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# ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT**  
**MORGAN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**DEPARTMENT OF AUDIT**  
**JUSTIN P. WILSON**  
*Comptroller of the Treasury*

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

**JAMES R. ARNETTE**  
*Director*

**CARL LOWE, CGFM**  
*Audit Manager*

**STEVE REEDER, CPA, CGFM, CFE**  
*Auditor 4*

**STEPHEN ALRED**  
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**RODNEY MALIN, CGFM**  
**GARY D. RAMSEY, CPA**  
**CHRISTY N. TENNANT, CPA**  
**MARK FAWVER**  
**AMY E. MOORE, CGFM**  
**DOUG SANDIDGE, CISA, CFE**  
*State Auditors*

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

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***Audit Highlights***  
Annual Financial Report  
Morgan County, Tennessee  
For the Year Ended June 30, 2008

***Scope***

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2008.

***Results***

Our report on Morgan County's financial statements is unqualified.

Our audit resulted in nine 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**

- ◆ The office had deficiencies in budget operations.

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**OFFICES OF DIRECTOR OF FINANCE AND DIRECTOR OF SCHOOLS**

- ◆ Morgan County and the Morgan County School Department did not follow the purchasing provisions of the County Financial Management System of 1981.
- ◆ A lease-purchase agreement was not in compliance with state statutes.

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**OFFICE OF COUNTY CLERK**

- ◆ The office had a cash shortage of \$721 on June 30, 2008.
  - ◆ The office had weaknesses in the collection and remittance of wholesale beer taxes.
-

## **OFFICES OF COUNTY CLERK AND SHERIFF**

- ◆ The offices did not deposit some funds within three days of collection as required by state statute.
  - ◆ The offices did not prepare annual financial reports as required by state statute.
- 

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

- ◆ The office did not review software audit logs.
- 

## **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.

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## INTRODUCTORY SECTION

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# Morgan County Officials

## June 30, 2008

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### **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**

Rebecca Ruppe, County Executive, Chairperson	Fred Snow
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	

### **Board of Education**

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

### **Financial Management Committee**

Rebecca Ruppe, County Executive, Chairperson	Marion Hawn
Mike Davis, Director of Schools	David Hennessee
C. Roy Smith, Road Superintendent	Kay Johnson
Sue Duncan	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

June 30, 2009

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, 2008, which collectively comprise Morgan County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morgan County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgan County Emergency Communications District, which represent 1.7 percent and 1.1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morgan County Emergency Communications District, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2008, 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 June 30, 2009, on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board Statement (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

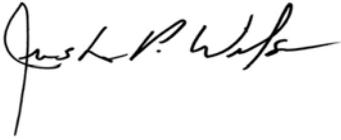
The management of Morgan County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and postemployment benefits information on pages 75 through 84 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 by us 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 by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Morgan County, Tennessee  
Statement of Net Assets  
June 30, 2008

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 22,589	\$ 18,281	\$ 375,453
Equity in Pooled Cash and Investments	6,792,732	2,805,353	0
Cash Shortage	721	0	0
Accounts Receivable	305,280	7,279	2,006
Allowance for Uncollectible Accounts Receivable	(77,359)	0	0
Due from Other Governments	451,501	798,397	8,050
Property Taxes Receivable	5,104,133	2,722,205	0
Allowance for Uncollectible Property Taxes	(307,536)	(164,019)	0
Prepaid Items	75,115	0	8,891
Other Restricted Assets	0	1,701,872	
Capital Assets:			
Assets Not Depreciated:			
Land	322,834	1,104,029	90,000
Construction in Progress	0	6,884,805	59,821
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,901,376	25,478,185	0
Infrastructure	1,062,729	0	0
Other Capital Assets	697,964	1,131,490	198,788
Total Assets	<u>\$ 16,352,079</u>	<u>\$ 42,487,877</u>	<u>\$ 743,009</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 111,337	\$ 43,986	\$ 42,314
Accrued Payroll	96,866	0	0
Accrued Interest Payable	67,964	0	0
Payroll Deductions Payable	2,348	239,241	0
Contracts Payable	0	1,121,867	0
Retainage Payable	0	320,751	0
Due to State of Tennessee	6,847	2,762	0
Other Current Liabilities	9,477	0	0
Deferred Revenue - Property Taxes	4,494,257	2,396,938	0
Noncurrent Liabilities:			
Due Within One Year	689,556	278,001	0
Due in More Than One Year	15,654,392	6,888,499	0
Total Liabilities	<u>\$ 21,133,044</u>	<u>\$ 11,292,045</u>	<u>\$ 42,314</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communica- tions District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 651,791	\$ 27,548,813	\$ 0
Invested in Capital Assets	0	0	348,610
Restricted for:			
Highways	2,333,562	0	0
Debt Service	3,195,484	0	0
Solid Waste/Sanitation	37,485	0	0
Drug Control	78,281	0	0
Capital Projects	142,599	259,254	0
School Federal Projects	0	241,943	0
Central Cafeteria	0	765,429	0
Other Purposes	198,555	0	0
Unrestricted	<u>(11,418,722)</u>	<u>2,383,393</u>	<u>352,085</u>
Total Net Assets	<u>\$ (4,780,965)</u>	<u>\$ 31,198,832</u>	<u>\$ 700,695</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, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Primary Government			Component Units			
	Expenses	Charges for Services	Program Revenues	Total Governmental Activities	Morgan County School Department	Emergency Communications District	
		Operating Grants and Contributions	Capital Grants and Contributions				
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 1,080,390	\$ 190,880	\$ 195,160	\$ 0	\$ (694,350)	\$ 0	\$ 0
Finance	716,028	345,198	9,079	0	(361,751)	0	0
Administration of Justice	707,235	426,209	22,692	0	(258,334)	0	0
Public Safety	2,439,628	284,938	54,577	0	(2,100,113)	0	0
Public Health and Welfare	2,335,870	1,132,148	206,005	0	(997,717)	0	0
Social, Cultural, and Recreational Services	92,873	9,722	0	0	(83,151)	0	0
Agriculture and Natural Resources	61,204	0	855	0	(60,349)	0	0
Other Operations	2,823,556	0	679,328	0	(2,144,228)	0	0
Highways	1,312,458	114	1,780,655	179,994	648,305	0	0
Debt Service:							
Interest	768,975	0	0	0	(768,975)	0	0
Other Debt Service	16,118	0	0	0	(16,118)	0	0
<b>Total Primary Government</b>	<b>\$ 12,354,335</b>	<b>\$ 2,389,209</b>	<b>\$ 2,948,351</b>	<b>\$ 179,994</b>	<b>\$ (6,836,781)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>							
Morgan County School Department	\$ 26,609,972	\$ 624,492	\$ 4,139,962	\$ 0	\$ 0	\$ (21,845,518)	\$ 0
Emergency Communications District	234,367	152,026	131,867	0	0	0	49,526
<b>Total Component Units</b>	<b>\$ 26,844,339</b>	<b>\$ 776,518</b>	<b>\$ 4,271,829</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (21,845,518)</b>	<b>\$ 49,526</b>

(Continued)

Exhibit B

Morgan County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government			Component Units		
	Charges for Services	Program Revenues	Total Governmental Activities	Morgan County School Department	Emergency Communications District	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes			\$ 4,528,434	\$ 2,516,466	\$ 0	0
Property Taxes Levied for General Debt Service			205,710	0	0	0
Local Option Sales Taxes			834,255	0	0	0
Litigation Tax - General			39,768	0	0	0
Litigation Tax - Special Purpose			46,034	0	0	0
Mineral Severance Tax			118,675	0	0	0
Other Local Taxes			23,303	93,005	0	0
Grants and Contributions Not Restricted to Specific Programs			596,008	18,046,043	10,000	10,000
Unrestricted Investment Income			67,110	314,237	4,421	4,421
Sale of Equipment			11,880	0	0	0
Miscellaneous			75,408	57,941	166	166
Total General Revenues			\$ 6,546,585	\$ 21,027,692	\$ 14,587	\$ 14,587
Insurance Recovery			\$ 29,226	\$ 0	\$ 0	0
Change in Net Assets			\$ (260,970)	\$ (817,826)	\$ 64,113	64,113
Net Assets, July 1, 2007			(4,519,995)	32,016,658	636,582	636,582
Net Assets, June 30, 2008			\$ (4,780,965)	\$ 31,198,832	\$ 700,695	700,695

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, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,589	\$ 22,589	\$ 22,589
Equity in Pooled Cash and Investments	1,220,086	193,872	2,061,305	2,521,660	795,809	6,792,732	6,792,732
Accounts Receivable	273,857	31,423	0	0	0	305,280	305,280
Allowance for Uncollectibles	(77,359)	0	0	0	(77,359)	0	(77,359)
Due from Other Governments	18,355	7,820	296,717	128,609	0	451,501	451,501
Due from Other Funds	3,460	0	0	600,000	57,266	660,726	660,726
Property Taxes Receivable	4,030,957	790,486	60,202	222,488	0	5,104,133	5,104,133
Allowance for Uncollectible Property Taxes	(242,874)	(47,629)	(3,627)	(13,406)	0	(307,536)	(307,536)
Prepaid Items	62,732	5,522	6,861	0	0	75,115	75,115
Cash Shortage	0	0	0	0	721	721	721
<b>Total Assets</b>	<b>\$ 5,289,214</b>	<b>\$ 981,494</b>	<b>\$ 2,421,458</b>	<b>\$ 3,459,351</b>	<b>\$ 876,385</b>	<b>\$ 13,027,902</b>	<b>\$ 13,027,902</b>

ASSETS

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>	\$ 2,875	\$ 56,264	\$ 20,003	\$ 0	\$ 32,195	\$ 111,337
Accounts Payable	75,686	6,503	14,677	0	0	96,866
Accrued Payroll	2,106	97	145	0	0	2,348
Payroll Deductions Payable	57,266	0	0	0	603,460	660,726
Due to Other Funds	6,368	417	62	0	0	6,847
Due to State of Tennessee	0	0	0	51,678	0	51,678
Accrued Interest Payable	9,477	0	0	0	0	9,477
Other Current Liabilities	3,549,312	696,033	53,009	195,903	0	4,494,257
Deferred Revenue - Current Property Taxes	223,267	43,784	3,334	12,250	0	282,635
Deferred Revenue - Delinquent Property Taxes	133,370	0	144,384	64,383	0	342,137
Other Deferred Revenues	\$ 4,059,727	\$ 803,098	\$ 235,614	\$ 324,214	\$ 635,655	\$ 6,058,308
<b>Total Liabilities</b>						
<b>Fund Balances</b>	\$ 71,883	\$ 38,403	\$ 193,649	\$ 0	\$ 0	\$ 303,935
Reserved for Encumbrances	0	0	0	0	36,638	36,638
Reserved for Purchase of Electronic Fingerprint Imaging System						

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>LIABILITIES AND FUND BALANCES (Cont.)</b>							
Fund Balances (Cont.)							
Reserved for Alcohol and Drug Treatment	\$ 45,875	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	45,875
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	76,878	0	0	0	0	0	76,878
Reserved for Computer System - Register	33,095	0	0	0	0	0	33,095
Reserved for Automation Purposes - General Sessions Court	12,910	0	0	0	0	0	12,910
Reserved for Automation Purposes - Chancery Court	7,448	0	0	0	0	0	7,448
Reserved for Other General Purposes	2,499	0	0	600,000	0	0	602,499
Unreserved, Reported In:							
General Fund	978,899	0	0	0	0	0	978,899
Special Revenue Funds	0	139,993	1,992,195	0	0	61,493	2,193,681
Debt Service Funds	0	0	0	2,535,137	0	0	2,535,137
Capital Projects Funds	0	0	0	0	142,599	0	142,599
<b>Total Fund Balances</b>	<b>\$ 1,229,487</b>	<b>\$ 178,396</b>	<b>\$ 2,185,844</b>	<b>\$ 3,135,137</b>	<b>\$ 240,730</b>	<b>\$ 6,969,594</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,289,214</b>	<b>\$ 981,494</b>	<b>\$ 2,421,458</b>	<b>\$ 3,459,351</b>	<b>\$ 876,385</b>	<b>\$ 13,027,902</b>	

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

Exhibit C-2

Morgan County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2008

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)		\$ 6,969,594
(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	1,062,729	
Add: buildings and improvements net of accumulated depreciation	1,901,376	
Add: other capital assets net of accumulated depreciation	<u>697,964</u>	3,984,903
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (295,000)	
Less: notes payable	(236,250)	
Less: other loans payable	(15,490,000)	
Less: accrued interest on bonds, notes, other loans, and capital leases	(16,286)	
Less: compensated absences payable	(138,003)	
Less: estimated postclosure care costs	<u>(184,695)</u>	(16,360,234)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>624,772</u>
Net assets of governmental activities (Exhibit A)		<u>\$ (4,780,965)</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, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 3,837,428	\$ 724,536	\$ 173,757	\$ 1,041,993	\$ 36,198	\$ 5,813,912	
Licenses and Permits	41,508	0	0	0	0	41,508	
Fines, Forfeitures, and Penalties	116,765	0	0	0	46,484	163,249	
Charges for Current Services	847,298	278,477	114	0	104,839	1,230,728	
Other Local Revenues	172,782	38,276	8,318	0	6,896	226,272	
Fees Received from County Officials	630,968	0	0	0	0	630,968	
State of Tennessee	877,254	48,644	1,971,365	0	353,028	3,250,291	
Federal Government	4,679	0	0	0	367,045	371,724	
Other Governments and Citizens Groups	90,436	0	0	200,000	0	290,436	
Total Revenues	\$ 6,619,118	\$ 1,089,933	\$ 2,153,554	\$ 1,241,993	\$ 914,490	\$ 12,019,088	
<u>Expenditures</u>							
Current:							
General Government	\$ 1,020,823	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,020,823	
Finance	598,583	0	0	0	112,810	711,393	
Administration of Justice	678,868	0	0	0	27,029	705,897	
Public Safety	2,368,346	0	0	0	34,620	2,402,966	
Public Health and Welfare	1,295,755	1,124,329	0	0	0	2,420,084	
Social, Cultural, and Recreational Services	73,564	0	0	0	0	73,564	
Agriculture and Natural Resources	61,204	0	0	0	0	61,204	
Other Operations	2,057,285	17,629	0	0	0	2,074,914	
Highways	0	0	1,260,365	0	0	1,260,365	
Debt Service:							
Principal on Debt	0	0	0	545,000	0	545,000	
Interest on Debt	0	0	0	821,176	0	821,176	
Other Debt Service	0	0	0	16,118	0	16,118	
Capital Projects	0	0	0	0	803,373	803,373	
Total Expenditures	\$ 8,154,428	\$ 1,141,958	\$ 1,260,365	\$ 1,382,294	\$ 977,832	\$ 12,916,877	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,535,310)	\$ (52,025)	\$ 893,189	\$ (140,301)	\$ (63,342)	\$ (897,789)	

