407	2,835,407	828,832
Operation and Maintenance of Equipment	200,594	(8,942)	11,870	203,522	322,734	322,734	119,212
Other Charges	69,022	0	96	69,118	72,300	72,300	3,182
Employee Benefits	34,407	0	0	34,407	41,895	41,895	7,488
Capital Outlay	381,635	0	0	381,635	669,197	705,197	323,562
Total Expenditures	\$ 2,823,365	\$ (65,478)	\$ 42,959	\$ 2,800,846	\$ 4,089,626	\$ 4,089,626	\$ 1,288,780
Excess (Deficiency) of Revenues Over Expenditures	\$ (724,320)	\$ 65,478	\$ (42,959)	\$ (701,801)	\$ (1,980,401)	\$ (1,980,401)	\$ 1,278,600
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 30,000	\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Total Other Financing Sources (Uses)	\$ 30,000	\$ 0	\$ 0	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Net Change in Fund Balance	\$ (694,320)	\$ 65,478	\$ (42,959)	\$ (671,801)	\$ (1,980,401)	\$ (1,980,401)	\$ 1,308,600
Fund Balance, July 1, 2006	1,984,400	(65,478)	0	1,918,922	2,133,021	2,133,021	(214,099)
Fund Balance, June 30, 2007	\$ 1,290,080	\$ 0	\$ (42,959)	\$ 1,247,121	\$ 152,620	\$ 152,620	\$ 1,094,501

Exhibit E-4

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

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	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 8,818	\$ 8,818	\$ 0	100 %	\$ 4,914	0 %
6-30-03	8,091	8,091	0	100	3,940	0
6-30-01	7,608	7,608	0	100	3,354	0

MORGAN COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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 Morgan 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, Election Commission, etc.). Management may make revisions within major categories, but only the Morgan County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Fund	Major Appropriation Category	Amount Overspent
General	Libraries	\$ 27,014
Solid Waste/Sanitation	Sanitation Education/Information	231

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance and greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for 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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Exhibit F-1

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

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 19,910	\$ 19,910
Equity in Pooled Cash and Investments	66,417	0	66,417
Total Assets	<u>\$ 66,417</u>	<u>\$ 19,910</u>	<u>\$ 86,327</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 1,258	\$ 1,258
Due to Litigants, Heirs, and Others	6,896	0	6,896
Total Liabilities	<u>\$ 6,896</u>	<u>\$ 1,258</u>	<u>\$ 8,154</u>
<u>Fund Balances</u>			
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 30,984	\$ 0	\$ 30,984
Unreserved	28,537	18,652	47,189
Total Fund Balances	<u>\$ 59,521</u>	<u>\$ 18,652</u>	<u>\$ 78,173</u>
Total Liabilities and Fund Balances	<u>\$ 66,417</u>	<u>\$ 19,910</u>	<u>\$ 86,327</u>

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, 2007

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 21,840	\$ 21,840
Fines, Forfeitures, and Penalties	36,350	0	36,350
Charges for Current Services	0	114,044	114,044
Other Local Revenues	0	2,641	2,641
Total Revenues	<u>\$ 36,350</u>	<u>\$ 138,525</u>	<u>\$ 174,875</u>
<u>Expenditures</u>			
Current:			
Finance	\$ 0	\$ 111,524	\$ 111,524
Administration of Justice	0	26,134	26,134
Public Safety	16,652	0	16,652
Total Expenditures	<u>\$ 16,652</u>	<u>\$ 137,658</u>	<u>\$ 154,310</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,698</u>	<u>\$ 867</u>	<u>\$ 20,565</u>
Net Change in Fund Balances	\$ 19,698	\$ 867	\$ 20,565
Fund Balance, July 1, 2006	39,823	17,785	57,608
Fund Balance, June 30, 2007	<u>\$ 59,521</u>	<u>\$ 18,652</u>	<u>\$ 78,173</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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 36,350	\$ 0	\$ 36,350	\$ 50,800	\$ 50,800	\$ (14,450)
Charges for Current Services	0	0	0	300	300	(300)
Total Revenues	<u>\$ 36,350</u>	<u>\$ 0</u>	<u>\$ 36,350</u>	<u>\$ 51,100</u>	<u>\$ 51,100</u>	<u>\$ (14,750)</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 16,652	\$ (100)	\$ 16,552	\$ 75,000	\$ 75,000	\$ 58,448
Total Expenditures	<u>\$ 16,652</u>	<u>\$ (100)</u>	<u>\$ 16,552</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 58,448</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,698</u>	<u>\$ 100</u>	<u>\$ 19,798</u>	<u>\$ (23,900)</u>	<u>\$ (23,900)</u>	<u>\$ 43,698</u>
Net Change in Fund Balance	\$ 19,698	\$ 100	\$ 19,798	\$ (23,900)	\$ (23,900)	\$ 43,698
Fund Balance, July 1, 2006	<u>39,823</u>	<u>(100)</u>	<u>39,723</u>	<u>46,669</u>	<u>46,669</u>	<u>(6,946)</u>
Fund Balance, June 30, 2007	<u>\$ 59,521</u>	<u>\$ 0</u>	<u>\$ 59,521</u>	<u>\$ 22,769</u>	<u>\$ 22,769</u>	<u>\$ 36,752</u>

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 996,213	\$ 898,596	\$ 898,596	\$ 97,617
Other Local Revenues	3	0	0	3
Total Revenues	<u>\$ 996,216</u>	<u>\$ 898,596</u>	<u>\$ 898,596</u>	<u>\$ 97,620</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 179,958	\$ 180,251	\$ 180,251	\$ 293
Education	295,749	295,749	295,749	0
<u>Interest on Debt</u>				
General Government	62,797	84,382	84,382	21,585
Education	592,509	655,618	655,618	63,109
<u>Other Debt Service</u>				
General Government	14,954	16,000	16,000	1,046
Total Expenditures	<u>\$ 1,145,967</u>	<u>\$ 1,232,000</u>	<u>\$ 1,232,000</u>	<u>\$ 86,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (149,751)</u>	<u>\$ (333,404)</u>	<u>\$ (333,404)</u>	<u>\$ 183,653</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 53,985	\$ 53,985	\$ (53,985)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 53,985</u>	<u>\$ 53,985</u>	<u>\$ (53,985)</u>
Net Change in Fund Balance	\$ (149,751)	\$ (279,419)	\$ (279,419)	\$ 129,668
Fund Balance, July 1, 2006	<u>3,425,189</u>	<u>3,420,796</u>	<u>3,420,796</u>	<u>4,393</u>
Fund Balance, June 30, 2007	<u>\$ 3,275,438</u>	<u>\$ 3,141,377</u>	<u>\$ 3,141,377</u>	<u>\$ 134,061</u>

Fiduciary Funds

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

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

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, 2007

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 731,148	\$ 731,148
Accounts Receivable	0	0	640	640
Due from Other Governments	43,541	0	0	43,541
Property Taxes Receivable	0	46,399	0	46,399
Total Assets	<u>\$ 43,541</u>	<u>\$ 46,399</u>	<u>\$ 731,788</u>	<u>\$ 821,728</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 43,541	\$ 46,399	\$ 0	\$ 89,940
Due to Litigants, Heirs, and Others	0	0	731,788	731,788
Total Liabilities	<u>\$ 43,541</u>	<u>\$ 46,399</u>	<u>\$ 731,788</u>	<u>\$ 821,728</u>

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 319,504	\$ 319,504	\$ 0
Due from Other Governments	42,715	43,541	42,715	43,541
Total Assets	\$ 42,715	\$ 363,045	\$ 362,219	\$ 43,541
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,715	\$ 363,045	\$ 362,219	\$ 43,541
Total Liabilities	\$ 42,715	\$ 363,045	\$ 362,219	\$ 43,541
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 41,702	\$ 41,702	\$ 0
Property Taxes Receivable	47,543	46,399	47,543	46,399
Total Assets	\$ 47,543	\$ 88,101	\$ 89,245	\$ 46,399
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 47,543	\$ 88,101	\$ 89,245	\$ 46,399
Total Liabilities	\$ 47,543	\$ 88,101	\$ 89,245	\$ 46,399
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 686,665	\$ 3,307,659	\$ 3,263,176	\$ 731,148
Accounts Receivable	0	640	0	640
Cash Shortage	14,756	0	14,756	0
Total Assets	\$ 701,421	\$ 3,308,299	\$ 3,277,932	\$ 731,788
<u>Liabilities</u>				
Due to Component Units	\$ 5,798	\$ 0	\$ 5,798	\$ 0
Due to Litigants, Heirs and Others	695,623	3,308,299	3,272,134	731,788
Total Liabilities	\$ 701,421	\$ 3,308,299	\$ 3,277,932	\$ 731,788

(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	\$ 686,665	\$ 3,307,659	\$ 3,263,176	\$ 731,148
Equity in Pooled Cash and Investments	0	361,206	361,206	0
Account Receivable	0	640	0	640
Due from Other Governments	42,715	43,541	42,715	43,541
Property Taxes Receivable	47,543	46,399	47,543	46,399
Cash Shortage	14,756	0	14,756	0
Total Assets	<u>\$ 791,679</u>	<u>\$ 3,759,445</u>	<u>\$ 3,729,396</u>	<u>\$ 821,728</u>
<u>Liabilities</u>				
Due to Component Units	\$ 5,798	\$ 0	\$ 5,798	\$ 0
Due to Other Taxing Units	90,258	451,146	451,464	89,940
Due to Litigants, Heirs, and Others	695,623	3,308,299	3,272,134	731,788
Total Liabilities	<u>\$ 791,679</u>	<u>\$ 3,759,445</u>	<u>\$ 3,729,396</u>	<u>\$ 821,728</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 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
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 14,133,499	\$ 9,313	\$ 2,226,687	\$ (11,897,499)
Support Services	8,710,810	25,311	27,335	(8,658,164)
Operation of Non-Instructional Services	2,117,117	610,745	1,609,599	103,227
Total Governmental Activities	\$ 24,961,426	\$ 645,369	\$ 3,863,621	\$ (20,452,436)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,534,760
Other Local Taxes				124,452
Grants and Contributions Not Restricted to Specific Programs				16,877,472
Unrestricted Investment Income				200,649
Miscellaneous				29,941
Gain on Disposal of Capital Assets				3,753
Total General Revenues				\$ 19,771,027
Change in Net Assets				\$ (681,409)
Net Assets, July 1, 2006				32,698,067
Net Assets, June 30, 2007				\$ 32,016,658

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 3,068	\$ 5,468	\$ 8,536
Equity in Pooled Cash and Investments	2,038,170	585,848	2,624,018
Accounts Receivable	14,322	0	14,322
Due from Other Governments	428,230	62,109	490,339
Due from Other Funds	5,987	0	5,987
Due from Primary Government	56,180	0	56,180
Property Taxes Receivable	2,705,560	0	2,705,560
Allowance for Uncollectible Property Taxes	(168,301)	0	(168,301)
Total Assets	<u>\$ 5,083,216</u>	<u>\$ 653,425</u>	<u>\$ 5,736,641</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 5,145	\$ 30,766	\$ 35,911
Payroll Deductions Payable	216,888	5,772	222,660
Due to Other Funds	0	5,987	5,987
Due to State of Tennessee	2,573	0	2,573
Deferred Revenue - Current Property Taxes	2,389,440	0	2,389,440
Deferred Revenue - Delinquent Property Taxes	134,877	0	134,877
Other Deferred Revenues	191,376	0	191,376
Total Liabilities	<u>\$ 2,940,299</u>	<u>\$ 42,525</u>	<u>\$ 2,982,824</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 197,956	\$ 13,704	\$ 211,660
Reserved for Career Ladder Program	952	0	952
Reserved for Basic Education Program	919,320	0	919,320
Reserved for Title I Grants to Local Education Agencies	0	18,866	18,866
Reserved for Special Education - Grants to States	0	637	637
Other Federal Reserves	0	54,005	54,005
Unreserved, Reported In:			
General Fund	1,024,689	0	1,024,689
Special Revenue Funds	0	523,688	523,688
Total Fund Balances	<u>\$ 2,142,917</u>	<u>\$ 610,900</u>	<u>\$ 2,753,817</u>
Total Liabilities and Fund Balances	<u>\$ 5,083,216</u>	<u>\$ 653,425</u>	<u>\$ 5,736,641</u>

Exhibit I-3

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Morgan County School Department
June 30, 2007

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$	2,753,817
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,104,029	
Add: buildings and improvements net of accumulated depreciation		26,716,443	
Add: other capital assets net of accumulated depreciation		<u>1,116,116</u>	28,936,588
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>326,253</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,016,658</u></u>

Exhibit I-4

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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,665,763	\$ 0	\$ 2,665,763
Licenses and Permits	712	0	712
Charges for Current Services	33,912	610,745	644,657
Other Local Revenues	247,096	24,582	271,678
State of Tennessee	17,199,320	18,966	17,218,286
Federal Government	481,666	2,781,240	3,262,906
Total Revenues	<u>\$ 20,628,469</u>	<u>\$ 3,435,533</u>	<u>\$ 24,064,002</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,684,925	\$ 1,444,499	\$ 14,129,424
Support Services	7,185,495	346,741	7,532,236
Operation of Non-Instructional Services	645,932	1,499,855	2,145,787
Total Expenditures	<u>\$ 20,516,352</u>	<u>\$ 3,291,095</u>	<u>\$ 23,807,447</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 112,117</u>	<u>\$ 144,438</u>	<u>\$ 256,555</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 88,327	\$ 0	\$ 88,327
Transfers In	54,651	57,204	111,855
Transfers Out	(57,204)	(54,651)	(111,855)
Total Other Financing Sources (Uses)	<u>\$ 85,774</u>	<u>\$ 2,553</u>	<u>\$ 88,327</u>
Net Change in Fund Balances	\$ 197,891	\$ 146,991	\$ 344,882
Fund Balance, July 1, 2006	<u>1,945,026</u>	<u>463,909</u>	<u>2,408,935</u>
Fund Balance, June 30, 2007	<u>\$ 2,142,917</u>	<u>\$ 610,900</u>	<u>\$ 2,753,817</u>

Exhibit I-5

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, 2007

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 344,882
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 361,168	
Less: current year depreciation expense	<u>(1,536,388)</u>	(1,175,220)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		(35,896)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2007	\$ 326,253	
Less: deferred delinquent property taxes/other deferred June 30, 2006	<u>(141,428)</u>	<u>184,825</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (681,409)</u>

Exhibit I-6

Morgan County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2007

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 122	\$ 5,346	\$ 5,468
Equity in Pooled Cash and Investments	95,233	490,615	585,848
Due from Other Governments	0	62,109	62,109
Total Assets	<u>\$ 95,355</u>	<u>\$ 558,070</u>	<u>\$ 653,425</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 30,766	\$ 30,766
Payroll Deductions Payable	5,772	0	5,772
Due to Other Funds	4,728	1,259	5,987
Total Liabilities	<u>\$ 10,500</u>	<u>\$ 32,025</u>	<u>\$ 42,525</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 11,347	\$ 2,357	\$ 13,704
Reserved for Title I Grants to Local Education Agencies	18,866	0	18,866
Reserved for Special Education - Grants to States	637	0	637
Other Federal Reserves	54,005	0	54,005
Unreserved	0	523,688	523,688
Total Fund Balances	<u>\$ 84,855</u>	<u>\$ 526,045</u>	<u>\$ 610,900</u>
Total Liabilities and Fund Balances	<u>\$ 95,355</u>	<u>\$ 558,070</u>	<u>\$ 653,425</u>

Exhibit I-7

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

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 610,745	\$ 610,745
Other Local Revenues	0	24,582	24,582
State of Tennessee	0	18,966	18,966
Federal Government	1,768,806	1,012,434	2,781,240
Total Revenues	<u>\$ 1,768,806</u>	<u>\$ 1,666,727</u>	<u>\$ 3,435,533</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,444,499	\$ 0	\$ 1,444,499
Support Services	346,741	0	346,741
Operation of Non-Instructional Services	0	1,499,855	1,499,855
Total Expenditures	<u>\$ 1,791,240</u>	<u>\$ 1,499,855</u>	<u>\$ 3,291,095</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (22,434)</u>	<u>\$ 166,872</u>	<u>\$ 144,438</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 0	\$ 57,204	\$ 57,204
Transfers Out	(54,651)	0	(54,651)
Total Other Financing Sources (Uses)	<u>\$ (54,651)</u>	<u>\$ 57,204</u>	<u>\$ 2,553</u>
Net Change in Fund Balances	\$ (77,085)	\$ 224,076	\$ 146,991
Fund Balance, July 1, 2006	161,940	301,969	463,909
Fund Balance, June 30, 2007	<u>\$ 84,855</u>	<u>\$ 526,045</u>	<u>\$ 610,900</u>

Exhibit I-8

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,665,763	\$ 0	\$ 0	\$ 2,665,763	\$ 2,565,923	\$ 2,565,923	\$ 99,840
Licenses and Permits	712	0	0	712	750	750	(38)
Charges for Current Services	33,912	0	0	33,912	26,400	25,083	8,829
Other Local Revenues	247,096	0	0	247,096	135,000	164,352	82,744
State of Tennessee	17,199,320	0	0	17,199,320	16,513,884	17,730,181	(530,861)
Federal Government	481,666	0	0	481,666	0	29,764	451,902
Total Revenues	\$ 20,628,469	\$ 0	\$ 0	\$ 20,628,469	\$ 19,241,957	\$ 20,516,053	\$ 112,416
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,379,640	\$ (671)	\$ 3,255	\$ 10,382,224	\$ 9,596,548	\$ 10,412,588	\$ 30,364
Special Education Program	1,470,109	(375)	22,149	1,491,883	1,579,185	1,579,186	87,303
Vocational Education Program	835,176	0	2,911	838,087	848,982	856,497	18,410
<u>Support Services</u>							
Attendance	90,126	0	0	90,126	87,295	90,606	480
Health Services	247,065	0	0	247,065	196,873	264,478	17,413
Other Student Support	460,732	0	0	460,732	444,212	470,291	9,559
Regular Instruction Program	890,479	(2,475)	727	888,731	789,815	874,410	(14,321)
Special Education Program	143,572	0	0	143,572	149,961	149,961	6,389
Vocational Education Program	72,971	0	0	72,971	88,532	81,017	8,046
Board of Education	566,170	0	0	566,170	569,977	566,981	811
Director of Schools	251,890	0	500	252,390	243,672	257,872	5,482
Office of the Principal	1,148,550	0	0	1,148,550	1,148,810	1,169,360	20,810
Operation of Plant	1,440,015	0	4,800	1,444,815	1,661,752	1,521,277	76,462
Maintenance of Plant	814,451	(19,668)	45,775	840,558	726,896	904,289	63,731
Transportation	1,059,474	0	2,697	1,062,171	998,257	1,080,335	18,164

(Continued)

Exhibit I-8

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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 69,151	\$ 0	\$ 92,848	\$ 161,999	\$ 0	\$ 69,151	\$ (92,848)
Early Childhood Education	576,781	(1,367)	22,294	597,708	0	727,351	129,643
<u>Other Debt Service</u>							
Education	0	0	0	0	53,986	0	0
Total Expenditures	\$ 20,516,352	\$ (24,556)	\$ 197,956	\$ 20,689,752	\$ 19,184,753	\$ 21,075,650	\$ 385,898
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 112,117	\$ 24,556	\$ (197,956)	\$ (61,283)	\$ 57,204	\$ (559,597)	\$ 498,314
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 88,327	\$ 0	\$ 0	\$ 88,327	\$ 0	\$ 48,501	\$ 39,826
Transfers In	54,651	0	0	54,651	0	54,651	0
Transfers Out	(57,204)	0	0	(57,204)	(57,204)	(57,204)	0
Total Other Financing Sources (Uses)	\$ 85,774	\$ 0	\$ 0	\$ 85,774	\$ (57,204)	\$ 45,948	\$ 39,826
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 1,945,026	(24,556)	0	1,920,470	1,257,714	1,257,714	662,756
Fund Balance, June 30, 2007							
	\$ 2,142,917	\$ 0	\$ (197,956)	\$ 1,944,961	\$ 1,257,714	\$ 744,065	\$ 1,200,896