(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 Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 156,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	156,250
Other Loans Issued	1,750,000	0	0	0	0	0	1,750,000
Insurance Recovery	26,651	0	2,575	0	0	0	29,226
Transfers In	0	0	0	0	225,899	0	225,899
Transfers Out	(225,899)	0	0	0	0	0	(225,899)
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 1,707,002</u>	<u>\$ 0</u>	<u>\$ 2,575</u>	<u>\$ 0</u>	<u>\$ 225,899</u>	<u>\$ 1,935,476</u>	
Net Change in Fund Balances	\$ 171,692	\$ (52,025)	\$ 895,764	\$ (140,301)	\$ 162,557	\$ 1,037,687	
Fund Balance, July 1, 2007	1,057,795	230,421	1,290,080	3,275,438	78,173	5,931,907	
<u>Fund Balance, June 30, 2008</u>	<u>\$ 1,229,487</u>	<u>\$ 178,396</u>	<u>\$ 2,185,844</u>	<u>\$ 3,135,137</u>	<u>\$ 240,730</u>	<u>\$ 6,969,594</u>	

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, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,037,687
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 368,374	
Less: current year depreciation expense	<u>(376,862)</u>	(8,488)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$ (579,721)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>624,772</u>	45,051
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: note proceeds	\$ (156,250)	
Less: other loan proceeds	(1,750,000)	
Add: principal payments on notes	80,000	
Add: principal payments on bonds	45,000	
Add: principal payments on other loans	<u>420,000</u>	(1,361,250)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on bonds	\$ 105	
Change in accrued interest on notes	(2,214)	
Change in accrued interest on other loans	54,310	
Change in estimated postclosure costs	(1,457)	
Change in compensated absences payable	<u>(24,714)</u>	<u>26,030</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (260,970)</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, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 666,552
Accounts Receivable	1,151
Due from Other Governments	61,752
Property Taxes Receivable	<u>42,076</u>
Total Assets	<u>\$ 771,531</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 103,828
Due to Litigants, Heirs, and Others	<u>667,703</u>
Total Liabilities	<u>\$ 771,531</u>

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

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**MORGAN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Morgan County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Morgan County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

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

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

The Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the Morgan County School Department are included in this report as listed in the table of contents. Complete financial statements of the Morgan County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 is required to issue all debt for the discretely presented Morgan County School Department. However, capital leases totaling \$7,049,696 were issued by the School Department during the year ended June 30, 2008.

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 types:

**Capital Projects Fund** – The General Capital Projects Fund accounts for grant funds received by the county for various capital projects.

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

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

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

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

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

**Education Capital Projects Fund** – This fund is used to account for transactions relating to energy efficiency and football field lighting projects.

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

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

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

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 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 6.03 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.

Retainage payable in the discretely presently School Department's governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects.

**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. Restricted Assets**

The Morgan County School Department has entered into a contract with Ameresco, Inc., to make energy management improvements at various schools. The School Department has also entered into a lease-purchase agreement with Government Capital Corporation whereby the financial institution provides financing for the improvements and leases those improvements to the School Department. Funds to pay for the improvements have been placed in an escrow account with Wells Fargo Bank Texas pursuant to an agreement between the School Department and Government Capital Corporation. Funds are drawn as payments are due to the contractor, Ameresco, Inc.

The Morgan County School Department also entered into a contract with Musco Sports Lighting to improve lighting at football fields at various schools. The School Department has also entered into lease-purchase agreements with Capital One Public Funding, LLC, whereby the financial institution provides financing for the improvements and leases those improvements to the School Department. Funds to pay for the improvements have been placed in an escrow account with Deutsche Bank National Trust Company pursuant to an agreement between the School Department and

Capital One Public Funding, LLC. Funds are drawn as payments are due to the contractor, Musco Sports Lighting.

The balance of funds (\$1,701,872) held in escrow at June 30, 2008, is shown as Other Restricted Assets in the Education Capital Projects Fund. The outstanding commitments for these projects are reflected as Reserved for Encumbrances.

**5. 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

**6. 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.

**7. 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.

## 8. Net Assets and Fund Equity

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

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

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$198,555, with the primary restrictions being for: (1) alcohol and drug treatment (\$45,875); (2) computer systems for various offices (\$53,453); and (3) litigation taxes – jail, workhouse, or courthouse (\$76,878).

As of June 30, 2008, Morgan County had \$12,688,138 in outstanding debt for capital purposes for the discretely presented Morgan County School Department. The debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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.

**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, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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**

The Office of County Clerk had a cash shortage of \$721 as of June 30, 2008. This cash shortage had not been liquidated as of the date of this report. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**C. Appropriations Exceeded Estimated Available Funding**

Budget amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding causing a budgeted fund deficit of \$82,123.

**D. Expenditures and Encumbrances Exceeded Appropriations**

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:	
Courtroom Security	\$ 1,790
Civil Defense	246
Ambulance/Emergency Medical Services	17,857
Libraries	10,712
Parks and Fair Boards	71
Industrial Development	1,585
Solid Waste/Sanitation:	
Sanitation Education/Information	414

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

**E. A Lease-Purchase Agreement was not in Compliance With State Statutes**

On March 4, 2008, the School Department entered into a ten-year lease-purchase agreement (\$601,414) for football field lighting improvements at various schools. See the Schedule of Findings and Questions Costs for deficiencies related to this lease-purchase.

**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, 2008.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 322,834	\$ 0	\$ 0	\$ 322,834
Total Capital Assets Not Depreciated	<u>\$ 322,834</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,834</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,764,779	\$ 0	\$ 0	\$ 2,764,779
Roads and Bridges	1,142,702	0	0	1,142,702
Other Capital Assets	3,601,669	368,374	(138,925)	3,831,118
Total Capital Assets Depreciated	<u>\$ 7,509,150</u>	<u>\$ 368,374</u>	<u>\$ (138,925)</u>	<u>\$ 7,738,599</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 801,404	\$ 61,999	\$ 0	\$ 863,403
Roads and Bridges	47,065	32,908	0	79,973
Other Capital Assets	2,990,124	281,955	(138,925)	3,133,154
Total Accumulated Depreciation	<u>\$ 3,838,593</u>	<u>\$ 376,862</u>	<u>\$ (138,925)</u>	<u>\$ 4,076,530</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,670,557</u>	<u>\$ (8,488)</u>	<u>\$ 0</u>	<u>\$ 3,662,069</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,993,391</u>	<u>\$ (8,488)</u>	<u>\$ 0</u>	<u>\$ 3,984,903</u>

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

**Governmental Activities:**

General Government	\$ 59,180
Public Safety	59,551
Public Health and Welfare	150,996
Highway/Public Works	<u>107,135</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 376,862</u>

**Discretely Presented Morgan County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
	<hr/>		<hr/>
Capital Assets Not Depreciated:			
Land	\$ 1,104,029	\$ 0	\$ 1,104,029
Construction in Progress	0	6,884,805	6,884,805
Total Capital Assets	<hr/>		<hr/>
Not Depreciated	\$ 1,104,029	\$ 6,884,805	\$ 7,988,834
<hr/>			
Capital Assets Depreciated:			
Buildings and Improvements	\$ 47,031,069	\$ 0	\$ 47,031,069
Other Capital Assets	3,915,536	328,712	4,244,248
Total Capital Assets	<hr/>		<hr/>
Depreciated	\$ 50,946,605	\$ 328,712	\$ 51,275,317
<hr/>			
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 20,314,626	\$ 1,238,258	\$ 21,552,884
Other Capital Assets	2,799,420	313,338	3,112,758
Total Accumulated Depreciation	<hr/>	<hr/>	<hr/>
	\$ 23,114,046	\$ 1,551,596	\$ 24,665,642
<hr/>			
Total Capital Assets Depreciated, Net	<hr/>	<hr/>	<hr/>
	\$ 27,832,559	\$ (1,222,884)	\$ 26,609,675
<hr/>			
Governmental Activities Capital Assets, Net	<hr/>	<hr/>	<hr/>
	\$ 28,936,588	\$ 5,661,921	\$ 34,598,509
<hr/>			

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

**Governmental Activities:**

Instruction	\$ 13,162
Support Services	1,512,778
Operation of Non-Instructional Services	<hr/>
	25,656
<hr/>	
Total Depreciation Expense - Governmental Activities	<hr/>
	\$ 1,551,596
<hr/>	

**C. Construction Commitments**

At June 30, 2008, the Morgan County School Department had uncompleted construction projects of \$259,254 in the Education Capital Projects Fund related to energy efficiency and football field lighting upgrades at various schools. The School Department has issued capital leases to provide funding for these projects. See Note IV.E. for additional details of these lease agreements.

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 3,460
General Debt Service	Nonmajor governmental	600,000
Nonmajor governmental	General	57,266
Discretely Presented School Department:		
General Purpose School	Central Cafeteria	19,748

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.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

**Primary Government**

Transfer Out	Transfer In Nonmajor Govern- mental Fund
General Fund	\$ 225,899

**Discretely Presented Morgan County School Department**

Transfer Out	Transfer In Central Cafeteria Fund
General Purpose School Fund	\$ 57,204

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.

**E. Capital Leases**

**Discretely Presented Morgan County School Department**

On July 9, 2007, the Morgan County School Department entered into a 15-year lease-purchase agreement for energy efficiency upgrades and equipment for school facilities. The terms of the agreement require total lease payments of \$6,448,281 plus interest of 3.105 percent. Title to the upgrades and equipment transfers to the School Department immediately upon acceptance of each upgrade or item of equipment. As noted in the prior-year audit report, this lease was not approved by the County Commission as required by state statutes.

On March 4, 2008, the Morgan County School Department entered into a ten-year lease-purchase agreement for football field lighting improvements for various school facilities. The terms of the agreement require total lease payments of \$601,414 plus interest of 2.63 percent. Title to the equipment transfers to the School Department immediately upon acceptance of each item.

The lease funds to pay for the remaining equipment and upgrades at June 30, 2008, have been placed in escrow as discussed in Note I.D.4. These amounts, totaling \$1,701,872, have been reflected as Other Restricted Assets in the Education Capital Projects Fund. The General Purpose School Fund will begin making the lease payments during the fiscal year ended June 30, 2009.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 706,110
2010	706,110
2011	706,110
2012	706,110
2013	706,110
2014-2018	3,530,554
2019-2023	<u>3,150,623</u>
Total Minimum Lease Payments	\$ 10,211,727
Amount Representing Interest	<u>(3,162,031)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 7,049,696</u></u>

**F. 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, 2008, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	2.8 %	\$ 500,000	\$ 295,000
Capital Outlay Notes	3.85 to 4.19	316,250	236,250
Other Loans - Fixed by Swap	4.56	10,000,000	10,000,000
Other Loans	5.6 to 6	1,750,000	1,750,000
Other Loans - Variable	Variable	5,500,000	3,740,000

Morgan County has entered into various loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance various capital projects for Morgan County and the discretely presented Morgan County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Morgan County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2008:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-08	Interest Type	Interest Rates as of 6-30-08	Approximate Fee Rates as of 6-30-08
Blount County PBA:					
Series A-2-D	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	7.6 %	0.48 %
Series B-13-A	1,750,000	1,750,000	Fixed	5.6 to 6	0
Sevier County PBA:					
Series IV-I-3	5,500,000	3,740,000	Variable	5.05	0.48

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 156,641	\$ 9,384	\$ 166,025
2010	79,609	3,065	82,674
Total	\$ 236,250	\$ 12,449	\$ 248,699

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 295,000	\$ 29,820	\$ 324,820

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 450,000	\$ 1,051,923	\$ 66,027	\$ 1,567,950
2010	470,000	1,029,178	63,858	1,563,036
2011	500,000	1,005,423	61,592	1,567,015
2012	530,000	980,152	59,182	1,569,334
2013	560,000	953,365	56,628	1,569,993
2014-2018	3,925,000	4,208,100	239,221	8,372,321
2019-2023	5,440,000	2,594,913	148,536	8,183,449
2024-2026	3,615,000	538,681	33,168	4,186,849
Total	\$ 15,490,000	\$ 12,361,735	\$ 728,212	\$ 28,579,947

There is \$2,535,137 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$15, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$811, based on the 2000 federal census.

### **Swap Agreement**

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.** 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, 2008, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.33 %
Variable payment from counterparty	70% of LIBOR	<u>-1.73</u>
Net interest rate swap payments		2.60 %
Variable-rate bond coupon payments		<u>5.00</u>
Synthetic interest rate on bonds		<u><u>7.60 %</u></u>

**Fair value.** As of June 30, 2008, the swap had a negative fair value of \$1,002,999. 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, 2008, 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. 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 AA by Standard and Poor's and Aa3 by Moody's Investor Service as of June 30, 2008. Ambac Assurance Corporation has been further downgraded to A by Standard and Poor's and Ba3 by Moody's and has posted all required collateral obligations.

**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, 2008, 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		
2009	\$ 0	\$ 500,000	\$ 260,030	\$ 760,030
2010	0	500,000	260,030	760,030
2011	0	500,000	260,030	760,030
2012	0	500,000	260,030	760,030
2013	0	500,000	260,030	760,030
2014-2018	2,120,000	2,398,500	1,247,364	5,765,864
2019-2023	4,490,000	1,547,250	804,663	6,841,913
2024-2026	3,390,000	345,500	179,680	3,915,180
<b>Total</b>	<b>\$ 10,000,000</b>	<b>\$ 6,791,250</b>	<b>\$ 3,531,857</b>	<b>\$ 20,323,107</b>

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 340,000	\$ 160,000	\$ 14,160,000
Additions	0	156,250	1,750,000
Deductions	(45,000)	(80,000)	(420,000)
Balance, June 30, 2008	<u>\$ 295,000</u>	<u>\$ 236,250</u>	<u>\$ 15,490,000</u>
Balance Due Within One Year	<u>\$ 45,000</u>	<u>\$ 156,641</u>	<u>\$ 450,000</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2007	\$ 113,289	\$ 183,238
Additions	100,350	1,457
Deductions	(75,636)	0
	<hr/>	<hr/>
Balance, June 30, 2008	<u>\$ 138,003</u>	<u>\$ 184,695</u>
Balance Due Within One Year	<u>\$ 27,601</u>	<u>\$ 10,314</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 16,343,948
Less: Balance Due Within One Year	<u>(689,556)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,654,392</u>

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

**Discretely Presented Morgan County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Other Post- employment Benefits	Capital Leases
Balance, July 1, 2007	\$ 0	\$ 0
Additions	219,304	7,049,696
Deductions	(105,500)	0
	<hr/>	<hr/>
Balance, June 30, 2008	<u>\$ 113,804</u>	<u>\$ 7,049,696</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 278,001</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 7,163,500
Less: Balance Due Within One Year	<u>(278,001)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,885,499</u>

**G. On-Behalf Payments – Discretely Presented Morgan County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$48,041 and \$16,350, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. 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, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
General	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0
Solid Waste/Sanitation		200,000	(200,000)	0

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **Discretely Presented Morgan County School Department**

The discretely presented Morgan County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

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

### **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. In previous years, the Morgan County School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or

sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Morgan County. GASB Statement No. 48 had no effect on the financial statements of Morgan County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Morgan County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Morgan County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Events**

On August 13, 2008, the General Debt Service Fund issued tax anticipation notes for temporary operating funds to the General (\$500,000) and Solid Waste/Sanitation (\$500,000) funds.

On August 28, 2008, Morgan County issued general obligation refunding bonds totaling \$3,740,000 to refinance the county's series IV-I-3 loan agreement.

On August 28, 2008, the county issued a public building authority loan totaling \$10,095,000 to refinance the county's series A-2-D loan agreement.

The General Debt Service Fund issued tax anticipation notes to the General Purpose School Fund on December, 15, 2008, (\$500,000) and on June 4, 2009, (\$500,000).

**D. Contingent Liabilities**

There are several pending lawsuits in which the county and the discretely presented School Department are involved. Management, based on information from attorneys for the county and the 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 School Department.

**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 \$184,695 reported as landfill postclosure care liability at June 30, 2008,

represents the estimated postclosure care cost for the next 19 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2008. 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, 2008, 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

Morgan County entered into an agreement with the counties of Cumberland, Morgan, and Roane, Tennessee, to establish an Industrial Development Board to purchase land for the development of a joint industrial park. Cumberland, Morgan, and Roane counties jointly own the board. The agreement established a nine-member board with each county appointing three members and being responsible for one-third of the entity's funding. Morgan County issued another loan for \$1,750,000 on October 18, 2007, and contributed the proceeds to the board.

**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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **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, 2008, was 6.37 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, 2008, Morgan County's annual pension cost of \$401,314 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 postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$401,314	100%	\$0
6-30-07	360,353	100	0
6-30-06	227,330	100	0

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 88.96 percent funded. The actuarial accrued liability for benefits was \$11.37 million, and the actuarial value of assets was \$10.11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.26 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.58 million, and the ratio of the UAAL to the covered payroll was 22.5 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$776,468, \$721,105, and \$622,656, respectively, equal to the required contributions for each year.

## **H. Other Postemployment Benefits (OPEB)**

### **Plan Description**

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are

reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 219,304
Interest on the NPO	0
Adjustment to the ARC	0
	<hr/>
Annual OPEB cost	\$ 219,304
Amount of contribution	(105,500)
	<hr/>
Increase/decrease in NPO	\$ 113,804
Net OPEB obligation, 7-1-07	0
	<hr/>
Net OPEB obligation, 6-30-08	<u>\$ 113,804</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 219,304	48 %	\$ 113,804

\* Data not available for two preceding years.

## Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 1,988,597
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,988,597
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,054,803
UAAL as a % of covered payroll	17%

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

### Actuarial Methods and Assumptions

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

In the June 30, 2007, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**I. 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.

**J. 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.

**VI. OTHER NOTES – DISCRETELY PRESENTED MORGAN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

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

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

**1. Depreciation**

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

<u>Assets</u>	<u>Method</u>	<u>Estimated Useful Life (Years)</u>	<u>2008 Depreciation</u>
Communications Equipment	S/L	5-10	\$ 22,991
Office Equipment	S/L	5-10	4,513
Vehicles	S/L	5	1,824
Construction in Progress	N/A	N/A	0
Land	N/A	N/A	0
Total			<u>\$ 29,328</u>

**2. Major Source of Revenue**

The major sources of operating revenue are emergency telephone service charges from local telephone companies and wireless surcharges and operational funding from the State Emergency Communications Board. The only nonoperating revenue is interest and grants and reimbursements from the State Emergency Communications Board.

**3. Operating Income**

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

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

**B. Deposits and Investments**

Tennessee Code Annotated (TCA) requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$100,000 by

the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2008:

		Amount
Checking	Citizen's First Bank	\$ 266,306
Certificate of Deposit - 3 Month	Citizen's First Bank	55,572
Certificate of Deposit - 5 Month	Citizen's First Bank	<u>53,575</u>
Total		<u><u>\$ 375,453</u></u>

At June 30, 2008, the carrying amount of the Morgan County Emergency Communications District's cash deposits was \$375,453. The district's deposit accounts are covered up to \$100,000 by FDIC. Any amounts over \$100,000 are covered by the government collateralization pool of which Citizen's First Bank is a member. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, TCA. [Acts 1992, ch. 891, sct 10].

**C. Bonding and Insurance**

The district has a bond covering certain members of the board at June 30, 2008. They also have a general liability policy that covers all capital assets. There have been no losses or settlements during the past three years.

**D. Capital Assets**

The following is a schedule of equipment at June 30, 2008:

Assets	Cost	Accumulated Depreciation	Net
Communications Equipment	\$ 254,640	\$ 67,538	\$ 187,102
Office Equipment	24,457	12,771	11,686
Vehicles	21,888	21,888	0
Land	90,000	0	90,000
Construction in Progress	<u>59,821</u>	0	<u>59,821</u>
Total	<u><u>\$ 450,806</u></u>	<u><u>\$ 102,197</u></u>	<u><u>\$ 348,609</u></u>

Assets	Balance 6-30-07	Additions	Retirements	Balance 6-30-08
Communications Equipment	\$ 223,700	\$ 56,700	\$ (25,760)	\$ 254,640
Office Equipment	24,046	7,921	(7,510)	24,457
Vehicles	21,888	0	0	21,888
Land	90,000	0	0	90,000
Construction in Progress	52,407	7,414	0	59,821
Total	\$ 412,041	\$ 72,035	\$ (33,270)	\$ 450,806

**E. Cash and Cash Equivalents**

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

**F. Accounts Receivable/Due from State Emergency Communications Board (ECB)**

Accounts Receivable	Bell South	\$ 1,417
Due from State ECB	State ECB	8,050
Total		\$ 9,467

**G. Compensated Absences**

There were no employees at June 30, 2008.

**H. Calculation of Invested in Capital Assets**

Net Book Value	\$ 348,610
Current and Noncurrent Debt	0
Invested in Capital Assets	\$ 348,610

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,837,428	\$ 0	\$ 0	\$ 3,837,428	\$ 3,667,480	\$ 3,697,480	\$ 139,948
Licenses and Permits	41,508	0	0	41,508	46,750	46,750	(5,242)
Fines, Forfeitures, and Penalties	116,765	0	0	116,765	83,150	83,150	33,615
Charges for Current Services	847,298	0	0	847,298	778,700	786,700	60,598
Other Local Revenues	172,782	0	0	172,782	116,000	161,693	11,089
Fees Received from County Officials	630,968	0	0	630,968	733,032	601,000	29,968
State of Tennessee	877,254	0	0	877,254	723,613	915,131	(37,877)
Federal Government	4,679	0	0	4,679	0	2,906	1,773
Other Governments and Citizens Groups	90,436	0	0	90,436	81,000	134,100	(43,664)
<u>Total Revenues</u>	<u>\$ 6,619,118</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,619,118</u>	<u>\$ 6,229,725</u>	<u>\$ 6,428,910</u>	<u>\$ 190,208</u>

<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 63,194	\$ 0	\$ 0	\$ 63,194	\$ 72,744	\$ 72,744	\$ 9,550
County Mayor/Executive	145,026	0	0	145,026	149,268	145,213	187
County Attorney	16,125	0	0	16,125	10,500	16,250	125
Election Commission	133,937	0	1,078	135,015	126,028	143,287	8,272
Register of Deeds	107,478	0	716	108,194	113,240	113,710	5,516
County Buildings	555,063	(4,389)	400	551,074	548,792	553,081	2,007
<u>Finance</u>							
Accounting and Budgeting	227,411	(5,000)	4,000	226,411	231,597	229,627	3,216
Property Assessor's Office	142,881	0	0	142,881	139,445	150,845	7,964
Reappraisal Program	39,002	0	0	39,002	41,115	40,045	1,043
County Trustee's Office	32,281	0	0	32,281	136,327	42,030	9,749
County Clerk's Office	157,008	(1,075)	0	155,933	142,336	157,751	1,818

(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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 208,761	\$ (93)	464	\$ 209,132	\$ 216,755	\$ 213,325	\$ 4,193
Criminal Court	11,571	0	0	11,571	15,400	15,400	3,829
General Sessions Court	38,107	(573)	399	37,933	31,460	38,260	327
General Sessions Judge	123,691	0	0	123,691	118,480	124,015	324
Drug Court	57,783	0	0	57,783	60,000	60,000	2,217
Chancery Court	146,305	(425)	0	145,880	147,902	146,672	792
Juvenile Court	22,281	0	745	23,026	23,542	23,542	516
Courtroom Security	70,369	0	0	70,369	50,894	68,579	(1,790)
<u>Public Safety</u>							
Sheriff's Department	974,831	(4,033)	53,107	1,023,905	967,191	1,043,806	19,901
Jail	1,011,829	(9,658)	1,831	1,004,002	998,090	1,012,190	8,188
Juvenile Services	1,535	0	0	1,535	5,000	5,000	3,465
Fire Prevention and Control	86,385	(407)	489	86,467	84,678	86,466	(1)
Civil Defense	21,042	(100)	100	21,042	16,523	20,796	(246)
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	265,025	0	0	265,025	225,284	278,384	13,359
County Coroner/Medical Examiner	3,784	0	0	3,784	13,300	13,300	9,516
Other Public Safety	915	0	1,084	1,999	7,800	7,800	5,801
<u>Public Health and Welfare</u>							
Local Health Center	43,467	(25)	0	43,442	47,354	47,354	3,912
Ambulance/Emergency Medical Services	1,132,161	(4,579)	6,285	1,133,867	1,113,810	1,116,010	(17,857)
Crippled Children Services	5,250	0	0	5,250	5,937	5,937	687
Other Local Health Services	114,877	0	0	114,877	207,533	207,533	92,656

(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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	\$ 3,600	\$ 0	\$ 0	\$ 3,600	\$ 3,600	\$ 3,600	\$ 0
Libraries	66,833	(562)	0	66,271	55,559	55,559	(10,712)
Parks and Fair Boards	3,131	(560)	0	2,571	2,500	2,500	(71)
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	55,454	0	1,185	56,639	54,909	56,909	270
Soil Conservation	5,750	0	0	5,750	5,000	5,750	0
<u>Other Operations</u>							
Tourism	1,000	0	0	1,000	1,000	1,000	0
Industrial Development	1,854,120	(3,327)	0	1,850,793	84,275	1,849,208	(1,585)
Other Economic and Community Development	34,997	(3,950)	0	31,047	36,000	31,097	50
Veterans' Services	633	0	0	633	1,000	1,000	367
Miscellaneous	166,535	0	0	166,535	96,500	167,250	715
Total Expenditures	\$ 8,154,428	\$ (38,756)	\$ 71,883	\$ 8,187,555	\$ 6,411,668	\$ 8,375,825	\$ 188,270
<u>Excess (Deficiency) of Revenues</u>	\$ (1,535,310)	\$ 38,756	\$ (71,883)	\$ (1,568,437)	\$ (181,943)	\$ (1,946,915)	\$ 378,478
<u>Over Expenditures</u>							
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 156,250	\$ 0	\$ 0	\$ 156,250	\$ 156,000	\$ 156,000	\$ 250
Other Loans Issued	1,750,000	0	0	1,750,000	0	1,750,000	0
Insurance Recovery	26,651	0	0	26,651	0	11,301	15,350
Transfers Out	(225,899)	0	0	(225,899)	0	(225,899)	0
Total Other Financing Sources (Uses)	\$ 1,707,002	\$ 0	\$ 0	\$ 1,707,002	\$ 156,000	\$ 1,691,402	\$ 15,600
<u>Net Change in Fund Balance</u>	\$ 171,692	\$ 38,756	\$ (71,883)	\$ 138,565	\$ (25,943)	\$ (255,513)	\$ 394,078
<u>Fund Balance, July 1, 2007</u>	1,057,795	(38,756)	0	1,019,039	1,067,759	1,067,759	(48,720)
<u>Fund Balance, June 30, 2008</u>	\$ 1,229,487	\$ 0	\$ (71,883)	\$ 1,157,604	\$ 1,041,816	\$ 812,246	\$ 345,358

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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 724,536	\$ 0	\$ 0	\$ 724,536	\$ 702,164	\$ 702,164	\$ 22,372
Charges for Current Services	278,477	0	0	278,477	200,000	200,000	78,477
Other Local Revenues	38,276	0	0	38,276	18,000	22,325	15,951
State of Tennessee	48,644	0	0	48,644	29,000	28,654	19,990
<b>Total Revenues</b>	<b>\$ 1,089,933</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,089,933</b>	<b>\$ 949,164</b>	<b>\$ 953,143</b>	<b>\$ 136,790</b>
<b>Expenditures</b>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 107,618	\$ 0	\$ 0	\$ 107,618	\$ 105,043	\$ 108,143	\$ 525
Sanitation Education/Information	29,151	(300)	300	29,151	29,083	28,737	(414)
Waste Pickup	618,766	(11,669)	23,751	630,848	532,301	656,207	25,359
Convenience Centers	227,204	(5,735)	2,450	223,919	260,553	265,553	41,634
Recycling Center	65,570	(619)	626	65,577	68,419	68,744	3,167
Landfill Operation and Maintenance	76,020	(11,891)	11,276	75,405	122,395	107,085	31,680
<u>Other Operations</u>							
Other Charges	16,973	0	0	16,973	17,000	17,000	27
Miscellaneous	656	0	0	656	1,500	1,500	844
<b>Total Expenditures</b>	<b>\$ 1,141,958</b>	<b>\$ (30,214)</b>	<b>\$ 38,403</b>	<b>\$ 1,150,147</b>	<b>\$ 1,136,294</b>	<b>\$ 1,252,969</b>	<b>\$ 102,822</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (52,025)</b>	<b>\$ 30,214</b>	<b>\$ (38,403)</b>	<b>\$ (60,214)</b>	<b>\$ (187,130)</b>	<b>\$ (299,826)</b>	<b>\$ 239,612</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2007</b>	<b>\$ (52,025)</b>	<b>\$ 30,214</b>	<b>\$ (38,403)</b>	<b>\$ (60,214)</b>	<b>\$ (187,130)</b>	<b>\$ (299,826)</b>	<b>\$ 239,612</b>
	230,421	(30,214)	0	200,207	217,703	217,703	(17,496)
<b>Fund Balance, June 30, 2008</b>	<b>\$ 178,396</b>	<b>\$ 0</b>	<b>\$ (38,403)</b>	<b>\$ 139,993</b>	<b>\$ 30,573</b>	<b>\$ (82,123)</b>	<b>\$ 222,116</b>