Exhibit I-9

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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,768,806	\$ 0	\$ 1,768,806	\$ 1,860,966	\$ 1,911,876	\$ (143,070)
Total Revenues	\$ 1,768,806	\$ 0	\$ 1,768,806	\$ 1,860,966	\$ 1,911,876	\$ (143,070)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 692,872	\$ 0	\$ 692,872	\$ 713,979	\$ 669,306	\$ (23,566)
Special Education Program	692,224	100	692,324	699,095	699,095	6,771
Vocational Education Program	59,403	546	59,949	57,985	59,940	(9)
<u>Support Services</u>						
Other Student Support	32,236	3,908	36,144	39,000	35,585	(559)
Regular Instruction Program	308,405	6,793	315,198	342,407	339,484	24,286
Special Education Program	5,156	0	5,156	6,500	6,500	1,344
Vocational Education Program	944	0	944	2,000	944	0
Total Expenditures	\$ 1,791,240	\$ 11,347	\$ 1,802,587	\$ 1,860,966	\$ 1,810,854	\$ 8,267
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,434)	\$ (11,347)	\$ (33,781)	\$ 0	\$ 101,022	\$ (134,803)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (54,651)	\$ 0	\$ (54,651)	\$ 0	\$ (54,651)	\$ 0
Total Other Financing Sources (Uses)	\$ (54,651)	\$ 0	\$ (54,651)	\$ 0	\$ (54,651)	\$ 0
Net Change in Fund Balance	\$ (77,085)	\$ (11,347)	\$ (88,432)	\$ 0	\$ 46,371	\$ (134,803)
Fund Balance, July 1, 2006	161,940	0	161,940	221,868	221,868	(59,928)
Fund Balance, June 30, 2007	\$ 84,855	\$ (11,347)	\$ 73,508	\$ 221,868	\$ 268,239	\$ (194,731)

Exhibit I-10

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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 610,745	\$ 0	\$ 610,745	\$ 491,500	\$ 491,500	\$ 119,245
Other Local Revenues	24,582	0	24,582	6,500	6,500	18,082
State of Tennessee	18,966	0	18,966	22,000	22,000	(3,034)
Federal Government	1,012,434	0	1,012,434	840,000	902,070	110,364
Total Revenues	\$ 1,666,727	\$ 0	\$ 1,666,727	\$ 1,360,000	\$ 1,422,070	\$ 244,657
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,380,621	\$ 0	\$ 1,380,621	\$ 1,318,537	\$ 1,380,607	\$ (14)
Community Services	119,234	2,357	121,591	98,667	98,667	(22,924)
Total Expenditures	\$ 1,499,855	\$ 2,357	\$ 1,502,212	\$ 1,417,204	\$ 1,479,274	\$ (22,938)
Excess (Deficiency) of Revenues Over Expenditures	\$ 166,872	\$ (2,357)	\$ 164,515	\$ (57,204)	\$ (57,204)	\$ 221,719
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 57,204	\$ 0	\$ 57,204	\$ 57,204	\$ 57,204	\$ 0
Total Other Financing Sources (Uses)	\$ 57,204	\$ 0	\$ 57,204	\$ 57,204	\$ 57,204	\$ 0
Net Change in Fund Balance	\$ 224,076	\$ (2,357)	\$ 221,719	\$ 0	\$ 0	\$ 221,719
Fund Balance, July 1, 2006	301,969	0	301,969	286,559	286,559	15,410
Fund Balance, June 30, 2007	\$ 526,045	\$ (2,357)	\$ 523,688	\$ 286,559	\$ 286,559	\$ 237,129

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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Vehicles	\$ 159,000	3.2	% 11-17-04	11-17-06	\$ 40,707	\$ 0	\$ 40,707	\$ 0
Vehicles (Police and Ambulance)	160,000	4.19	10-11-06	10-11-08	0	160,000	0	160,000
Total Notes Payable					\$ 40,707	\$ 160,000	\$ 40,707	\$ 160,000
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation	500,000	2.8	4-22-03	6-1-14	\$ 380,000	\$ 0	\$ 40,000	\$ 340,000
Total Bonds Payable					\$ 380,000	\$ 0	\$ 40,000	\$ 340,000
<u>OTHER LOANS PAYABLE</u>								
<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	4,555,000	0	395,000	4,160,000
Total Other Loans Payable					\$ 14,555,000	\$ 0	\$ 395,000	\$ 14,160,000

- (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
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	<u>\$ 340,000</u>	<u>\$ 39,340</u>	<u>\$ 379,340</u>

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Central Cafeteria	To provide funds for operations	\$ 57,204
School Federal Projects	General Purpose School	Indirect cost	<u>54,651</u>
			<u><u>\$ 111,855</u></u>

Exhibit J-4

Morgan County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 60,139	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Director of Schools	State Board of Education and County Board of Education	86,680 (1)	(2)	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	700,000	"
Assessor of Property:				
Susan Wilson (7-1-06 through 7-27-06)	Section 8-24-102, <u>TCA</u>	4,339	10,000	Ohio Farmers Insurance Company
Evert Kittrell (8-14-06 through 2-11-07)	Section 8-24-102, <u>TCA</u>	30,374	10,000	RLI Insurance Company
Gilford Wilson (2-12-07 through 6-30-07)	Section 8-24-102, <u>TCA</u>	17,356	10,000	"
County Clerk:				
Tim Steelman (7-1-06 through 12-31-06)	Section 8-24-102, <u>TCA</u>	26,034	50,000	RLI Insurance Company
R. B. Human (1-2-07 through 5-31-07)	Section 8-24-102, <u>TCA</u>	21,695	(3)	"
Carol Hamby (6-1-07 through 6-30-07)	Section 8-24-102, <u>TCA</u>	4,340	(3)	"
Circuit Court Clerk:				
Rachel Smith (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,678	50,000	Ohio Farmers Insurance Company
Pam Lively (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	43,391	50,000	RLI Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,269 (4)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	52,069	25,000	"
Sheriff:				
Bobby Gibson (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,065 (5)	25,000	Ohio Farmers Insurance Company
Dennis Ledbetter (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	47,730	25,000	RLI Insurance Company
Director of Finance	Board of County Commissioners	45,441 (6)	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 and \$2,883 in-lieu-of health insurance supplement per service contract negotiation.
- (2) - The director of schools is covered under the School Department's Blanket Bond.
- (3) - These officials were not covered by a separate surety bond during this time.
- (4) - Includes special commissioner fees of \$4,200.
- (5) - Includes a law enforcement training salary supplement of \$519.
- (6) - Includes \$400 longevity supplement.

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,147,956	\$ 638,041	\$ 0	\$ 0	\$ 48,593	\$ 179,580	\$ 4,014,170
Trustee's Collections - Prior Year	173,651	37,712	0	0	2,781	4,911	219,055
Circuit/Clerk & Master Collections - Prior Years	132,706	26,220	0	21,840	2,087	6,873	189,726
Interest and Penalty	34,111	7,270	0	0	539	1,120	43,040
Pick-up Taxes	2,044	417	0	0	32	110	2,603
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0	1
Payments in-Lieu-of Taxes - Local Utilities	14,093	0	0	0	0	0	14,093
Payments in-Lieu-of Taxes - Other	8,310	0	0	0	0	0	8,310
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	795,868	795,868
Litigation Tax - General	34,573	0	0	0	0	0	34,573
Litigation Tax - Special Purpose	36,151	0	0	0	0	0	36,151
Litigation Tax - Jail, Workhouse, or Courthouse	14,905	0	0	0	0	0	14,905
Mineral Severance Tax	0	0	0	0	72,213	0	72,213
<u>Statutory Local Taxes</u>							
Bank Excise Tax	24,425	4,951	0	0	377	1,393	31,146
Beer Privilege Tax	700	0	0	0	0	0	700
Interstate Telecommunications Tax	0	0	0	0	0	6,358	6,358
Total Local Taxes	\$ 3,623,626	\$ 714,611	\$ 0	\$ 21,840	\$ 126,622	\$ 996,213	\$ 5,482,912
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 792	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 792
Cable TV Franchise	43,995	0	0	0	0	0	43,995
<u>Permits</u>							
Beer Permits	1,388	0	0	0	0	0	1,388
Total Licenses and Permits	\$ 46,175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,175
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 4,972	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,972
Officers Costs	6,562	0	0	0	0	0	6,562

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Drug Control Fines	\$ 144	\$ 0	\$ 11,903	\$ 0	\$ 0	\$ 0	12,047
Jail Fees	484	0	0	0	0	0	484
District Attorney General Fees	577	0	0	0	0	0	577
Data Entry Fee - Circuit Court	460	0	0	0	0	0	460
<u>Criminal Court</u>							
Drug Court Fees	2,893	0	0	0	0	0	2,893
<u>General Sessions Court</u>							
Fines	30,816	0	0	0	0	0	30,816
Officers Costs	25,300	0	0	0	0	0	25,300
Game and Fish Fines	575	0	0	0	0	0	575
Drug Control Fines	3,945	0	22,304	0	0	0	26,249
Jail Fees	4,472	0	0	0	0	0	4,472
DUI Treatment Fines	2,867	0	0	0	0	0	2,867
Data Entry Fee - General Sessions Court	3,806	0	0	0	0	0	3,806
<u>Juvenile Court</u>							
Fines	1,747	0	0	0	0	0	1,747
Officers Costs	1,539	0	0	0	0	0	1,539
Data Entry Fee - Juvenile Court	154	0	0	0	0	0	154
Courtroom Security Fee	52	0	0	0	0	0	52
<u>Chancery Court</u>							
Officers Costs	921	0	0	0	0	0	921
Data Entry Fee - Chancery Court	1,082	0	0	0	0	0	1,082
Courtroom Security Fee	30	0	0	0	0	0	30
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	2,143	0	0	0	2,143
Total Fines, Forfeitures, and Penalties	\$ 93,398	\$ 0	\$ 36,350	\$ 0	\$ 0	\$ 0	129,748
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Solid Waste Disposal Fees	\$ 0	\$ 187,313	\$ 0	\$ 0	\$ 0	\$ 0	187,313
Patient Charges	752,849	0	0	0	0	0	752,849
Other General Service Charges	1,448	0	0	0	0	0	1,448

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Copy Fees	\$ 11,918	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,918
Telephone Commissions	4,406	0	0	0	0	0	4,406
Constitutional Officers' Fees and Commissions	0	0	0	109,844	0	0	109,844
Special Commissioner Fees/Special Master Fees	0	0	0	4,200	0	0	4,200
Data Processing Fee - Register	8,874	0	0	0	0	0	8,874
Data Processing Fee - Sheriff	7,401	0	0	0	0	0	7,401
Total Charges for Current Services	\$ 786,896	\$ 187,313	\$ 0	\$ 114,044	\$ 0	\$ 0	\$ 1,088,253
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 87,455	\$ 0	\$ 0	\$ 2,641	\$ 0	\$ 0	\$ 90,096
Lease/Rentals	15	0	0	0	0	0	15
Sale of Materials and Supplies	0	0	0	0	1,942	0	1,942
Commissary Sales	6,191	0	0	0	0	0	6,191
Sale of Recycled Materials	0	24,146	0	0	0	0	24,146
Miscellaneous Refunds	10,796	1,107	0	0	9,482	3	21,388
<u>Nonrecurring Items</u>							
Contributions & Gifts	3,050	0	0	0	0	0	3,050
<u>Other Local Revenues</u>							
Other Local Revenues	23,157	0	0	0	0	0	23,157
Total Other Local Revenues	\$ 130,664	\$ 25,253	\$ 0	\$ 2,641	\$ 11,424	\$ 3	\$ 169,985
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
Trustee	\$ 119,788	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,788
<u>Fees-In-Lieu of Salary</u>							
County Clerk	122,057	0	0	0	0	0	122,057
Circuit Court Clerk	35,900	0	0	0	0	0	35,900
General Sessions Court Clerk	125,266	0	0	0	0	0	125,266
Clerk and Master	89,239	0	0	0	0	0	89,239
Juvenile Court Clerk	11,078	0	0	0	0	0	11,078
Register	108,474	0	0	0	0	0	108,474

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees-In-Lieu of Salary (Cont.)</u>							
Sheriff	\$ 6,183	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,183
Total Fees Received from County Officials	\$ 617,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 617,985
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	9,069	0	0	0	0	0	9,069
Solid Waste Grants	0	19,974	0	0	0	0	19,974
<u>Public Safety Grants</u>							
Drug Control Grants	52,357	0	0	0	0	0	52,357
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	204,983	0	204,983
Litter Program	0	24,503	0	0	0	0	24,503
<u>Other State Revenues</u>							
Income Tax	11,034	0	0	0	0	0	11,034
Beer Tax	18,753	0	0	0	0	0	18,753
Alcoholic Beverage Tax	38,671	0	0	0	0	0	38,671
State Revenue Sharing - T.V.A.	224,720	0	0	0	0	0	224,720
Board of Jurors	464	0	0	0	0	0	464
Contracted Prisoner Boarding	125,825	0	0	0	0	0	125,825
Gasoline and Motor Fuel Tax	0	0	0	0	1,735,798	0	1,735,798
Petroleum Special Tax	0	0	0	0	14,593	0	14,593
Registrar's Salary Supplement	12,285	0	0	0	0	0	12,285
Other State Grants	132,873	8,712	0	0	5,625	0	147,210
Other State Revenues	5,400	0	0	0	0	0	5,400
Total State of Tennessee	\$ 640,451	\$ 53,189	\$ 0	\$ 0	\$ 1,960,999	\$ 0	\$ 2,654,639
<u>Federal Government</u>							
<u>Federal Through State</u>							
Appalachian Regional Commission	\$ 10,588	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,588
Community Development	263,226	0	0	0	0	0	263,226
Job Training Partnership Act	58,360	0	0	0	0	0	58,360

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government (Cont.)</u>							
<u>Federal Through State (Cont.)</u>							
Disaster Relief	\$ 4,870	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,870
Homeland Security Grants	33,574	0	0	0	0	0	33,574
Other Federal through State	7,088	0	0	0	0	0	7,088
Total Federal Government	\$ 377,706	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	377,706
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Prisoner Board	\$ 32,079	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	32,079
Contributions	13,742	0	0	0	0	0	13,742
Contracted Services	40,118	0	0	0	0	0	40,118
<u>Citizens Groups</u>							
Donations	596	0	0	0	0	0	596
<u>Other</u>							
Other	32,957	0	0	0	0	0	32,957
Total Other Governments and Citizens Groups	\$ 119,492	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	119,492
Total	\$ 6,436,393	\$ 980,366	\$ 36,350	\$ 138,525	\$ 2,099,045	\$ 996,216	\$ 10,686,895

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, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,302,893	\$ 0	\$ 0	\$ 2,302,893
Trustee's Collections - Prior Year	135,277	0	0	135,277
Circuit/Clerk & Master Collections - Prior Years	75,528	0	0	75,528
Interest and Penalty	26,109	0	0	26,109
Pick-up Taxes	1,504	0	0	1,504
<u>Statutory Local Taxes</u>				
Bank Excise Tax	17,868	0	0	17,868
Wholesale Beer Tax	106,584	0	0	106,584
Total Local Taxes	\$ 2,665,763	\$ 0	\$ 0	\$ 2,665,763
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 712	\$ 0	\$ 0	\$ 712
Total Licenses and Permits	\$ 712	\$ 0	\$ 0	\$ 712
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 6,751	\$ 0	\$ 0	\$ 6,751
Tuition - Other	1,850	0	0	1,850
Lunch Payments - Children	0	0	284,969	284,969
Lunch Payments - Adults	0	0	51,177	51,177
Income from Breakfast	0	0	130,744	130,744
A la carte Sales	0	0	143,855	143,855
Receipts from Individual Schools	25,311	0	0	25,311
Total Charges for Current Services	\$ 33,912	\$ 0	\$ 610,745	\$ 644,657
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 176,182	\$ 0	\$ 24,467	\$ 200,649
Miscellaneous Refunds	0	0	115	115
<u>Nonrecurring Items</u>				
Sale of Equipment	3,753	0	0	3,753
Sale of Property	10,000	0	0	10,000
Contributions & Gifts	27,335	0	0	27,335
<u>Other Local Revenues</u>				
Other Local Revenues	29,826	0	0	29,826
Total Other Local Revenues	\$ 247,096	\$ 0	\$ 24,582	\$ 271,678
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 15,866,237	\$ 0	\$ 0	\$ 15,866,237
Early Childhood Education	537,009	0	0	537,009
School Food Service	0	0	18,966	18,966
Driver Education	6,206	0	0	6,206
Other State Education Funds	102,396	0	0	102,396
Career Ladder Program	238,559	0	0	238,559
Career Ladder - Extended Contract	137,519	0	0	137,519

(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>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 224,720	\$ 0	\$ 0	\$ 224,720
Other State Grants	33,300	0	0	33,300
Other State Revenues	53,374	0	0	53,374
Total State of Tennessee	\$ 17,199,320	\$ 0	\$ 18,966	\$ 17,218,286
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 758,445	\$ 758,445
Breakfast	0	0	235,274	235,274
USDA - Other	0	0	18,715	18,715
Vocational Education - Basic Grants to States	0	52,286	0	52,286
Title I Grants to Local Education Agencies	0	715,957	0	715,957
Innovative Education Program Strategies	0	70,558	0	70,558
Special Education - Grants to States	32,054	671,621	0	703,675
Special Education Preschool Grants	0	24,767	0	24,767
Eisenhower Professional Development State Grants	0	223,617	0	223,617
Other Federal through State	449,612	10,000	0	459,612
Total Federal Government	\$ 481,666	\$ 1,768,806	\$ 1,012,434	\$ 3,262,906
Total	\$ 20,628,469	\$ 1,768,806	\$ 1,666,727	\$ 24,064,002

Exhibit J-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	28,932	
Social Security		1,794	
Employer Medicare		420	
Audit Services		8,770	
Contributions		17,000	
Dues and Memberships		14,945	
Legal Services		29,402	
Legal Notices, Recording, and Court Costs		1,196	
Pauper Burials		410	
Postal Charges		336	
Office Supplies		1,192	
Other Supplies and Materials		1,187	
Premiums on Corporate Surety Bonds		5,953	
Other Charges		3,771	
Total County Commission			\$ 115,308

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Assistant(s)		27,356	
Clerical Personnel		19,191	
Longevity Pay		700	
Social Security		6,167	
State Retirement		6,710	
Medical Insurance		24,883	
Employer Medicare		1,442	
Communication		2,913	
Postal Charges		477	
Travel		3,314	
Office Supplies		797	
Total County Mayor/Executive			154,089

County Attorney

Legal Services	\$	27,221	
Total County Attorney			27,221

Election Commission

County Official/Administrative Officer	\$	46,862	
Clerical Personnel		18,989	
Temporary Personnel		2,120	
Longevity Pay		200	

(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.)