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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 173,757	\$ 0	\$ 0	\$ 173,757	\$ 94,086	\$ 99,086	\$ 74,671
Charges for Current Services	114	0	0	114	0	0	114
Other Local Revenues	8,318	0	0	8,318	5,500	5,500	2,818
State of Tennessee	1,971,365	0	0	1,971,365	2,016,242	2,016,242	(44,877)
<b>Total Revenues</b>	<b>\$ 2,153,554</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,153,554</b>	<b>\$ 2,115,828</b>	<b>\$ 2,120,828</b>	<b>\$ 32,726</b>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 110,397	(120)	\$ 0	\$ 110,277	\$ 116,701	\$ 116,701	\$ 6,424
Highway and Bridge Maintenance	728,668	(30,873)	186,135	883,930	2,111,474	2,111,474	1,227,544
Operation and Maintenance of Equipment	241,431	(11,870)	7,164	236,725	328,364	328,364	91,639
Other Charges	69,321	(96)	350	69,575	71,982	71,982	2,407
Employee Benefits	35,571	0	0	35,571	42,000	42,000	6,429
Capital Outlay	74,977	0	0	74,977	589,200	589,200	514,223
<b>Total Expenditures</b>	<b>\$ 1,260,365</b>	<b>\$ (42,959)</b>	<b>\$ 193,649</b>	<b>\$ 1,411,055</b>	<b>\$ 3,259,721</b>	<b>\$ 3,259,721</b>	<b>\$ 1,848,666</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 893,189</b>	<b>\$ 42,959</b>	<b>\$ (193,649)</b>	<b>\$ 742,499</b>	<b>\$ (1,143,893)</b>	<b>\$ (1,138,893)</b>	<b>\$ 1,881,392</b>
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,575	0	0	2,575	0	0	2,575
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 2,575</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,575</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,575</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2007</b>	<b>\$ 895,764</b>	<b>\$ 42,959</b>	<b>\$ (193,649)</b>	<b>\$ 745,074</b>	<b>\$ (1,143,893)</b>	<b>\$ (1,138,893)</b>	<b>\$ 1,883,967</b>
<b>Fund Balance, July 1, 2007</b>	<b>1,290,080</b>	<b>(42,959)</b>	<b>0</b>	<b>1,247,121</b>	<b>1,185,826</b>	<b>1,185,826</b>	<b>61,295</b>
<b>Fund Balance, June 30, 2008</b>	<b>\$ 2,185,844</b>	<b>\$ 0</b>	<b>\$ (193,649)</b>	<b>\$ 1,992,195</b>	<b>\$ 41,933</b>	<b>\$ 46,933</b>	<b>\$ 1,945,262</b>

Exhibit E-4

Morgan County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 10,119	\$ 11,375	\$ 1,256	88.96 %	\$ 5,582	22.50 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit E-5

Morgan County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Morgan County School Department  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Liability (AAL) (b)				
6-30-07	\$ 0	\$ 1,989	\$ 1,989	\$ 1,989	0%	\$ 12,055	17%

Local Education Group Plan

\* Data not available for two preceding years.

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**MORGAN COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**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. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING**

Budget amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding causing a budgeted fund deficit of \$82,123.

**C. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

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

Fund/Major Category	Amount Overspent
General:	
Courtroom Security	\$ 1,790
Civil Defense	246
Ambulance/Emergency Medical Services	17,857
Libraries	10,712
Parks and Fair Boards	71
Industrial Development	1,585
Solid Waste/Sanitation:	
Sanitation Education/Information	414

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

## Capital Projects Fund

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for grant funds received by the county for various capital projects.

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Morgan County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	
\$	0	22,589	22,589	0	22,589
	110,476	0	110,476	685,333	795,809
	0	0	0	57,266	57,266
	0	721	721	0	721
\$	110,476	23,310	133,786	742,599	876,385

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Due from Other Funds	
Cash Shortage	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>				
Accounts Payable	32,195	0	32,195	0
Due to Other Funds	0	3,460	3,460	600,000
Total Liabilities	32,195	3,460	35,655	600,000
<u>Fund Balances</u>				
Reserved for Purchase of Electronic Fingerprint Imaging System	36,638	0	36,638	0
Unreserved	41,643	19,850	61,493	142,599
Total Fund Balances	78,281	19,850	98,131	142,599
Total Liabilities and Fund Balances	110,476	23,310	133,786	742,599

Total Liabilities and Fund Balances

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, 2008

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Drug</u> <u>Control</u>	<u>Constitu -</u> <u>Officers -</u> <u>Fees</u>	<u>Total</u>	<u>General</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 36,198	\$ 36,198	\$ 0	\$ 36,198
Fines, Forfeitures, and Penalties	46,484	0	46,484	0	46,484
Charges for Current Services	0	104,839	104,839	0	104,839
Other Local Revenues	6,896	0	6,896	0	6,896
State of Tennessee	0	0	0	353,028	353,028
Federal Government	0	0	0	367,045	367,045
Total Revenues	<u>\$ 53,380</u>	<u>\$ 141,037</u>	<u>\$ 194,417</u>	<u>\$ 720,073</u>	<u>\$ 914,490</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 112,810	\$ 112,810	\$ 0	\$ 112,810
Administration of Justice	0	27,029	27,029	0	27,029
Public Safety	34,620	0	34,620	0	34,620
Capital Projects	0	0	0	803,373	803,373
Total Expenditures	<u>\$ 34,620</u>	<u>\$ 139,839</u>	<u>\$ 174,459</u>	<u>\$ 803,373</u>	<u>\$ 977,832</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,760</u>	<u>\$ 1,198</u>	<u>\$ 19,958</u>	<u>\$ (83,300)</u>	<u>\$ (63,342)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 225,899	\$ 225,899
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 225,899</u>	<u>\$ 225,899</u>
Net Change in Fund Balances	\$ 18,760	\$ 1,198	\$ 19,958	\$ 142,599	\$ 162,557
Fund Balance, July 1, 2007	<u>59,521</u>	<u>18,652</u>	<u>78,173</u>	<u>0</u>	<u>78,173</u>
Fund Balance, June 30, 2008	<u>\$ 78,281</u>	<u>\$ 19,850</u>	<u>\$ 98,131</u>	<u>\$ 142,599</u>	<u>\$ 240,730</u>

Exhibit F-3

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 46,484	\$ 23,500	\$ 23,500	\$ 22,984
Charges for Current Services	0	300	300	(300)
Other Local Revenues	6,896	0	0	6,896
Total Revenues	<u>\$ 53,380</u>	<u>\$ 23,800</u>	<u>\$ 23,800</u>	<u>\$ 29,580</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 34,620	\$ 56,000	\$ 56,000	\$ 21,380
Total Expenditures	<u>\$ 34,620</u>	<u>\$ 56,000</u>	<u>\$ 56,000</u>	<u>\$ 21,380</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 18,760</u>	<u>\$ (32,200)</u>	<u>\$ (32,200)</u>	<u>\$ 50,960</u>
Net Change in Fund Balance	\$ 18,760	\$ (32,200)	\$ (32,200)	\$ 50,960
Fund Balance, July 1, 2007	59,521	77,376	77,376	(17,855)
Fund Balance, June 30, 2008	<u>\$ 78,281</u>	<u>\$ 45,176</u>	<u>\$ 45,176</u>	<u>\$ 33,105</u>

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# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,041,993	\$ 1,014,520	\$ 1,014,520	\$ 27,473
Other Governments and Citizens Groups	200,000	0	200,000	0
Total Revenues	<u>\$ 1,241,993</u>	<u>\$ 1,014,520</u>	<u>\$ 1,214,520</u>	<u>\$ 27,473</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 230,533	\$ 0	\$ 230,533	\$ 0
Education	314,467	0	314,467	0
<u>Interest on Debt</u>				
General Government	137,281	0	137,327	46
Education	683,895	0	683,895	0
<u>Other Debt Service</u>				
General Government	16,118	1,336,750	34,246	18,128
Total Expenditures	<u>\$ 1,382,294</u>	<u>\$ 1,336,750</u>	<u>\$ 1,400,468</u>	<u>\$ 18,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (140,301)</u>	<u>\$ (322,230)</u>	<u>\$ (185,948)</u>	<u>\$ 45,647</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (140,301)	\$ (122,230)	\$ (185,948)	\$ 45,647
Fund Balance, July 1, 2007	<u>3,275,438</u>	<u>3,275,938</u>	<u>3,275,938</u>	<u>(500)</u>
Fund Balance, June 30, 2008	<u>\$ 3,135,137</u>	<u>\$ 3,153,708</u>	<u>\$ 3,089,990</u>	<u>\$ 45,147</u>

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# Fiduciary Funds

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

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

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.

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Exhibit H-1

Morgan County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>Cities - Property Tax</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 666,552	\$ 666,552
Accounts Receivable	0	0	1,151	1,151
Due from Other Governments	61,752	0	0	61,752
Property Taxes Receivable	0	42,076	0	42,076
Total Assets	<u>\$ 61,752</u>	<u>\$ 42,076</u>	<u>\$ 667,703</u>	<u>\$ 771,531</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 61,752	\$ 42,076	\$ 0	\$ 103,828
Due to Litigants, Heirs, and Others	0	0	667,703	667,703
Total Liabilities	<u>\$ 61,752</u>	<u>\$ 42,076</u>	<u>\$ 667,703</u>	<u>\$ 771,531</u>

Exhibit H-2

Morgan County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 382,702	\$ 382,702	\$ 0
Due from Other Governments	43,541	61,752	43,541	61,752
Total Assets	\$ 43,541	\$ 444,454	\$ 426,243	\$ 61,752
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 43,541	\$ 444,454	\$ 426,243	\$ 61,752
Total Liabilities	\$ 43,541	\$ 444,454	\$ 426,243	\$ 61,752
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 43,586	\$ 43,586	\$ 0
Property Taxes Receivable	46,399	42,076	46,399	42,076
Total Assets	\$ 46,399	\$ 85,662	\$ 89,985	\$ 42,076
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 46,399	\$ 85,662	\$ 89,985	\$ 42,076
Total Liabilities	\$ 46,399	\$ 85,662	\$ 89,985	\$ 42,076
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 731,148	\$ 3,483,610	\$ 3,548,206	\$ 666,552
Accounts Receivable	640	1,151	640	1,151
Total Assets	\$ 731,788	\$ 3,484,761	\$ 3,548,846	\$ 667,703
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 731,788	\$ 3,484,761	\$ 3,548,846	\$ 667,703
Total Liabilities	\$ 731,788	\$ 3,484,761	\$ 3,548,846	\$ 667,703

(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	\$ 731,148	\$ 3,483,610	\$ 3,548,206	\$ 666,552
Equity in Pooled Cash and Investments	0	426,288	426,288	0
Account Receivable	640	1,151	640	1,151
Due from Other Governments	43,541	61,752	43,541	61,752
Property Taxes Receivable	46,399	42,076	46,399	42,076
Total Assets	<u>\$ 821,728</u>	<u>\$ 4,014,877</u>	<u>\$ 4,065,074</u>	<u>\$ 771,531</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 89,940	\$ 530,116	\$ 516,228	\$ 103,828
Due to Litigants, Heirs, and Others	731,788	3,484,761	3,548,846	667,703
Total Liabilities	<u>\$ 821,728</u>	<u>\$ 4,014,877</u>	<u>\$ 4,065,074</u>	<u>\$ 771,531</u>

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# Morgan County School Department

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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, two Special Revenue Funds, and a Capital Projects Fund.

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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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for transactions relating to energy efficiency and football field lighting projects.

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Exhibit I-1

Morgan County, Tennessee  
Statement of Activities  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues		Charges for Services	Expenses	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Operating Grants and Contributions				
Governmental Activities:					
Instruction	\$ 14,913,858	\$ 2,612,230	\$ 23,233	\$	\$ (12,278,395)
Support Services	8,865,474	64,391	137		(8,800,946)
Operation of Non-Instructional Services	2,630,640	1,463,341	601,122		(566,177)
Other Debt Service	200,000	0	0		(200,000)
Total Governmental Activities	\$ 26,609,972	\$ 4,139,962	\$ 624,492	\$	\$ (21,845,518)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,516,466
Other Local Taxes					93,005
Grants and Contributions Not Restricted to Specific Programs					18,046,043
Unrestricted Investment Income					314,237
Miscellaneous					57,941
Total General Revenues					\$ 21,027,692
Change in Net Assets					\$ (817,826)
Net Assets, July 1, 2007					32,016,658
Net Assets, June 30, 2008					\$ 31,198,832

Morgan County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Morgan County School Department  
June 30, 2008

	Major Funds				Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	
\$	3,068	122	15,091	0	18,281
Equity in Pooled Cash and Investments	1,965,288	246,671	593,394	0	2,805,353
Accounts Receivable	7,279	0	0	0	7,279
Due from Other Governments	627,215	0	171,182	0	798,397
Due from Other Funds	0	0	19,748	0	19,748
Property Taxes Receivable	2,722,205	0	0	0	2,722,205
Allowance for Uncollectible Property Taxes	(164,019)	0	0	0	(164,019)
Restricted Assets:					
Other Restricted Assets	0	0	0	1,701,872	1,701,872
Total Assets	\$ 5,161,036	\$ 246,793	\$ 799,415	\$ 1,701,872	\$ 7,909,116

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Due from Other Governments  
 Due from Other Funds  
 Property Taxes Receivable  
 Allowance for Uncollectible Property Taxes  
 Restricted Assets:  
 Other Restricted Assets

Total Assets

LIABILITIES AND FUND BALANCES

	Liabilities	Accounts Payable	Payroll Deductions Payable	Contracts Payable	Retainage Payable	Due to Other Funds	Due to State of Tennessee	Deferred Revenue - Current Property Taxes	Deferred Revenue - Delinquent Property Taxes	Total Liabilities	Fund Balances	Reserved for Encumbrances	Reserved for Title I Grants to Local Education Agencies	Reserved for Special Education - Grants to States	Other Federal Reserves	Unreserved, Reported In:	General Fund	Special Revenue Funds	Total Fund Balances	Total Liabilities and Fund Balances
\$	10,000	0	33,986	0	0	0	0	0	0	43,986	320,606	12,047	40,633	259,254	0	0	0	0	632,540	632,540
	234,391	4,850	0	1,121,867	320,751	19,748	2,762	2,396,938	150,778	1,121,867	0	77,586	0	0	0	0	0	0	77,586	1,121,867
	0	0	0	0	0	0	0	0	0	320,751	0	499	0	0	0	0	0	0	499	320,751
	0	0	0	0	0	0	0	0	0	19,748	0	151,811	0	0	0	0	0	0	151,811	19,748
	2,762	0	0	0	0	0	0	0	0	2,762	0	0	0	0	0	0	0	0	2,762	2,762
	2,396,938	0	0	0	0	0	0	0	0	2,396,938	0	0	0	0	0	0	0	0	2,396,938	2,396,938
	150,778	0	0	0	0	0	0	0	0	150,778	0	0	0	0	0	0	0	0	150,778	150,778
\$	2,814,617	4,850	33,986	1,442,618	320,751	19,748	2,762	2,396,938	150,778	4,296,071	320,606	12,047	40,633	259,254	0	0	0	0	632,540	4,296,071
	0	0	0	0	0	0	0	0	0	0	0	77,586	0	0	0	0	0	0	77,586	0
	0	0	0	0	0	0	0	0	0	0	0	499	0	0	0	0	0	0	499	0
	0	0	0	0	0	0	0	0	0	0	0	151,811	0	0	0	0	0	0	151,811	0
	2,025,813	0	0	0	0	0	0	0	0	2,025,813	0	0	0	0	0	0	0	0	2,025,813	2,025,813
	0	0	724,796	0	0	0	0	0	0	724,796	0	0	0	0	0	0	0	0	724,796	724,796
\$	2,346,419	241,943	765,429	259,254	320,751	19,748	2,762	2,396,938	150,778	4,296,071	320,606	12,047	40,633	259,254	0	0	0	0	632,540	4,296,071
\$	5,161,036	246,793	799,415	1,701,872	320,751	19,748	2,762	2,396,938	150,778	4,296,071	320,606	12,047	40,633	259,254	0	0	0	0	632,540	4,296,071

Total Liabilities and Fund Balances

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, 2008

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$ 3,613,045
(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: construction in progress	6,884,805	
Add: buildings and improvements net of accumulated depreciation	25,478,185	
Add: other capital assets net of accumulated depreciation	<u>1,131,490</u>	34,598,509
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: leases payable	\$ (7,049,696)	
Less: other postemployment benefits obligation	<u>(113,804)</u>	(7,163,500)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
Add: deferred revenues from delinquent taxes net of allowance		<u>150,778</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 31,198,832</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, 2008

	Major Funds					Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects		
<u>Revenues</u>						
Local Taxes	\$ 2,593,570	\$ 0	\$ 0	\$ 0	\$ 0	2,593,570
Licenses and Permits	635	0	0	0	0	635
Charges for Current Services	22,735	0	601,122	0	0	623,857
Other Local Revenues	242,316	0	35,499	94,363	0	372,178
State of Tennessee	18,570,969	0	19,748	0	0	18,590,717
Federal Government	695,723	1,936,566	1,060,420	0	0	3,692,709
Other Governments and Citizens Groups	2,200	0	0	0	0	2,200
Total Revenues	\$ 22,128,148	\$ 1,936,566	\$ 1,716,789	\$ 94,363	\$ 0	\$ 25,875,866
<u>Expenditures</u>						
Current:						
Instruction	\$ 13,394,210	\$ 1,464,077	\$ 0	\$ 0	\$ 0	14,858,287
Support Services	7,317,363	315,401	0	0	0	7,632,764
Operation of Non-Instructional Services	1,014,513	0	1,534,609	0	0	2,549,122
Debt Service:						
Other Debt Service	200,000	0	0	0	0	200,000
Capital Projects	0	0	0	6,884,805	0	6,884,805
Total Expenditures	\$ 21,926,086	\$ 1,779,478	\$ 1,534,609	\$ 6,884,805	\$ 0	\$ 32,124,978
Excess (Deficiency) of Revenues Over Expenditures	\$ 202,062	\$ 157,088	\$ 182,180	\$ (6,790,442)	\$ 0	\$ (6,249,112)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 7,049,696	\$ 0	7,049,696
Insurance Recovery	58,644	0	0	0	0	58,644
Transfers In	0	0	57,204	0	0	57,204
Transfers Out	(57,204)	0	0	0	0	(57,204)
Total Other Financing Sources (Uses)	\$ 1,440	\$ 0	\$ 57,204	\$ 7,049,696	\$ 0	\$ 7,108,340
Net Change in Fund Balances	\$ 203,502	\$ 157,088	\$ 239,384	\$ 259,254	\$ 0	\$ 859,228
Fund Balance, July 1, 2007	2,142,917	84,855	526,045	0	0	2,753,817
Fund Balance, June 30, 2008	\$ 2,346,419	\$ 241,943	\$ 765,429	\$ 259,254	\$ 0	\$ 3,613,045

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, 2008

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)		\$	859,228
(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	\$	7,213,517	
Less: current year depreciation expense		<u>(1,551,596)</u>	5,661,921
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$	(326,253)	
Add: deferred delinquent property taxes and other deferred June 30, 2008		<u>150,778</u>	(175,475)
(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: capital lease proceeds			(7,049,696)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Change in other postemployment benefits obligation			<u>(113,804)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(817,826)</u>

Exhibit I-6

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,593,570	\$ 0	\$ 0	\$ 2,593,570	\$ 2,565,281	\$ 2,565,281	\$ 28,289
Licenses and Permits	635	0	0	635	750	750	(115)
Charges for Current Services	22,735	0	0	22,735	26,400	26,400	(3,665)
Other Local Revenues	242,316	0	0	242,316	155,000	161,361	80,955
State of Tennessee	18,570,969	0	0	18,570,969	17,779,021	18,936,469	(365,500)
Federal Government	695,723	0	0	695,723	0	241,983	453,740
Other Governments and Citizens Groups	2,200	0	0	2,200	0	0	2,200
Total Revenues	\$ 22,128,148	\$ 0	\$ 0	\$ 22,128,148	\$ 20,526,452	\$ 21,932,244	\$ 195,904

Expenditures

<u>Instruction</u>							
Regular Instruction Program	\$ 10,643,197	(3,255)	150	\$ 10,640,092	\$ 10,249,224	\$ 10,683,755	\$ 43,663
Special Education Program	1,823,202	(22,149)	0	1,801,053	1,587,072	1,801,061	8
Vocational Education Program	927,811	(2,911)	17,184	942,084	882,191	949,984	7,900
Student Body Education Program	0	0	0	0	139,000	0	0
<u>Support Services</u>							
Attendance	126,853	0	0	126,853	112,120	127,193	340
Health Services	242,714	0	0	242,714	223,692	251,506	8,792
Other Student Support	543,741	0	0	543,741	431,998	553,632	9,891
Regular Instruction Program	927,018	(727)	5,486	931,777	862,949	1,031,908	100,131
Special Education Program	135,046	0	0	135,046	150,269	136,715	1,669
Vocational Education Program	77,391	0	0	77,391	83,440	78,642	1,251
Other Programs	64,391	0	0	64,391	0	64,391	0
Board of Education	530,989	0	0	530,989	588,191	531,016	27

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 272,128	\$ (500)	\$ 0	\$ 271,628	\$ 272,292	\$ 283,162	\$ 11,534
Office of the Principal	1,176,396	0	0	1,176,396	1,183,245	1,215,899	39,503
Operation of Plant	1,567,127	(4,800)	1,072	1,563,399	1,599,412	1,630,965	67,566
Maintenance of Plant	680,265	(45,775)	284,573	919,063	772,868	1,062,687	143,624
Transportation	973,304	(2,697)	647	971,254	1,031,285	1,013,528	42,274
<u>Operation of Non-Instructional Services</u>							
Food Service	85,708	(85,708)	0	0	0	0	0
Early Childhood Education	928,805	(22,294)	11,494	918,005	0	1,026,740	108,735
<u>Other Debt Service</u>							
Education	200,000	0	0	200,000	300,000	200,213	213
Total Expenditures	\$ 21,926,086	\$ (190,816)	\$ 320,606	\$ 22,055,876	\$ 20,469,248	\$ 22,642,997	\$ 587,121
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 202,062	\$ 190,816	\$ (320,606)	\$ 72,272	\$ 57,204	\$ (710,753)	\$ 783,025
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 58,644	\$ 0	\$ 0	\$ 58,644	\$ 0	\$ 53,438	\$ 5,206
Transfers Out	(57,204)	0	0	(57,204)	(57,204)	(57,204)	0
Total Other Financing Sources (Uses)	\$ 1,440	\$ 0	\$ 0	\$ 1,440	\$ (57,204)	\$ (3,766)	\$ 5,206
Net Change in Fund Balance	\$ 203,502	\$ 190,816	\$ (320,606)	\$ 73,712	\$ 0	\$ (714,519)	\$ 788,231
Fund Balance, July 1, 2007	2,142,917	(190,816)	0	1,952,101	2,187,933	2,187,933	(235,832)
Fund Balance, June 30, 2008	\$ 2,346,419	\$ 0	\$ (320,606)	\$ 2,025,813	\$ 2,187,933	\$ 1,473,414	\$ 552,399

Exhibit I-7

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Morgan County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,936,566 \$	0 \$	0 \$	1,936,566 \$	1,644,138 \$	1,993,944 \$	(57,378)
Total Revenues	\$ 1,936,566 \$	0 \$	0 \$	1,936,566 \$	1,644,138 \$	1,993,944 \$	(57,378)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 650,453 \$	0 \$	4,998 \$	655,451 \$	562,336 \$	770,183 \$	114,732
Special Education Program	711,600	0	0	711,600	704,939	713,339	1,739
Vocational Education Program	102,024	0	4,500	106,524	49,612	106,839	315
<u>Support Services</u>							
Health Services	30,430	0	0	30,430	0	60,000	29,570
Other Student Support	26,858	(3,772)	2,549	25,635	20,400	34,468	8,833
Regular Instruction Program	246,051	0	0	246,051	298,951	347,586	101,535
Special Education Program	5,412	0	0	5,412	6,500	6,500	1,088
Vocational Education Program	6,650	0	0	6,650	1,400	6,650	0
Total Expenditures	\$ 1,779,478 \$	(3,772) \$	12,047 \$	1,787,753 \$	1,644,138 \$	2,045,565 \$	257,812
Excess (Deficiency) of Revenues Over Expenditures	\$ 157,088 \$	3,772 \$	(12,047) \$	148,813 \$	0 \$	(51,621) \$	200,434
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 157,088 \$	3,772 \$	(12,047) \$	148,813 \$	0 \$	(51,621) \$	200,434
	84,855	(3,772)	0	81,083	364,881	364,881	(283,798)
Fund Balance, June 30, 2008	\$ 241,943 \$	0 \$	(12,047) \$	229,896 \$	364,881 \$	313,260 \$	(83,364)

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  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 601,122	\$ 0	\$ 0	\$ 601,122	\$ 631,000	\$ 631,000	\$ (29,878)
Other Local Revenues	35,499	0	0	35,499	18,950	18,950	16,549
State of Tennessee	19,748	0	0	19,748	25,000	25,000	(5,252)
Federal Government	1,060,420	0	0	1,060,420	944,161	944,161	116,259
Total Revenues	\$ 1,716,789	\$ 0	\$ 0	\$ 1,716,789	\$ 1,619,111	\$ 1,619,111	\$ 97,678
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,461,470	\$ 0	\$ 37,909	\$ 1,499,379	\$ 1,516,461	\$ 1,569,711	\$ 70,332
Community Services	73,139	(2,357)	2,724	73,506	102,650	103,400	29,894
Total Expenditures	\$ 1,534,609	\$ (2,357)	\$ 40,633	\$ 1,572,885	\$ 1,619,111	\$ 1,673,111	\$ 100,226
Excess (Deficiency) of Revenues Over Expenditures	\$ 182,180	\$ 2,357	\$ (40,633)	\$ 143,904	\$ 0	\$ (54,000)	\$ 197,904
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 57,204	\$ 0	\$ 0	\$ 57,204	\$ 0	\$ 0	\$ 57,204
Total Other Financing Sources (Uses)	\$ 57,204	\$ 0	\$ 0	\$ 57,204	\$ 0	\$ 0	\$ 57,204
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 289,384	\$ 2,357	\$ (40,633)	\$ 201,108	\$ 0	\$ (54,000)	\$ 255,108
	526,045	(2,357)	0	523,688	349,118	349,118	174,570
Fund Balance, June 30, 2008	\$ 765,429	\$ 0	\$ (40,633)	\$ 724,796	\$ 349,118	\$ 295,118	\$ 429,678

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Morgan County, Tennessee  
 Schedule of Changes in Long-term Notes, Bonds, Other Loans, and Capital Leases  
 Primary Government and Discretely Presented Morgan County School Department  
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<b>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Vehicles (Police and Ambulance)	\$ 160,000	4.19 %	10-11-06	10-11-08	\$ 160,000	\$ 0	\$ 80,000	\$ 80,000
Ambulance/ Heart Monitors/ Patrol Cars	156,250	3.85	10-5-07	10-5-09	0	156,250	0	156,250
Total Other Loans Payable					\$ 160,000	\$ 156,250	\$ 80,000	\$ 236,250
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
General Obligation	500,000	2.8	4-22-03	6-1-14	\$ 340,000	\$ 0	\$ 45,000	\$ 295,000
<b>OTHER LOANS PAYABLE</b>								
<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	4,160,000	0	420,000	3,740,000
Public Building Authority of Blount County Public Improvement - Series B-13-A	1,750,000	5.6 to 6	10-18-07	6-30-24	0	1,750,000	0	1,750,000
Total Other Loans Payable					\$ 14,160,000	\$ 1,750,000	\$ 420,000	\$ 15,490,000