Overtime Pay	\$	175	
Election Commission		11,300	
Election Workers		12,180	
Social Security		4,011	
State Retirement		4,168	
Medical Insurance		12,574	
Employer Medicare		938	
Advertising		1,495	
Communication		1,117	
Dues and Memberships		120	
Maintenance & Repair Services - Office Equipment		2,672	
Postal Charges		1,684	
Rentals		2,000	
Travel		3,254	
Office Supplies		10,638	
Total Election Commission			\$ 136,497

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		18,092	
Part-time Personnel		5,385	
Longevity Pay		300	
Social Security		4,668	
State Retirement		4,485	
Medical Insurance		4,368	
Employer Medicare		1,092	
Communication		2,052	
Postal Charges		698	
Printing, Stationery, and Forms		1,641	
Rentals		1,650	
Office Supplies		486	
Office Equipment		8,465	
Total Register of Deeds			105,451

County Buildings

Custodial Personnel	\$	25,220	
Longevity Pay		200	
Social Security		1,385	
State Retirement		998	
Medical Insurance		8,595	

(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.)

Employer Medicare	\$	324	
Communication		7,808	
Maintenance & Repair Services - Buildings		59,669	
Pest Control		2,940	
Rentals		1,330	
Custodial Supplies		5,396	
Electricity		37,162	
Natural Gas		6,931	
Office Supplies		8,463	
Water and Sewer		4,245	
Other Supplies and Materials		2,601	
Building and Contents Insurance		19,206	
Liability Insurance		231,411	
Workers' Compensation Insurance		126,248	
Other Charges		1,575	
Total County Buildings			\$ 551,707

Finance

Accounting and Budgeting

Supervisor/Director	\$	45,041	
Accountants/Bookkeepers		92,504	
Longevity Pay		2,900	
Social Security		8,132	
State Retirement		8,939	
Medical Insurance		36,274	
Employer Medicare		1,902	
Communication		2,613	
Maintenance & Repair Services - Office Equipment		8,400	
Postal Charges		6,812	
Travel		1,734	
Office Supplies		6,917	
In Service/Staff Development		1,569	
Data Processing Equipment		869	
Total Accounting and Budgeting			224,606

Property Assessor's Office

County Official/Administrative Officer	\$	49,786	
Clerical Personnel		44,099	
Longevity Pay		1,100	
Board and Committee Members Fees		2,850	

(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.)

Social Security	\$	5,824	
State Retirement		2,548	
Medical Insurance		7,554	
Employer Medicare		1,362	
Advertising		67	
Audit Services		5,332	
Communication		1,206	
Data Processing Services		4,348	
Maintenance & Repair Services - Office Equipment		414	
Postal Charges		592	
Travel		255	
Office Supplies		1,626	
Total Property Assessor's Office			\$ 128,963

Reappraisal Program

Clerical Personnel	\$	18,586	
Part-time Personnel		12	
Longevity Pay		500	
Social Security		983	
State Retirement		1,216	
Medical Insurance		10,635	
Employer Medicare		230	
Travel		1,486	
Other Supplies and Materials		344	
Total Reappraisal Program			33,992

County Trustee's Office

Social Security	\$	5,232	
State Retirement		4,927	
Medical Insurance		13,128	
Employer Medicare		1,224	
Total County Trustee's Office			24,511

County Clerk's Office

County Official/Administrative Officer	\$	52,069	
Secretary(ies)		42,427	
Part-time Personnel		8,845	
Longevity Pay		1,400	
Social Security		6,195	
State Retirement		6,104	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Medical Insurance	\$	23,804	
Employer Medicare		1,473	
Communication		1,741	
Postal Charges		3,236	
Travel		94	
Office Supplies		3,595	
Total County Clerk's Office			\$ 150,983

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Clerical Personnel		69,058	
Longevity Pay		1,400	
Overtime Pay		4,268	
Social Security		7,630	
State Retirement		8,070	
Medical Insurance		27,558	
Employer Medicare		1,785	
Communication		2,014	
Dues and Memberships		140	
Maintenance & Repair Services - Office Equipment		9,118	
Postal Charges		26	
Travel		338	
Office Supplies		6,701	
Data Processing Equipment		8,573	
Total Circuit Court			198,748

Criminal Court

Overtime Pay	\$	14	
Other Salaries & Wages		28,890	
Jury and Witness Fees		8,405	
Social Security		1,792	
State Retirement		47	
Employer Medicare		231	
Postal Charges		1,169	
Rentals		2,032	
Travel		910	
Law Enforcement Equipment		995	
Total Criminal Court			44,485

(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 Court

Paraprofessionals	\$	3,570	
Clerical Personnel		12,008	
Social Security		966	
Employer Medicare		226	
Communication		2,445	
Dues and Memberships		102	
Postal Charges		126	
Travel		2,798	
Office Supplies		2,569	
Total General Sessions Court			\$ 24,810

General Sessions Judge

Judge(s)	\$	94,456	
Social Security		5,679	
Medical Insurance		10,635	
Employer Medicare		1,328	
Total General Sessions Judge			112,098

Drug Court

Assistant(s)	\$	21,667	
Social Security		1,343	
State Retirement		1,379	
Medical Insurance		8,159	
Unemployment Compensation		168	
Employer Medicare		314	
Communication		1,870	
Maintenance & Repair Services - Equipment		327	
Postal Charges		146	
Printing, Stationery, and Forms		283	
Travel		4,134	
Other Contracted Services		4,550	
Office Supplies		3,954	
Office Equipment		3,998	
Total Drug Court			52,292

Chancery Court

County Official/Administrative Officer	\$	52,069	
Clerical Personnel		41,800	
Longevity Pay		3,000	
Social Security		5,733	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

State Retirement	\$	6,166	
Medical Insurance		23,880	
Employer Medicare		1,341	
Communication		1,724	
Dues and Memberships		429	
Maintenance & Repair Services - Office Equipment		175	
Postal Charges		1,300	
Office Supplies		5,573	
Data Processing Equipment		300	
Total Chancery Court			\$ 143,490

Juvenile Court

Social Workers	\$	16,600	
Social Security		1,022	
State Retirement		1,057	
Employer Medicare		239	
Communication		200	
Travel		1,206	
Office Supplies		1,270	
Total Juvenile Court			21,594

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Deputy(ies)		354,064	
Salary Supplements		5,919	
Clerical Personnel		17,771	
School Resource Officer		49,850	
Longevity Pay		4,200	
Overtime Pay		38,755	
Other Salaries & Wages		17,524	
Board and Committee Members Fees		1,700	
In-Service Training		9,002	
Social Security		32,815	
State Retirement		35,257	
Medical Insurance		123,924	
Employer Medicare		7,664	
Contracts with Other Public Agencies		6,726	
Dues and Memberships		30	
Maintenance & Repair Services - Buildings		5,906	

(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.)

Postal Charges	\$	3,684	
Travel		773	
Other Contracted Services		3,533	
Gasoline		76,112	
Office Supplies		8,603	
Uniforms		5,647	
Vehicle Parts		34,299	
Communication Equipment		4,630	
Law Enforcement Equipment		10,466	
Motor Vehicles		76,355	
Total Sheriff's Department			\$ 992,485

Jail

Assistant(s)	\$	19,249	
Guards		403,590	
Clerical Personnel		17,788	
Cafeteria Personnel		15,363	
Temporary Personnel		4,404	
Longevity Pay		3,300	
Overtime Pay		9,513	
Other Salaries & Wages		22,540	
In-Service Training		4,050	
Social Security		31,168	
State Retirement		30,098	
Medical Insurance		111,138	
Employer Medicare		7,289	
Communication		19,312	
Maintenance & Repair Services - Office Equipment		16,960	
Medical and Dental Services		40,308	
Pest Control		360	
Travel		449	
Custodial Supplies		24,073	
Drugs and Medical Supplies		35,177	
Electricity		30,737	
Food Supplies		81,599	
Natural Gas		7,470	
Office Supplies		4,672	
Uniforms		6,688	
Water and Sewer		17,481	
Other Supplies and Materials		2,913	
Total Jail			967,689

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Other Contracted Services	\$ 4,115	
Total Juvenile Services		\$ 4,115

Fire Prevention and Control

Medical Insurance	\$ 9,591	
Contracts with Government Agencies	2,000	
Contributions	21,239	
Vehicle and Equipment Insurance	29,947	
Workers' Compensation Insurance	8,060	
Total Fire Prevention and Control		70,837

Civil Defense

Supervisor/Director	\$ 6,865	
Social Security	426	
Employer Medicare	100	
Communication	6,753	
Dues and Memberships	250	
Maintenance & Repair Services - Equipment	236	
Travel	1,217	
Food Supplies	316	
Gasoline	546	
Office Supplies	511	
Other Supplies and Materials	2,712	
Other Charges	14,486	
Total Civil Defense		34,418

Rescue Squad

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

Other Emergency Management

Dispatchers/Radio Operators	\$ 120,074	
Longevity Pay	700	
Overtime Pay	20,956	
Other Salaries & Wages	5,990	
Social Security	9,168	
State Retirement	9,262	
Medical Insurance	46,356	
Unemployment Compensation	750	
Employer Medicare	2,144	
Total Other Emergency Management		215,400

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Supervisor/Director	\$	2,275	
Medical and Dental Services		3,670	
Total County Coroner/Medical Examiner			\$ 5,945

Other Public Safety

Contributions	\$	5,796	
Road Signs		3,016	
Total Other Public Safety			8,812

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,190	
Social Security		259	
Employer Medicare		61	
Communication		3,254	
Contributions		19,752	
Maintenance & Repair Services - Buildings		506	
Maintenance & Repair Services - Equipment		483	
Postal Charges		1,578	
Custodial Supplies		793	
Drugs and Medical Supplies		1,425	
Electricity		4,788	
Natural Gas		2,300	
Office Supplies		848	
Water and Sewer		943	
Other Charges		474	
Office Equipment		1,236	
Total Local Health Center			42,890

Ambulance/Emergency Medical Services

Assistant(s)	\$	12,721	
Supervisor/Director		38,324	
Medical Personnel		267,551	
Temporary Personnel		8,236	
Longevity Pay		12,000	
Overtime Pay		212,489	
Other Salaries & Wages		12,556	
In-Service Training		2,068	
Social Security		34,520	
State Retirement		35,583	

(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.)