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>DISCRETELY PRESENTED MORGAN COUNTY</u>								
<u>SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficiency Project	\$ 6,448,282	3.105 %	7-9-07	10-15-22	\$ 0	\$ 6,448,282	0 \$	6,448,282
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	0	601,414	0	601,414
Total Capital Leases Payable					\$ 0	\$ 7,049,696	0 \$	7,049,696

(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 Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Morgan County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 156,641	\$ 9,384	\$ 166,025
2010	79,609	3,065	82,674
Total	\$ 236,250	\$ 12,449	\$ 248,699

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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	\$ 295,000	\$ 29,820	\$ 324,820

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Other Loan Requirements
2009	\$ 450,000	\$ 1,051,923	\$ 66,027	\$ 1,567,950
2010	470,000	1,029,178	63,858	1,563,036
2011	500,000	1,005,423	61,592	1,567,015
2012	530,000	980,152	59,182	1,569,334
2013	560,000	953,365	56,628	1,569,993
2014	600,000	925,061	53,929	1,578,990
2015	755,000	894,735	51,037	1,700,772
2016	810,000	855,955	48,000	1,713,955
2017	860,000	797,393	44,832	1,702,225
2018	900,000	734,956	41,424	1,676,380

(Continued)

Exhibit J-2

Morgan County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Morgan County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2019	\$ 970,000	\$ 669,404	\$ 37,824	\$ 1,677,228
2020	1,020,000	598,481	34,008	1,652,489
2021	1,095,000	523,759	29,952	1,648,711
2022	1,150,000	443,736	25,656	1,619,392
2023	1,205,000	359,533	21,096	1,585,629
2024	1,290,000	271,150	16,272	1,577,422
2025	1,130,000	176,707	11,160	1,317,867
2026	1,195,000	90,824	5,735	1,291,559
Total	\$ 15,490,000	\$ 12,361,735	\$ 728,212	\$ 28,579,947

DISCRETELY PRESENTED MORGAN COUNTY  
SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 278,001	\$ 428,110	\$ 706,111
2010	366,491	339,620	706,111
2011	384,885	321,225	706,110
2012	404,203	301,907	706,110
2013	424,490	281,620	706,110
2014	445,796	260,314	706,110
2015	468,171	237,940	706,111
2016	491,669	214,442	706,111
2017	516,346	189,765	706,111
2018	542,262	163,848	706,110
2019	493,492	136,632	630,124
2020	518,215	111,910	630,125
2021	544,174	85,949	630,123
2022	571,437	58,688	630,125
2023	600,064	30,061	630,125
Total	\$ 7,049,696	\$ 3,162,031	\$ 10,211,727

Exhibit J-3

Morgan County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Operations	\$ 225,899
Total Transfers Primary Government			<u>\$ 225,899</u>
<u>DISCRETELY PRESENTED MORGAN COUNTY</u>			
<u>SCHOOL DEPARTMENT</u>			
General Purpose School	Central Cafeteria	Operations	\$ 57,204
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 57,204</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, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Director of Schools	State Board of Education and County Board of Education	87,782 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	700,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	54,872 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	60,360 (3)	25,000	"
Director of Finance	Board of County Commissioners	47,793 (4)	50,000	"
County Employees Blanket Bond Coverage:				
Employee Dishonesty - County			150,000	Local Government Insurance Pool
Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) - Includes \$1,000 chief executive officer training supplement and \$2,998 in-lieu-of health insurance supplement per service contract negotiation.
- (2) - Does not include special commissioner fees of \$2,587.
- (3) - Does not include a law enforcement training salary supplement of \$600.
- (4) - Includes \$500 longevity supplement.

Exhibit J-5

Morgan County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,288,285	\$ 644,634	\$ 0	\$ 0	\$ 49,095	\$ 181,509	\$ 0	\$ 4,163,523
Trustee's Collections - Prior Year	182,585	40,250	0	0	3,065	11,330	0	237,230
Circuit/Clerk & Master Collections - Prior Years	154,462	31,281	0	36,198	2,283	8,786	0	233,010
Interest and Penalty	35,329	7,127	0	0	544	2,003	0	45,003
Pick-up Taxes	6,162	1,244	0	0	95	350	0	7,851
Payments in-Lieu-of Taxes - Local Utilities	18,471	0	0	0	0	0	0	18,471
Payments in-Lieu-of Taxes - Other	8,522	0	0	0	0	0	0	8,522
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	833,260	0	833,260
Litigation Tax - General	39,768	0	0	0	0	0	0	39,768
Litigation Tax - Special Purpose	46,034	0	0	0	0	0	0	46,034
Litigation Tax - Jail, Workhouse, or Courthouse	19,074	0	0	0	0	0	0	19,074
Mimeral Severance Tax	0	0	0	0	118,675	0	0	118,675
<u>Statutory Local Taxes</u>								
Bank Excise Tax	38,736	0	0	0	0	0	0	38,736
Interstate Telecommunications Tax	0	0	0	0	0	4,755	0	4,755
<u>Total Local Taxes</u>	<u>\$ 3,837,428</u>	<u>\$ 724,536</u>	<u>\$ 0</u>	<u>\$ 36,198</u>	<u>\$ 173,757</u>	<u>\$ 1,041,993</u>	<u>\$ 0</u>	<u>\$ 5,813,912</u>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 641	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 641
Cable TV Franchise	40,867	0	0	0	0	0	0	40,867
<u>Total Licenses and Permits</u>	<u>\$ 41,508</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,508</u>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 4,925	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,925
Officers Costs	3,865	0	0	0	0	0	0	3,865
Drug Control Fines	0	0	8,944	0	0	0	0	8,944
Jail Fees	636	0	0	0	0	0	0	636

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Data Entry Fee - Circuit Court	\$ 685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	685	
<u>General Sessions Court</u>										
Fines	28,288	0	0	0	0	0	0	0	28,288	
Officers Costs	37,768	0	0	0	0	0	0	0	37,768	
Game and Fish Fines	734	0	0	0	0	0	0	0	734	
Drug Control Fines	11,483	0	19,822	0	0	0	0	0	31,305	
Jail Fees	6,061	0	0	0	0	0	0	0	6,061	
DUI Treatment Fines	3,774	0	0	0	0	0	0	0	3,774	
Data Entry Fee - General Sessions Court	4,140	0	0	0	0	0	0	0	4,140	
<u>Juvenile Court</u>										
Fines	1,395	0	0	0	0	0	0	0	1,395	
Officers Costs	2,926	0	0	0	0	0	0	0	2,926	
Data Entry Fee - Juvenile Court	293	0	0	0	0	0	0	0	293	
<u>Chancery Court</u>										
Officers Costs	1,707	0	0	0	0	0	0	0	1,707	
Data Entry Fee - Chancery Court	2,190	0	0	0	0	0	0	0	2,190	
Courtroom Security Fee	5,895	0	0	0	0	0	0	0	5,895	
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	17,718	0	0	0	0	0	17,718	
Total Fines, Forfeitures, and Penalties	\$ 116,765	\$ 0	\$ 46,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	163,249	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Solid Waste Disposal Fees	\$ 0	\$ 278,477	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	278,477	
Patient Charges	807,238	0	0	0	0	0	0	0	807,238	
Other General Service Charges	1,144	0	0	0	114	0	0	0	1,258	
<u>Fees</u>										
Copy Fees	12,261	0	0	0	0	0	0	0	12,261	
Library Fees	9,722	0	0	0	0	0	0	0	9,722	
Telephone Commissions	5,259	0	0	0	0	0	0	0	5,259	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Constitutional Officers' Fees and Commissions	\$ 0	\$ 0	\$ 0	\$ 102,253	\$ 0	\$ 0	\$ 0	\$ 102,253
Special Commissioner Fees/Special Master Fees	0	0	0	2,586	0	0	0	2,586
Data Processing Fee - Register	8,286	0	0	0	0	0	0	8,286
Data Processing Fee - Sheriff	3,388	0	0	0	0	0	0	3,388
Total Charges for Current Services	\$ 847,298	\$ 278,477	\$ 0	\$ 104,839	\$ 114	\$ 0	\$ 0	\$ 1,230,728
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 67,110	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,110
Lease/Rentals	14	0	0	0	0	0	0	14
Commissary Sales	5,604	0	0	0	0	0	0	5,604
Sale of Recycled Materials	0	34,054	0	0	0	0	0	34,054
Miscellaneous Refunds	55,372	4,222	6,896	0	8,318	0	0	74,808
<u>Nonrecurring Items</u>								
Sale of Equipment	7,550	0	0	0	0	0	0	7,550
Sale of Property	4,330	0	0	0	0	0	0	4,330
Damages Recovered from Individuals	600	0	0	0	0	0	0	600
Contributions and Gifts	7,968	0	0	0	0	0	0	7,968
<u>Other Local Revenues</u>								
Other Local Revenues	24,234	0	0	0	0	0	0	24,234
Total Other Local Revenues	\$ 172,782	\$ 38,276	\$ 6,896	\$ 0	\$ 8,318	\$ 0	\$ 0	\$ 226,272
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
Trustee	\$ 130,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130,000
<u>Fees in-Lieu-of Salary</u>								
County Clerk	112,304	0	0	0	0	0	0	112,304
Circuit Court Clerk	32,400	0	0	0	0	0	0	32,400
General Sessions Court Clerk	138,151	0	0	0	0	0	0	138,151
Clerk and Master	95,539	0	0	0	0	0	0	95,539

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Total													
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Capital Projects Fund	Debt Service Fund				Capital Projects Fund												
								General	Debt	Service														
<u>Fees Received from County Officials (Cont.)</u>																								
<u>Fees in-Lieu-of Salary (Cont.)</u>																								
Juvenile Court Clerk	\$ 12,002	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,002	
Register	104,074	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	104,074
Sheriff	6,498	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,498
<b>Total Fees Received from County Officials</b>	<b>\$ 630,968</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 630,968</b>
<u>State of Tennessee</u>																								
<u>General Government Grants</u>																								
Juvenile Services Program	\$ 6,975	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,975
State Reappraisal Grant	9,079	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,079
<u>Public Safety Grants</u>																								
Drug Control Grants	47,977	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47,977
Public Works Grants																								
Bridge Program	0	0	0	0	0	0	0	0	179,992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	179,992
Litter Program	0	32,684	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	32,684
<u>Other State Revenues</u>																								
Income Tax	8,011	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,011
Beer Tax	19,312	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	40,968	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40,968
State Revenue Sharing - T.V.A.	253,726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	253,726
Contracted Prisoner Boarding	156,380	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	156,380
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	0	1,775,506	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,775,506
Petroleum Special Tax	0	0	0	0	0	0	0	0	15,867	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15,867
T.B.I. - Equipment Reimbursement	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Registrar's Salary Supplement	20,475	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20,475
Other State Grants	282,861	15,960	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	651,849
Other State Revenues	31,488	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31,488
<b>Total State of Tennessee</b>	<b>\$ 877,254</b>	<b>\$ 48,644</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,971,365</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,250,291</b>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Federal Government</u>								
<u>Federal Through State</u>								
Appalachian Regional Commission	\$ 0	\$ 0	0	0	0	0	\$ 326,300	\$ 326,300
Disaster Relief	2,906	0	0	0	0	0	0	2,906
Homeland Security Grants	0	0	0	0	0	0	40,745	40,745
Other Federal through State	1,773	0	0	0	0	0	0	1,773
<u>Total Federal Government</u>	\$ 4,679	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 367,045	\$ 371,724
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 350	\$ 0	0	0	0	0	0	\$ 350
Contributions	0	0	0	0	0	200,000	0	200,000
Contracted Services	89,741	0	0	0	0	0	0	89,741
<u>Citizens Groups</u>								
Donations	294	0	0	0	0	0	0	294
<u>Other</u>								
Other	51	0	0	0	0	0	0	51
<u>Total Other Governments and Citizens Groups</u>	\$ 90,436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 290,436
<u>Total</u>	\$ 6,619,118	\$ 1,089,933	\$ 53,380	\$ 141,037	\$ 2,153,554	\$ 1,241,993	\$ 720,073	\$ 12,019,088

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, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,232,287	\$ 0	\$ 0	\$ 0	\$ 2,232,287
Trustee's Collections - Prior Year	132,332	0	0	0	132,332
Circuit/Clerk & Master Collections - Prior Years	105,928	0	0	0	105,928
Interest and Penalty	25,556	0	0	0	25,556
Pick-up Taxes	4,462	0	0	0	4,462
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	93,005	0	0	0	93,005
Total Local Taxes	\$ 2,593,570	\$ 0	\$ 0	\$ 0	\$ 2,593,570
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 635	\$ 0	\$ 0	\$ 0	\$ 635
Total Licenses and Permits	\$ 635	\$ 0	\$ 0	\$ 0	\$ 635
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 20,373	\$ 0	\$ 0	\$ 0	\$ 20,373
Tuition - Other	2,225	0	0	0	2,225
Lunch Payments - Children	0	0	298,483	0	298,483
Lunch Payments - Adults	0	0	44,696	0	44,696
Income from Breakfast	0	0	135,603	0	135,603
A la carte Sales	0	0	119,854	0	119,854
Receipts from Individual Schools	137	0	0	0	137
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	2,486	0	2,486
Total Charges for Current Services	\$ 22,735	\$ 0	\$ 601,122	\$ 0	\$ 623,857
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 184,693	\$ 0	\$ 35,181	\$ 94,363	\$ 314,237
Refund of Telecommunication & Internet Fees (E-Rate)	45,339	0	0	0	45,339
Miscellaneous Refunds	12,284	0	318	0	12,602
Total Other Local Revenues	\$ 242,316	\$ 0	\$ 35,499	\$ 94,363	\$ 372,178
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 64,391	\$ 0	\$ 0	\$ 0	\$ 64,391
<u>State Education Funds</u>					
Basic Education Program	17,030,520	0	0	0	17,030,520
Early Childhood Education	291,418	0	0	0	291,418
School Food Service	0	0	19,748	0	19,748
Driver Education	19,265	0	0	0	19,265
Other State Education Funds	154,522	0	0	0	154,522
Career Ladder Program	186,567	0	0	0	186,567
Career Ladder - Extended Contract	137,519	0	0	0	137,519
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	253,726	0	0	0	253,726
Other State Grants	433,041	0	0	0	433,041
Total State of Tennessee	\$ 18,570,969	\$ 0	\$ 19,748	\$ 0	\$ 18,590,717

(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	Education Capital Projects	Total
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 783,090	\$ 0	\$ 783,090
Breakfast	0	0	256,211	0	256,211
USDA - Other	0	0	21,119	0	21,119
Vocational Education - Basic Grants to States	0	136,110	0	0	136,110
Title I Grants to Local Education Agencies	0	696,357	0	0	696,357
Innovative Education Program Strategies	0	65,440	0	0	65,440
Special Education - Grants to States	0	676,906	0	0	676,906
Special Education Preschool Grants	0	43,740	0	0	43,740
Safe and Drug-Free Schools - State Grants	0	21,233	0	0	21,233
Eisenhower Professional Development State Grants	0	296,780	0	0	296,780
Other Federal through State	695,723	0	0	0	695,723
Total Federal Government	\$ 695,723	\$ 1,936,566	\$ 1,060,420	\$ 0	\$ 3,692,709
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 2,200
Total Other Governments and Citizens Groups	\$ 2,200	\$ 0	\$ 0	\$ 0	\$ 2,200
Total	\$ 22,128,148	\$ 1,936,566	\$ 1,716,789	\$ 94,363	\$ 25,875,866

Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	18,343	
Social Security		1,137	
Employer Medicare		266	
Audit Services		4,461	
Dues and Memberships		14,511	
Legal Services		10,812	
Legal Notices, Recording, and Court Costs		2,078	
Postal Charges		550	
Office Supplies		1,351	
Other Supplies and Materials		588	
Premiums on Corporate Surety Bonds		5,429	
Other Charges		3,668	
Total County Commission			\$ 63,194

County Mayor/Executive

County Official/Administrative Officer	\$	63,377	
Assistant(s)		21,749	
Clerical Personnel		19,809	
Longevity Pay		900	
Social Security		6,404	
State Retirement		6,741	
Medical Insurance		19,403	
Employer Medicare		1,498	
Communication		2,464	
Postal Charges		261	
Travel		2,000	
Office Supplies		420	
Total County Mayor/Executive			145,026

County Attorney

Legal Services	\$	16,125	
Total County Attorney			16,125

Election Commission

County Official/Administrative Officer	\$	49,386	
Clerical Personnel		18,820	
Temporary Personnel		1,023	
Longevity Pay		300	
Election Commission		8,835	
Election Workers		6,000	

(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.)

Social Security	\$	4,223	
State Retirement		4,288	
Medical Insurance		10,653	
Employer Medicare		988	
Advertising		1,289	
Communication		1,500	
Dues and Memberships		120	
Maintenance and Repair Services - Office Equipment		8,039	
Postal Charges		1,440	
Rentals		1,000	
Travel		1,894	
Office Supplies		14,139	
Total Election Commission			\$ 133,937

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Secretary(ies)		19,220	
Part-time Personnel		3,099	
Longevity Pay		400	
Social Security		4,773	
State Retirement		4,745	
Medical Insurance		4,513	
Employer Medicare		1,116	
Communication		1,835	
Postal Charges		530	
Printing, Stationery, and Forms		1,351	
Rentals		1,650	
Office Supplies		795	
Office Equipment		8,579	
Total Register of Deeds			107,478

County Buildings

Custodial Personnel	\$	18,212	
Longevity Pay		300	
Social Security		1,097	
State Retirement		990	
Medical Insurance		8,024	
Employer Medicare		256	
Communication		6,531	
Maintenance and Repair Services - Buildings		58,546	

(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.)

Pest Control	\$	2,940	
Rentals		1,200	
Custodial Supplies		5,994	
Electricity		37,409	
Natural Gas		7,385	
Office Supplies		9,730	
Water and Sewer		7,662	
Other Supplies and Materials		2,415	
Liability Insurance		250,138	
Workers' Compensation Insurance		130,824	
Other Charges		5,410	
Total County Buildings			\$ 555,063

Finance

Accounting and Budgeting

Supervisor/Director	\$	47,293	
Accountants/Bookkeepers		96,125	
Longevity Pay		3,500	
Social Security		8,566	
State Retirement		9,359	
Medical Insurance		33,236	
Employer Medicare		2,003	
Communication		3,245	
Maintenance and Repair Services - Office Equipment		8,815	
Postal Charges		6,231	
Travel		1,106	
Office Supplies		7,396	
Data Processing Equipment		536	
Total Accounting and Budgeting			227,411

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		36,753	
Part-time Personnel		9,596	
Longevity Pay		1,200	
Board and Committee Members Fees		2,025	
Social Security		6,005	
State Retirement		3,146	
Medical Insurance		16,060	
Employer Medicare		1,405	

(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.)

Advertising	\$	123	
Audit Services		2,332	
Communication		1,111	
Data Processing Services		3,959	
Maintenance and Repair Services - Office Equipment		548	
Postal Charges		500	
Travel		1,564	
Office Supplies		1,682	
Total Property Assessor's Office			\$ 142,881

Reappraisal Program

Clerical Personnel	\$	19,610	
Longevity Pay		600	
Social Security		1,028	
State Retirement		1,295	
Medical Insurance		11,547	
Employer Medicare		240	
Data Processing Services		3,000	
Travel		1,032	
Other Supplies and Materials		650	
Total Reappraisal Program			39,002

County Trustee's Office

Social Security	\$	5,501	
State Retirement		5,922	
Medical Insurance		19,571	
Employer Medicare		1,287	
Total County Trustee's Office			32,281

County Clerk's Office

County Official/Administrative Officer	\$	54,872	
Secretary(ies)		41,983	
Part-time Personnel		6,199	
Longevity Pay		500	
Social Security		5,742	
State Retirement		5,910	
Medical Insurance		32,297	
Employer Medicare		1,343	
Communication		2,087	
Postal Charges		2,818	

(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.)

Office Supplies	\$ 3,257	
Total County Clerk's Office		\$ 157,008

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 54,872	
Clerical Personnel	74,299	
Longevity Pay	1,600	
Overtime Pay	2,748	
Social Security	8,091	
State Retirement	8,505	
Medical Insurance	30,478	
Employer Medicare	1,892	
Communication	2,046	
Dues and Memberships	140	
Maintenance and Repair Services - Office Equipment	13,792	
Postal Charges	1,500	
Rentals	2,057	
Travel	597	
Office Supplies	6,144	
Total Circuit Court		208,761

Criminal Court

Jury and Witness Fees	\$ 7,377	
Postal Charges	4,118	
Law Enforcement Equipment	76	
Total Criminal Court		11,571

General Sessions Court

Paraprofessionals	\$ 3,570	
Clerical Personnel	16,626	
Social Security	1,252	
State Retirement	1,204	
Medical Insurance	6,688	
Employer Medicare	293	
Communication	2,564	
Dues and Memberships	215	
Postal Charges	236	
Travel	2,088	
Office Supplies	3,371	
Total General Sessions Court		38,107

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge

Judge(s)	\$	98,802	
Social Security		5,925	
State Retirement		6,031	
Medical Insurance		11,547	
Employer Medicare		1,386	
Total General Sessions Judge			\$ 123,691

Drug Court

Assistant(s)	\$	27,000	
Social Security		1,674	
State Retirement		1,720	
Medical Insurance		11,547	
Unemployment Compensation		84	
Employer Medicare		392	
Communication		2,466	
Maintenance and Repair Services - Equipment		828	
Postal Charges		122	
Printing, Stationery, and Forms		9	
Travel		5,417	
Office Supplies		4,756	
Office Equipment		1,768	
Total Drug Court			57,783

Chancery Court

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		43,136	
Longevity Pay		3,000	
Social Security		5,962	
State Retirement		6,434	
Medical Insurance		23,354	
Employer Medicare		1,394	
Communication		1,752	
Dues and Memberships		60	
Maintenance and Repair Services - Office Equipment		184	
Postal Charges		1,300	
Travel		368	
Office Supplies		4,489	
Total Chancery Court			146,305

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Social Workers	\$	17,238	
Longevity Pay		100	
Social Security		1,062	
State Retirement		1,104	
Employer Medicare		248	
Communication		50	
Travel		722	
Office Supplies		1,757	
Total Juvenile Court			\$ 22,281

Courtroom Security

Supervisor/Director	\$	8,870	
Guards		34,394	
Overtime Pay		210	
Social Security		2,650	
State Retirement		1,351	
Medical Insurance		4,513	
Employer Medicare		620	
Other Charges		8,911	
Law Enforcement Equipment		8,850	
Total Courtroom Security			70,369

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360	
Assistant(s)		19,597	
Deputy(ies)		369,292	
Salary Supplements		6,600	
School Resource Officer		41,173	
Longevity Pay		4,700	
Overtime Pay		50,277	
Other Salaries and Wages		16,420	
Board and Committee Members Fees		1,600	
In-Service Training		7,354	
Social Security		34,091	
State Retirement		33,209	
Medical Insurance		124,166	
Employer Medicare		7,973	
Contracts with Other Public Agencies		1,250	
Dues and Memberships		1,360	

(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.)

Maintenance and Repair Services - Equipment	\$	2,999	
Postal Charges		2,308	
Travel		946	
Other Contracted Services		6,012	
Gasoline		91,421	
Office Supplies		3,795	
Uniforms		3,468	
Vehicle Parts		35,355	
Communication Equipment		557	
Law Enforcement Equipment		6,444	
Motor Vehicles		42,104	
Total Sheriff's Department			\$ 974,831

Jail

Assistant(s)	\$	24,467
Guards		416,405
Clerical Personnel		18,534
Cafeteria Personnel		15,881
Temporary Personnel		5,150
Longevity Pay		5,200
Overtime Pay		14,977
Other Salaries and Wages		20,478
In-Service Training		3,523
Social Security		31,408
State Retirement		30,383
Medical Insurance		109,892
Employer Medicare		7,345
Communication		21,399
Maintenance and Repair Services - Office Equipment		19,585
Medical and Dental Services		69,949
Pest Control		360
Travel		724
Custodial Supplies		23,198
Drugs and Medical Supplies		22,536
Electricity		28,933
Food Supplies		82,246
Natural Gas		6,745
Office Supplies		3,578
Uniforms		4,363
Water and Sewer		20,897

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$ 3,673	
Total Jail		\$ 1,011,829

Juvenile Services

Other Contracted Services	\$ 1,535	
Total Juvenile Services		1,535

Fire Prevention and Control

Medical Insurance	\$ 9,591	
Contracts with Government Agencies	2,000	
Contributions	34,919	
Vehicle and Equipment Insurance	33,124	
Workers' Compensation Insurance	6,751	
Total Fire Prevention and Control		86,385

Civil Defense

Supervisor/Director	\$ 7,400	
Social Security	459	
Employer Medicare	107	
Communication	5,269	
Dues and Memberships	235	
Maintenance and Repair Services - Equipment	420	
Travel	1,554	
Food Supplies	148	
Gasoline	819	
Office Supplies	312	
Other Supplies and Materials	2,328	
Other Charges	1,991	
Total Civil Defense		21,042

Rescue Squad

Contributions	\$ 3,000	
Total Rescue Squad		3,000

Other Emergency Management

Dispatchers/Radio Operators	\$ 138,428	
Part-time Personnel	6,540	
Longevity Pay	1,000	
Overtime Pay	46,702	
Other Salaries and Wages	6,632	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Social Security	\$ 11,843	
State Retirement	11,632	
Medical Insurance	38,513	
Unemployment Compensation	966	
Employer Medicare	2,769	
Total Other Emergency Management		\$ 265,025

County Coroner/Medical Examiner

Supervisor/Director	\$ 1,100	
Social Security	68	
Employer Medicare	16	
Medical and Dental Services	2,600	
Total County Coroner/Medical Examiner		3,784

Other Public Safety

Road Signs	\$ 915	
Total Other Public Safety		915

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,158	
Social Security	283	
State Retirement	25	
Employer Medicare	66	
Communication	3,278	
Contributions	19,979	
Maintenance and Repair Services - Buildings	588	
Maintenance and Repair Services - Equipment	280	
Postal Charges	1,790	
Custodial Supplies	773	
Drugs and Medical Supplies	818	
Electricity	5,018	
Natural Gas	2,246	
Office Supplies	989	
Water and Sewer	838	
Other Charges	521	
Office Equipment	1,817	
Total Local Health Center		43,467

(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

Supervisor/Director	\$	40,349	
Medical Personnel		310,918	
Temporary Personnel		10,153	
Longevity Pay		9,900	
Overtime Pay		271,078	
Other Salaries and Wages		14,428	
In-Service Training		2,680	
Social Security		39,271	
State Retirement		41,006	
Medical Insurance		108,299	
Employer Medicare		9,184	
Communication		5,442	
Dues and Memberships		100	
Licenses		950	
Maintenance and Repair Services - Equipment		6,013	
Maintenance and Repair Services - Vehicles		26,233	
Postal Charges		81	
Travel		1,741	
Other Contracted Services		6,000	
Custodial Supplies		2,056	
Drugs and Medical Supplies		43,806	
Electricity		4,958	
Gasoline		38,826	
Natural Gas		2,554	
Office Supplies		2,146	
Uniforms		4,983	
Water and Sewer		1,010	
Other Charges		5,886	
Attendance Equipment		38,926	
Communication Equipment		3,520	
Data Processing Equipment		245	
Motor Vehicles		79,419	
Total Ambulance/Emergency Medical Services			\$ 1,132,161

Crippled Children Services

Contributions	\$	250	
Other Charges		5,000	
Total Crippled Children Services			5,250

(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 Health Services

Medical Personnel	\$	72,089	
Clerical Personnel		20,416	
Longevity Pay		600	
Social Security		5,748	
State Retirement		4,640	
Medical Insurance		8,275	
Employer Medicare		1,344	
Travel		1,765	
Total Other Local Health Services			\$ 114,877

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$	3,600	
Total Senior Citizens Assistance			3,600

Libraries

Librarians	\$	38,507	
Social Security		2,387	
Employer Medicare		558	
Communication		6,671	
Postal Charges		400	
Rentals		1,091	
Travel		200	
Instructional Supplies and Materials		384	
Office Supplies		460	
Periodicals		3,243	
Other Charges		11,483	
Data Processing Equipment		1,449	
Total Libraries			66,833

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$	1,670	
Other Supplies and Materials		1,461	
Total Parks and Fair Boards			3,131

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,638	
Maintenance and Repair Services - Office Equipment		624	
Travel		606	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Contracted Services	\$	48,450	
Office Supplies		2,189	
Other Supplies and Materials		1,781	
Office Equipment		166	
Total Agriculture Extension Service	\$		55,454

Soil Conservation

Contributions	\$	5,750	
Total Soil Conservation			5,750

Other Operations

Tourism

Building Improvements	\$	1,000	
Total Tourism			1,000

Industrial Development

Board and Committee Members Fees	\$	3,600	
Communication		619	
Contributions		1,791,182	
Underwriter's Discount		21,875	
Other Debt Issuance Charges		34,538	
Site Development		2,306	
Total Industrial Development			1,854,120

Other Economic and Community Development

Supervisor/Director	\$	21,362	
Part-time Personnel		618	
Social Security		1,363	
State Retirement		1,361	
Unemployment Compensation		168	
Employer Medicare		319	
Contributions		3,828	
Utilities		1,632	
Other Charges		4,346	
Total Other Economic and Community Development			34,997

Veterans' Services

Contributions	\$	633	
Total Veterans' Services			633

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Unemployment Compensation	\$	12,081	
Trustee's Commission		88,704	
Other Charges		65,500	
Other Debt Issuance Charges		250	
Total Miscellaneous			\$ 166,535

Total General Fund \$ 8,154,428

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	41,753	
Longevity Pay		1,500	
Social Security		2,682	
State Retirement		2,755	
Medical Insurance		4,513	
Employer Medicare		627	
Liability Insurance		10,912	
Workers' Compensation Insurance		42,876	
Total Sanitation Management			\$ 107,618

Sanitation Education/Information

Supervisor/Director	\$	9,555	
Attendants		7,284	
Social Security		1,044	
Employer Medicare		244	
Advertising		3,360	
Maintenance and Repair Services - Buildings		185	
Other Contracted Services		1,520	
Gasoline		2,234	
Instructional Supplies and Materials		2,471	
Vehicle Parts		576	
Other Supplies and Materials		678	
Total Sanitation Education/Information			29,151

Waste Pickup

Truck Drivers	\$	46,844	
Part-time Personnel		1,715	
Longevity Pay		800	
Overtime Pay		4,691	

(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.)