Medical Insurance	\$	107,422	
Employer Medicare		8,073	
Communication		5,846	
Dues and Memberships		100	
Licenses		750	
Maintenance & Repair Services - Equipment		6,434	
Maintenance & Repair Services - Vehicles		19,159	
Postal Charges		149	
Travel		1,701	
Custodial Supplies		1,291	
Drugs and Medical Supplies		32,627	
Electricity		4,991	
Gasoline		27,746	
Natural Gas		3,402	
Office Supplies		1,372	
Uniforms		3,407	
Water and Sewer		1,427	
Other Charges		4,228	
Attendance Equipment		4,417	
Communication Equipment		3,215	
Data Processing Equipment		288	
Motor Vehicles		79,974	
Total Ambulance/Emergency Medical Services			\$ 954,067

Crippled Children Services

Contributions	\$	937	
Other Charges		5,000	
Total Crippled Children Services			5,937

Other Local Health Services

Medical Personnel	\$	93,177	
Clerical Personnel		20,016	
Longevity Pay		400	
Social Security		7,282	
State Retirement		4,380	
Medical Insurance		6,072	
Employer Medicare		1,647	
Travel		2,431	
Office Supplies		237	
Total Other Local Health Services			135,642

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

Clerical Personnel	\$	23,749	
Social Security		1,369	
State Retirement		1,512	
Medical Insurance		4,594	
Unemployment Compensation		285	
Employer Medicare		320	
Postal Charges		31	
Travel		120	
Other Charges		22,213	
Total Other Local Welfare Services			\$ 54,193

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$	3,587	
Total Senior Citizens Assistance			3,587

Libraries

Librarians	\$	37,992	
Social Security		2,355	
Employer Medicare		551	
Communication		6,760	
Postal Charges		448	
Rentals		1,107	
Travel		347	
Instructional Supplies and Materials		260	
Office Supplies		823	
Periodicals		2,622	
Data Processing Equipment		28,326	
Total Libraries			81,591

Parks and Fair Boards

Maintenance & Repair Services - Buildings	\$	826	
Other Supplies and Materials		1,326	
Total Parks and Fair Boards			2,152

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	1,645	
Maintenance & Repair Services - Office Equipment		749	
Travel		178	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Contracted Services	\$	39,899	
Office Supplies		5,589	
Other Supplies and Materials		2,505	
Office Equipment		366	
Total Agriculture Extension Service			\$ 50,931

Soil Conservation

Contributions	\$	5,000	
Total Soil Conservation			5,000

Other Operations

Tourism

Building Improvements	\$	999	
Total Tourism			999

Industrial Development

Board and Committee Members Fees	\$	3,600	
Communication		753	
Contributions		74,930	
Office Supplies		223	
Site Development		38,990	
Total Industrial Development			118,496

Other Economic and Community Development

Part-time Personnel	\$	3,694	
Social Security		229	
Employer Medicare		54	
Contributions		261,672	
Other Supplies and Materials		3,882	
Other Charges		3,298	
Total Other Economic and Community Development			272,829

Veterans' Services

Contributions	\$	5,000	
Other Supplies and Materials		994	
Total Veterans' Services			5,994

Miscellaneous

Unemployment Compensation	\$	11,416	
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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.)

Miscellaneous (Cont.)

Trustee's Commission	\$ 84,193	
Total Miscellaneous		\$ 95,609

Total General Fund \$ 6,382,963

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 38,428	
Longevity Pay	1,500	
Social Security	2,476	
State Retirement	2,541	
Medical Insurance	4,402	
Employer Medicare	579	
Communication	1,797	
Building and Contents Insurance	2,430	
Liability Insurance	2,131	
Vehicle and Equipment Insurance	6,386	
Workers' Compensation Insurance	15,537	
Total Sanitation Management		\$ 78,207

Sanitation Education/Information

Supervisor/Director	\$ 10,124	
Attendants	8,011	
Social Security	1,141	
Employer Medicare	267	
Advertising	2,347	
Travel	10	
Gasoline	1,722	
Instructional Supplies and Materials	1,104	
Vehicle Parts	1,654	
Other Supplies and Materials	334	
Motor Vehicles	3,000	
Total Sanitation Education/Information		29,714

Waste Pickup

Truck Drivers	\$ 59,244	
Longevity Pay	600	
Overtime Pay	2,975	
Social Security	3,944	

(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.)

Waste Pickup (Cont.)

State Retirement	\$	4,049	
Medical Insurance		14,259	
Employer Medicare		922	
Licenses		72	
Other Contracted Services		352,467	
Equipment and Machinery Parts		3,148	
Gasoline		13,448	
Tires and Tubes		1,066	
Solid Waste Equipment		21,765	
Total Waste Pickup			\$ 477,959

Convenience Centers

Attendants	\$	142,268	
Longevity Pay		3,900	
Overtime Pay		657	
Other Salaries & Wages		4,900	
Social Security		9,556	
State Retirement		6,447	
Medical Insurance		31,712	
Employer Medicare		2,235	
Rentals		2,940	
General Construction Materials		6,786	
Gravel and Chert		1,291	
Other Supplies and Materials		219	
Total Convenience Centers			212,911

Recycling Center

Attendants	\$	33,943	
Longevity Pay		1,700	
Other Salaries & Wages		281	
Social Security		2,266	
State Retirement		2,276	
Medical Insurance		17,779	
Employer Medicare		530	
Communication		1,049	
Electricity		2,176	
Gasoline		4,895	
Uniforms		874	
Vehicle Parts		312	
Water and Sewer		272	

(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 (Cont.)

Other Supplies and Materials	\$ 1,063	
Total Recycling Center		\$ 69,416

Landfill Operation and Maintenance

Attendants	\$ 18,039	
Longevity Pay	100	
Social Security	1,006	
State Retirement	1,176	
Medical Insurance	8,235	
Employer Medicare	266	
Communication	2,633	
Engineering Services	4,750	
Maintenance & Repair Services - Equipment	14,732	
Rentals	3,602	
Electricity	9,385	
Equipment and Machinery Parts	4,100	
Gasoline	26,570	
General Construction Materials	1,893	
Natural Gas	514	
Office Supplies	203	
Water and Sewer	3,208	
Total Landfill Operation and Maintenance		100,412

Other Operations

Other Charges

Trustee's Commission	\$ 15,544	
Total Other Charges		15,544

Miscellaneous

Unemployment Compensation	\$ 666	
Total Miscellaneous		666

Total Solid Waste/Sanitation Fund		\$ 984,829
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,605	
Rentals	4,200	
Instructional Supplies and Materials	249	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Supplies and Materials	\$	7,353	
Trustee's Commission		380	
Law Enforcement Equipment		1,865	
Total Drug Enforcement			\$ 16,652

Total Drug Control Fund \$ 16,652

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	111,524	
Total County Trustee's Office			\$ 111,524

Administration of Justice

Circuit Court Clerk

Constitutional Officers' Operating Expenses	\$	94	
Total Circuit Court Clerk			94

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,200	
Constitutional Officers' Operating Expenses		21,840	
Total Chancery Court			26,040

Total Constitutional Officers - Fees Fund 137,658

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,276	
Secretary(ies)		22,822	
Longevity Pay		1,875	
Social Security		5,138	
State Retirement		5,274	
Employee and Dependent Insurance		8,723	
Employer Medicare		1,202	
Dues and Memberships		2,720	
Legal Services		322	
Travel		13	
Office Supplies		69	
Other Charges		35	
Total Administration			\$ 105,469

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Foremen	\$	60,625	
Equipment Operators		40,708	
Truck Drivers		71,601	
Laborers		48,209	
Longevity Pay		11,375	
Social Security		14,362	
State Retirement		14,617	
Employee and Dependent Insurance		55,260	
Employer Medicare		3,359	
Other Contracted Services		814,185	
Asphalt - Hot Mix		675,813	
Asphalt - Liquid		90,563	
Concrete		200	
Crushed Stone		81,152	
Pipe - Metal		48,573	
Road Signs		1,138	
Sand		135	
Small Tools		203	
Structural Steel		160	
Total Highway and Bridge Maintenance			\$ 2,032,238

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,153	
Laborers		26,455	
Longevity Pay		3,750	
Social Security		3,606	
State Retirement		3,838	
Employee and Dependent Insurance		14,995	
Employer Medicare		843	
Other Contracted Services		13,475	
Diesel Fuel		28,438	
Equipment and Machinery Parts		27,631	
Garage Supplies		14,523	
Gasoline		15,851	
Lubricants		3,600	
Tires and Tubes		9,819	
Uniforms		5,617	
Total Operation and Maintenance of Equipment			200,594

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	4,128	
Electricity		2,562	
Natural Gas		2,102	
Water and Sewer		423	
Liability Insurance		17,753	
Trustee's Commission		19,290	
Vehicle and Equipment Insurance		21,897	
Other Charges		867	
Total Other Charges			\$ 69,022

Employee Benefits

Unemployment Compensation	\$	536	
Workers' Compensation Insurance		33,871	
Total Employee Benefits			34,407

Capital Outlay

Bridge Construction	\$	204,983	
Highway Equipment		176,652	
Total Capital Outlay			381,635

Total Highway/Public Works Fund \$ 2,823,365

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	40,000	
Principal on Notes		40,707	
Principal on Other Loans		99,251	
Total General Government			\$ 179,958

Education

Principal on Other Loans	\$	295,749	
Total Education			295,749

Interest on Debt

General Government

Interest on Bonds	\$	10,640	
Interest on Notes		593	
Interest on Other Loans		51,564	
Total General Government			62,797

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Other Loans

\$ 592,509

Total Education

\$ 592,509

Other Debt Service

General Government

Fiscal Agent Charges

\$ 3,138

Trustee's Commission

11,816

Total General Government

14,954

Total General Debt Service Fund

\$ 1,145,967

Total Governmental Funds - Primary Government

\$ 11,491,434

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, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,419,369	
Career Ladder Program		145,250	
Career Ladder Extended Contracts		89,100	
Educational Assistants		143,376	
Certified Substitute Teachers		69,568	
Non-certified Substitute Teachers		98,674	
Social Security		494,896	
State Retirement		475,787	
Life Insurance		9,370	
Medical Insurance		835,180	
Dental Insurance		35,796	
Unemployment Compensation		19,918	
Employer Medicare		114,892	
Instructional Supplies and Materials		176,041	
Textbooks		188,096	
Other Supplies and Materials		13,146	
Fee Waivers		29,735	
Other Charges		21,446	
Total Regular Instruction Program			\$ 10,379,640

Special Education Program

Teachers	\$	898,590	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		4,000	
Educational Assistants		57,136	
Speech Pathologist		8,252	
Social Security		59,170	
State Retirement		59,965	
Life Insurance		1,182	
Medical Insurance		132,881	
Dental Insurance		4,672	
Unemployment Compensation		275	
Employer Medicare		13,838	
Contracts with Private Agencies		204,221	
Instructional Supplies and Materials		12,679	
Other Charges		1,224	
Special Education Equipment		2,024	
Total Special Education Program			1,470,109

(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	\$	611,854	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		6,000	
Secretary(ies)		982	
Clerical Personnel		6,622	
Educational Assistants		9,834	
Social Security		39,030	
State Retirement		39,041	
Life Insurance		799	
Medical Insurance		78,793	
Dental Insurance		2,902	
Employer Medicare		9,128	
Instructional Supplies and Materials		20,191	
Total Vocational Education Program			\$ 835,176

Support Services

Attendance

Supervisor/Director	\$	57,084	
Career Ladder Program		1,000	
Social Security		3,540	
State Retirement		3,500	
Life Insurance		49	
Medical Insurance		4,698	
Dental Insurance		202	
Employer Medicare		828	
Travel		914	
Other Charges		18,311	
Total Attendance			90,126

Health Services

Teachers	\$	257	
Medical Personnel		32,728	
Other Salaries & Wages		114,683	
Social Security		9,073	
State Retirement		8,991	
Life Insurance		266	
Medical Insurance		26,804	
Dental Insurance		1,359	
Employer Medicare		2,122	

(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.)

Health Services (Cont.)

Travel	\$	4,370	
Drugs and Medical Supplies		16,960	
Other Charges		29,452	
Total Health Services			\$ 247,065

Other Student Support

Teachers	\$	257	
Guidance Personnel		321,694	
Social Security		19,960	
State Retirement		20,042	
Life Insurance		344	
Medical Insurance		25,269	
Dental Insurance		1,062	
Employer Medicare		4,668	
Evaluation and Testing		13,393	
In Service/Staff Development		4,727	
Other Charges		49,316	
Total Other Student Support			460,732

Regular Instruction Program

Teachers	\$	257	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		12,000	
Librarians		246,441	
Instructional Computer Personnel		44,153	
Secretary(ies)		44,740	
Educational Assistants		40,333	
Other Salaries & Wages		64,765	
Social Security		24,928	
State Retirement		25,066	
Life Insurance		484	
Medical Insurance		40,022	
Dental Insurance		1,632	
Employer Medicare		5,830	
Maintenance & Repair Services - Equipment		3,077	
Travel		7,841	
Other Contracted Services		65,783	
Library Books/Media		19,341	
Other Equipment		237,786	
Total Regular Instruction Program			890,479

(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	\$	59,884	
Career Ladder Program		3,000	
Psychological Personnel		41,000	
Secretary(ies)		9,126	
Social Security		6,791	
State Retirement		6,593	
Life Insurance		98	
Medical Insurance		5,081	
Dental Insurance		212	
Employer Medicare		1,588	
Travel		5,247	
In Service/Staff Development		4,952	
Total Special Education Program			\$ 143,572

Vocational Education Program

Supervisor/Director	\$	55,932	
Career Ladder Program		1,000	
Social Security		2,933	
State Retirement		3,349	
Life Insurance		48	
Medical Insurance		6,314	
Dental Insurance		209	
Employer Medicare		686	
Travel		2,500	
Total Vocational Education Program			72,971

Board of Education

Board and Committee Members Fees	\$	13,325	
Social Security		826	
Employer Medicare		193	
Audit Services		10,900	
Communication		43	
Dues and Memberships		11,371	
Legal Services		1,954	
Postal Charges		26	
Travel		7,133	
Liability Insurance		225,314	
Trustee's Commission		97,516	
Workers' Compensation Insurance		196,004	

(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	\$ 1,565	
Total Board of Education		\$ 566,170

Director of Schools

County Official/Administrative Officer	\$ 82,797	
Assistant(s)	69,146	
Career Ladder Program	1,000	
Secretary(ies)	22,028	
Social Security	10,735	
State Retirement	10,777	
Life Insurance	124	
Medical Insurance	3,096	
Dental Insurance	204	
Employer Medicare	2,511	
Communication	17,179	
Dues and Memberships	797	
Travel	8,460	
Other Contracted Services	9,426	
Office Supplies	4,285	
Other Charges	5,267	
Administration Equipment	4,058	
Total Director of Schools		251,890

Office of the Principal

Principals	\$ 413,630
Teachers	1,507
Career Ladder Program	14,000
Career Ladder Extended Contracts	10,000
Assistant Principals	299,839
Secretary(ies)	85,033
Clerical Personnel	67,332
Social Security	53,580
State Retirement	54,633
Life Insurance	803
Medical Insurance	59,449
Dental Insurance	2,449
Employer Medicare	12,531
Communication	18,170
Travel	10,993

(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	\$ 44,601	
Total Office of the Principal		\$ 1,148,550

Operation of Plant

Custodial Personnel	\$ 439,376	
Social Security	27,174	
State Retirement	26,876	
Life Insurance	690	
Unemployment Compensation	2,129	
Employer Medicare	6,355	
Maintenance & Repair Services - Buildings	958	
Maintenance & Repair Services - Equipment	1,650	
Other Contracted Services	62,779	
Electricity	680,664	
Natural Gas	98,562	
Water and Sewer	85,200	
Other Charges	7,602	
Total Operation of Plant		1,440,015

Maintenance of Plant

Supervisor/Director	\$ 32,222	
Custodial Personnel	1,537	
Maintenance Personnel	133,292	
Social Security	10,348	
State Retirement	10,624	
Life Insurance	163	
Employer Medicare	2,420	
Architects	37,625	
Maintenance & Repair Services - Buildings	203,339	
Other Contracted Services	19,168	
Office Supplies	17	
Other Supplies and Materials	174,036	
Other Charges	104,119	
Administration Equipment	42,602	
Maintenance Equipment	42,939	
Total Maintenance of Plant		814,451

Transportation

Supervisor/Director	\$ 30,534	
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(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.)

Mechanic(s)	\$	52,946	
Bus Drivers		462,422	
Social Security		33,763	
State Retirement		32,383	
Life Insurance		572	
Medical Insurance		246	
Dental Insurance		11	
Unemployment Compensation		264	
Employer Medicare		7,896	
Communication		2,375	
Travel		324	
Other Contracted Services		5,010	
Diesel Fuel		114,017	
Equipment and Machinery Parts		722	
Gasoline		55,059	
Lubricants		4,444	
Tires and Tubes		21,548	
Vehicle Parts		92,535	
Other Charges		9,485	
Transportation Equipment		132,918	
Total Transportation			\$ 1,059,474

Operation of Non-Instructional Services

Food Service

Food Service Equipment	\$	69,151	
Total Food Service			69,151

Early Childhood Education

Teachers	\$	222,119	
Educational Assistants		73,329	
Non-certified Substitute Teachers		5,525	
Social Security		17,985	
State Retirement		17,792	
Life Insurance		559	
Medical Insurance		30,856	
Dental Insurance		1,275	
Employer Medicare		4,163	
Travel		5,301	
Instructional Supplies and Materials		76,640	

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Other Supplies and Materials	\$	12,623
Other Charges		108,614
Total Early Childhood Education		<u>\$ 576,781</u>
Total General Purpose School Fund		\$ 20,516,352
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$	367,257
Clerical Personnel		1,664
Educational Assistants		12,564
Certified Substitute Teachers		10,440
Non-certified Substitute Teachers		240
Social Security		25,157
State Retirement		23,286
Life Insurance		428
Medical Insurance		35,569
Dental Insurance		1,678
Unemployment Compensation		1,301
Employer Medicare		5,489
Instructional Supplies and Materials		149,144
Other Charges		42,582
Regular Instruction Equipment		16,073
Total Regular Instruction Program		<u>\$ 692,872</u>
<u>Special Education Program</u>		
Teachers	\$	35,150
Educational Assistants		262,115
Other Salaries & Wages		101,341
Certified Substitute Teachers		240
Social Security		24,611
State Retirement		24,605
Life Insurance		876
Medical Insurance		4,691
Unemployment Compensation		2,675
Employer Medicare		5,756
Contracts with Private Agencies		7,634
Maintenance & Repair Services - Equipment		108

(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.)

Special Education Program (Cont.)

Travel	\$	78	
Other Contracted Services		211,875	
Instructional Supplies and Materials		8,800	
Other Supplies and Materials		1,525	
Fee Waivers		144	
Total Special Education Program			\$ 692,224

Vocational Education Program

Educational Assistants	\$	10,732	
Other Salaries & Wages		666	
Social Security		704	
State Retirement		706	
Unemployment Compensation		88	
Employer Medicare		165	
Instructional Supplies and Materials		17,133	
Vocational Instruction Equipment		29,209	
Total Vocational Education Program			59,403

Support Services

Other Student Support

Travel	\$	5,745	
In Service/Staff Development		856	
Other Charges		25,635	
Total Other Student Support			32,236

Regular Instruction Program

Supervisor/Director	\$	57,084	
Teachers		257	
Secretary(ies)		19,079	
Social Security		4,492	
State Retirement		4,728	
Life Insurance		77	
Medical Insurance		5,081	
Dental Insurance		212	
Unemployment Compensation		140	
Employer Medicare		1,051	
Consultants		33,294	
Travel		83,985	
Library Books/Media		5,546	

(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.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	9,780	
In Service/Staff Development		39,759	
Other Charges		43,840	
Total Regular Instruction Program			\$ 308,405

Special Education Program

Travel	\$	5,156	
Total Special Education Program			5,156

Vocational Education Program

Travel	\$	944	
Total Vocational Education Program			944

Total School Federal Projects Fund \$ 1,791,240

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	42,876	
Cafeteria Personnel		398,229	
Social Security		27,209	
State Retirement		23,213	
Life Insurance		641	
Medical Insurance		5,081	
Dental Insurance		448	
Unemployment Compensation		1,716	
Employer Medicare		6,363	
Maintenance & Repair Services - Equipment		1,827	
Travel		3,746	
Other Contracted Services		4,064	
Food Preparation Supplies		69,116	
Food Supplies		767,707	
Office Supplies		1,118	
Uniforms		5,971	
Other Supplies and Materials		652	
Trustee's Commission		244	
In Service/Staff Development		145	
Other Charges		287	
Food Service Equipment		19,968	
Total Food Service			\$ 1,380,621

(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	\$	28,281	
Social Security		1,753	
State Retirement		1,648	
Employer Medicare		410	
Food Supplies		86,913	
Other Supplies and Materials		229	
Total Community Services			<u>\$ 119,234</u>

Total Central Cafeteria Fund \$ 1,499,855

Total Governmental Funds - Morgan County School Department \$ 23,807,447

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, 2007

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 38,494	\$ 38,494
Interest and Penalty	0	475	475
Local Option Sales Tax	319,504	0	319,504
Prior Year Property Tax	0	2,733	2,733
Total Cash Receipts	<u>\$ 319,504</u>	<u>\$ 41,702</u>	<u>\$ 361,206</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 316,309	\$ 40,866	\$ 357,175
Trustee's Commission	3,195	836	4,031
Total Cash Disbursements	<u>\$ 319,504</u>	<u>\$ 41,702</u>	<u>\$ 361,206</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2006	0	0	0
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

September 14, 2007

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, 2007, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated September 14, 2007. Our report on the aggregate discretely presented component units' financial statements was qualified due to not including the financial statements of the Morgan County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. 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 as a basis for designing our auditing procedures for the purpose of

expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.03, and 07.04(B,C).

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, director of finance, County Commission, Board of Education, Financial Management Committee, others within Morgan County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc



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

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

September 14, 2007

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, 2007. 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 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 of 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, 2007.

Internal Control Over Compliance

The management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morgan County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County as of and for the year ended June 30, 2007, and have issued our report thereon dated September 14, 2007. Our report on the aggregate discretely presented component unit's financial statements was qualified due to not including the financial statements of the Morgan County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the

financial statements that collectively comprise Morgan County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, director of finance, County Commission, Board of Education, Financial Management Committee, others within Morgan County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

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

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	N/A	\$ 41,190
Total Passed-through State Department of Agriculture			\$ 41,190
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 227,595
National School Lunch Program	10.555	N/A	688,245
Summer Food Service Program for Children	10.559	N/A	96,594
Total Passed-through State Department of Education			\$ 1,012,434
Total U.S. Department of Agriculture			\$ 1,053,624
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05011856-00	\$ 263,226
Total U.S. Department of Housing and Urban Development			\$ 263,226
U.S. Department of Transportation:			
Passed-through State Department of Military:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	GG-05-11856-00	\$ 4,870
Total U.S. Department of Transportation			\$ 4,870
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Regional Development	23.001	N/A	\$ 10,588
Total Appalachian Regional Commission			\$ 10,588
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 699,858
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	701,992
Special Education - Preschool Grants	84.173	N/A	27,273
Vocational Education - Basic Grants to States	84.048	N/A	66,939
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	15,372
Twenty-First Century Community Learning Centers	84.287	(2)	640,988
State Grants for Innovative Programs	84.298	N/A	15,119
Education Technology State Grants	84.318	N/A	22,585
Rural Education	84.358	(2)	79,910
Improving Teacher Quality State Grants	84.367	N/A	248,897
Total U.S. Department of Education			\$ 2,518,933

(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. Election Assistance Commission:			
Passed-through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 7,088
Total U.S. Election Assistance Commission			\$ 7,088
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 27,676
Emergency Management Performance Grants	97.042	(4)	5,898
Total U.S. Department of Homeland Security			\$ 33,574
Total Expenditures of Federal Awards			\$ 3,891,903

State Grants	Contract Number	Expenditures
Juvenile Services Program - State Children Services Commissior	N/A (2)	\$ 9,000
State Reappraisal Grant - Comptroller of the Treasury	N/A (2)	9,069
Litter Program - State Department of Transportation	N/A (2)	24,503
Waste Tire Grant - State Department of Transportation	N/A (2)	8,712
Waste Reduction Grant - State Department of Environment and Conservation	N/A (2)	19,974
Health Department Programs - State Department of Health	N/A (2)	117,391
Driver's Education - State Department of Education	N/A (2)	6,206
Early Childhood Education - Lottery and Expansion - State Department of Education	N/A (2)	537,009
Family Resource Center Grant - State Department of Education	N/A (2)	33,300
Total State Grants		\$ 765,164

CFDA - Catalog of Federal Domestic Assistance
N/A - Not Applicable

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - Information not available.
- (3) - Z-04-022479-01: \$5,593; Z-05-025194-00: \$22,676.
- (4) - Z-06-032882-00: \$2,804; Z-07-020647-00: \$3,094.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

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

OFFICE OF DIRECTOR OF FINANCE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.03 (B)	151	The office had budget deficiencies

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	152	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, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Morgan County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Morgan County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. 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. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF DIRECTOR OF FINANCE

FINDING 07.01 **THE OFFICE HAD BUDGET DEFICIENCIES** (Material Noncompliance Under Government Auditing Standards)

Our examination revealed the following budget deficiencies:

- A. Central Cafeteria Fund expenditures exceeded total appropriations approved by the County Commission by \$22,938. This was primarily attributable to management not properly budgeting the Summer Feeding Program.
- B. Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Libraries	27,014
General Purpose School:	
Regular Instruction Program	14,321
Food Service	92,848
School Federal Projects:	
Instruction-Regular Instruction Program	23,566

Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived 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.

FINDING 07.02 THE COUNTY DID NOT FOLLOW THE PURCHASING PROVISIONS OF THE COUNTY FINANCIAL MANAGEMENT ACT OF 1981
(Material Noncompliance Under Government Auditing Standards)

Morgan County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of purchasing for all county departments. The statute provides for the finance director or a deputy appointed by the finance director to serve as the county purchasing director and to be responsible for reviewing specifications, preparing formal and informal bids, collecting sealed bids, opening bids, evaluating bids, and issuing purchase orders and contracts.

Our examination disclosed that the finance director or a deputy appointed by the finance director was not involved in the solicitation, receiving, and awarding of many bids. Many individuals in the county, including the road superintendent and the director of schools, solicited and received bids and awarded the contract. This is not in compliance with the County Financial Management System of 1981. The director of finance was not always notified of the bid awards, and this resulted in purchase orders not being issued in a timely manner and funds being encumbered. This process contributed to some of the problems with expenditures and encumbrances exceeding appropriations as noted in finding 07.01.

RECOMMENDATION

The finance director or a deputy appointed by the finance director should solicit, receive, and award all bids as required by the County Financial Management System of 1981.

FINDING 07.03 A LEASE-PURCHASE AGREEMENT WAS NOT IN COMPLIANCE WITH STATE STATUTES
(Material Noncompliance Under Government Auditing Standards)

On July 9, 2007, the director of schools, with the approval of the Board of Education, entered into a 15-year lease-purchase agreement (\$6,448,282) for energy management projects for school facilities. This agreement had not been approved by the County Commission as required by Section 7-51-904, Tennessee Code Annotated. This statute provides that lease-purchase agreements must be approved by the County Commission prior to the agreement being finalized. Also, the director of finance was not involved in the acquisition process as required by the County Financial Management Act of 1981 (see finding 07.02).

RECOMMENDATION

Lease-purchase agreements should be entered into in compliance with state statutes.

OFFICE OF COUNTY CLERK

As noted in the previous audit report, a cash shortage of \$14,755.93 existed in the Office of County Clerk as of June 30, 2006. Tim Steelman liquidated the cash shortage from personal funds on September 7, 2006, and resigned from office on December 31, 2006. During January 2007, Mr. Steelman entered a guilty plea in Circuit Court to charges of theft related to the cash shortage. R. B. Human was appointed county clerk effective January 2, 2007; however, he resigned effective May 31, 2007. Carol Hamby was appointed county clerk as of June 1, 2007.

FINDING 07.04 **DEFICIENCIES WERE NOTED IN RECORDS AND PROCEDURES OF THE COUNTY CLERK'S OFFICE**
(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

The following deficiencies existed in the County Clerk's Office:

- A. Under the administration of R. B. Human (1-2-07 through 5-31-07), the clerk did not post and balance the cash journal on a timely basis. The official cash journal is the primary cash control record that summarizes the office's financial operations. Therefore, current maintenance of the cash journal is imperative.
- B. Under the administration of Carol Hamby (6-1-07 through 6-30-07), the clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated (TCA), requires county officials to deposit public funds to the office bank account within three days of collection.
- C. Neither R. B. Human nor Carol Hamby was covered by a surety bond as required by Section 18-2-201, TCA.

RECOMMENDATION

The official cash journal should be maintained on a current basis. The clerk should ensure that all funds are deposited to the office bank account within three days of collection. County officials should ensure that official bonds are obtained and filed prior to the official taking office.

OTHER FINDING

FINDING 07.05 **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 – Significant Deficiency 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, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**MORGAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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