Social Security	\$	3,267	
State Retirement		3,337	
Medical Insurance		13,042	
Employer Medicare		784	
Licenses		93	
Other Contracted Services		355,579	
Equipment and Machinery Parts		2,630	
Gasoline		36,674	
Lubricants		2,478	
Tires and Tubes		4,533	
Solid Waste Equipment		142,299	
Total Waste Pickup			\$ 618,766

Convenience Centers

Attendants	\$	148,085	
Longevity Pay		3,900	
Overtime Pay		1,051	
Other Salaries and Wages		4,279	
Social Security		9,040	
State Retirement		7,402	
Medical Insurance		33,459	
Employer Medicare		2,114	
Rentals		3,600	
General Construction Materials		12,659	
Gravel and Chert		1,344	
Other Supplies and Materials		271	
Total Convenience Centers			227,204

Recycling Center

Supervisor/Director	\$	14,448	
Attendants		13,840	
Part-time Personnel		4,394	
Longevity Pay		1,900	
Other Salaries and Wages		281	
Social Security		2,161	
State Retirement		1,612	
Medical Insurance		12,745	
Employer Medicare		506	
Communication		2,024	
Electricity		1,880	

(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.)

Gasoline	\$	3,896	
Uniforms		1,021	
Vehicle Parts		1,807	
Water and Sewer		255	
Other Supplies and Materials		2,800	
Total Recycling Center			\$ 65,570

Landfill Operation and Maintenance

Attendants	\$	14,398	
Longevity Pay		200	
Social Security		896	
State Retirement		930	
Medical Insurance		6,351	
Employer Medicare		210	
Communication		4,897	
Engineering Services		690	
Maintenance and Repair Services - Equipment		7,926	
Rentals		3,443	
Electricity		11,549	
Equipment and Machinery Parts		7,657	
Gasoline		9,380	
General Construction Materials		2,285	
Lubricants		1,454	
Natural Gas		514	
Office Supplies		469	
Water and Sewer		2,771	
Total Landfill Operation and Maintenance			76,020

Other Operations

Other Charges

Trustee's Commission	\$	16,973	
Total Other Charges			16,973

Miscellaneous

Unemployment Compensation	\$	656	
Total Miscellaneous			656

Total Solid Waste/Sanitation Fund \$ 1,141,958

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Rentals		4,200	
Other Contracted Services		1,887	
Instructional Supplies and Materials		608	
Other Supplies and Materials		5,981	
Trustee's Commission		808	
Law Enforcement Equipment		3,418	
Motor Vehicles		14,718	
Total Drug Enforcement			\$ 34,620

Total Drug Control Fund \$ 34,620

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		38,093	
Constitutional Officers' Operating Expenses		16,761	
Total County Trustee's Office			\$ 109,726

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	3,084	
Total County Clerk's Office			3,084

Administration of Justice

Chancery Court

Deputy(ies)	\$	18,613	
Special Commissioner Fees/Special Master Fees		2,586	
Constitutional Officers' Operating Expenses		5,830	
Total Chancery Court			27,029

Total Constitutional Officers - Fees Fund 139,839

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Secretary(ies)		23,982	
Longevity Pay		1,875	
Social Security		5,345	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

State Retirement	\$	5,495	
Employee and Dependent Insurance		8,026	
Employer Medicare		1,250	
Dues and Memberships		2,720	
Legal Services		1,192	
Legal Notices, Recording, and Court Costs		120	
Other Charges		32	
Total Administration			\$ 110,397

Highway and Bridge Maintenance

Foremen	\$	63,524	
Equipment Operators		44,075	
Truck Drivers		75,448	
Laborers		40,871	
Longevity Pay		11,875	
Social Security		13,999	
State Retirement		14,208	
Employee and Dependent Insurance		49,813	
Employer Medicare		3,296	
Other Contracted Services		126,709	
Asphalt - Hot Mix		129,761	
Asphalt - Liquid		94,617	
Crushed Stone		50,525	
Pipe - Metal		8,196	
Road Signs		1,751	
Total Highway and Bridge Maintenance			728,668

Operation and Maintenance of Equipment

Mechanic(s)	\$	29,690	
Laborers		26,706	
Longevity Pay		3,750	
Social Security		3,504	
State Retirement		3,838	
Employee and Dependent Insurance		16,064	
Employer Medicare		820	
Other Contracted Services		3,708	
Diesel Fuel		64,296	
Equipment and Machinery Parts		39,537	
Garage Supplies		9,355	
Gasoline		22,485	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Lubricants	\$	2,348	
Tires and Tubes		9,205	
Uniforms		6,125	
Total Operation and Maintenance of Equipment			\$ 241,431

Other Charges

Communication	\$	2,894	
Electricity		2,655	
Natural Gas		2,131	
Water and Sewer		475	
Liability Insurance		40,282	
Trustee's Commission		20,106	
Other Charges		778	
Total Other Charges			69,321

Employee Benefits

Unemployment Compensation	\$	540	
Workers' Compensation Insurance		35,031	
Total Employee Benefits			35,571

Capital Outlay

Bridge Construction	\$	11,938	
Communication Equipment		77	
Highway Equipment		58,323	
Right-of-Way		4,639	
Total Capital Outlay			74,977

Total Highway/Public Works Fund \$ 1,260,365

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	45,000	
Principal on Notes		80,000	
Principal on Other Loans		105,533	
Total General Government			\$ 230,533

Education

Principal on Other Loans	\$	314,467	
Total Education			314,467

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 9,520	
Interest on Notes	6,704	
Interest on Other Loans	<u>121,057</u>	
Total General Government		\$ 137,281

Education

Interest on Other Loans	\$ <u>683,895</u>	
Total Education		683,895

Other Debt Service

General Government

Fiscal Agent Charges	\$ 3,715	
Trustee's Commission	<u>12,403</u>	
Total General Government		<u>16,118</u>

Total General Debt Service Fund \$ 1,382,294

General Capital Projects Fund

Capital Projects

Public Safety Projects

Other Charges	\$ <u>40,745</u>	
Total Public Safety Projects		\$ 40,745

Social, Cultural, and Recreation Projects

Other Construction	\$ <u>13,986</u>	
Total Social, Cultural, and Recreation Projects		13,986

Other General Government Projects

Other Equipment	\$ 59,732	
Other Construction	<u>688,910</u>	
Total Other General Government Projects		<u>748,642</u>

Total General Capital Projects Fund 803,373

Total Governmental Funds - Primary Government \$ 12,916,877

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, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,632,668	
Career Ladder Program	134,300	
Career Ladder Extended Contracts	102,000	
Educational Assistants	165,715	
Certified Substitute Teachers	104,493	
Non-certified Substitute Teachers	80,895	
Social Security	501,542	
State Retirement	497,143	
Life Insurance	6,538	
Medical Insurance	889,539	
Dental Insurance	43,257	
Unemployment Compensation	13,257	
Employer Medicare	117,296	
Instructional Supplies and Materials	98,186	
Textbooks	200,667	
Other Supplies and Materials	6,175	
Fee Waivers	29,970	
Other Charges	<u>19,556</u>	
Total Regular Instruction Program		\$ 10,643,197

Special Education Program

Teachers	\$ 1,051,871	
Career Ladder Program	9,000	
Career Ladder Extended Contracts	4,000	
Educational Assistants	91,033	
Speech Pathologist	42,939	
Other Salaries and Wages	16,491	
Social Security	74,066	
State Retirement	75,835	
Life Insurance	996	
Medical Insurance	141,025	
Dental Insurance	5,022	
Unemployment Compensation	6,826	
Employer Medicare	17,322	
Contracts with Private Agencies	234,885	
Other Contracted Services	7,696	
Instructional Supplies and Materials	40,660	
Other Charges	472	
Special Education Equipment	<u>3,063</u>	
Total Special Education Program		1,823,202

(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	\$	656,829	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		600	
Secretary(ies)		13,174	
Educational Assistants		10,902	
Other Salaries and Wages		427	
Social Security		41,281	
State Retirement		43,064	
Life Insurance		479	
Medical Insurance		90,911	
Dental Insurance		2,859	
Unemployment Compensation		924	
Employer Medicare		9,655	
Instructional Supplies and Materials		36,599	
Vocational Instruction Equipment		10,107	
Total Vocational Education Program			\$ 927,811

Support Services

Attendance

Supervisor/Director	\$	63,177	
Career Ladder Program		1,000	
Social Security		3,917	
State Retirement		3,940	
Life Insurance		33	
Medical Insurance		5,236	
Dental Insurance		212	
Employer Medicare		916	
Travel		1,046	
Other Contracted Services		47,376	
Total Attendance			126,853

Health Services

Medical Personnel	\$	38,213	
Other Salaries and Wages		134,312	
Social Security		10,621	
State Retirement		10,727	
Life Insurance		217	
Medical Insurance		30,735	
Dental Insurance		1,239	

(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.)

Employer Medicare	\$	2,484	
Travel		2,456	
Drugs and Medical Supplies		11,092	
Other Charges		618	
Total Health Services			\$ 242,714

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		378,860	
Social Security		23,398	
State Retirement		23,953	
Life Insurance		258	
Medical Insurance		34,797	
Dental Insurance		1,331	
Employer Medicare		5,472	
Evaluation and Testing		7,206	
In Service/Staff Development		2,800	
Other Charges		60,666	
Total Other Student Support			543,741

Regular Instruction Program

Supervisor/Director	\$	61,939	
Career Ladder Program		8,875	
Librarians		255,394	
Instructional Computer Personnel		23,106	
Secretary(ies)		25,466	
Educational Assistants		24,744	
Other Salaries and Wages		104,569	
Social Security		30,033	
State Retirement		30,944	
Life Insurance		353	
Medical Insurance		49,072	
Dental Insurance		1,373	
Unemployment Compensation		2	
Employer Medicare		7,024	
Maintenance and Repair Services - Equipment		1,201	
Travel		12,184	
Other Contracted Services		55,032	
Library Books/Media		16,299	

(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.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$	225	
Other Charges		27,947	
Other Equipment		191,236	
Total Regular Instruction Program			\$ 927,018

Special Education Program

Supervisor/Director	\$	56,711	
Psychological Personnel		37,772	
Secretary(ies)		558	
Clerical Personnel		8,708	
Social Security		6,412	
State Retirement		6,483	
Life Insurance		60	
Dental Insurance		178	
Employer Medicare		1,500	
Travel		11,332	
In Service/Staff Development		5,332	
Total Special Education Program			135,046

Vocational Education Program

Supervisor/Director	\$	60,275	
Social Security		3,239	
State Retirement		3,749	
Life Insurance		32	
Medical Insurance		7,273	
Dental Insurance		161	
Employer Medicare		758	
Travel		1,904	
Total Vocational Education Program			77,391

Other Programs

On-Behalf Payments to OPEB	\$	64,391	
Total Other Programs			64,391

Board of Education

Board and Committee Members Fees	\$	12,500	
Social Security		775	
Employer Medicare		181	
Audit Services		11,450	

(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.)

Communication	\$	26	
Dues and Memberships		10,646	
Legal Services		12,690	
Postal Charges		11	
Travel		8,655	
Liability Insurance		201,927	
Trustee's Commission		97,055	
Workers' Compensation Insurance		170,932	
Other Charges		4,141	
Total Board of Education			\$ 530,989

Director of Schools

County Official/Administrative Officer	\$	83,784	
Assistant(s)		71,450	
Career Ladder Program		1,000	
Secretary(ies)		23,083	
Social Security		10,967	
State Retirement		11,212	
Life Insurance		82	
Medical Insurance		4,729	
Dental Insurance		157	
Employer Medicare		2,565	
Communication		18,398	
Dues and Memberships		264	
Travel		11,266	
Other Contracted Services		8,616	
Office Supplies		4,379	
In Service/Staff Development		2,941	
Other Charges		5,945	
Administration Equipment		11,290	
Total Director of Schools			272,128

Office of the Principal

Principals	\$	501,687	
Teachers		104	
Career Ladder Program		13,125	
Career Ladder Extended Contracts		14,000	
Assistant Principals		219,280	
Secretary(ies)		94,848	

(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.)

Clerical Personnel	\$ 58,252	
Social Security	54,471	
State Retirement	56,314	
Life Insurance	597	
Medical Insurance	63,847	
Dental Insurance	2,129	
Employer Medicare	12,739	
Communication	21,608	
Travel	13,139	
Other Contracted Services	50,256	
Total Office of the Principal		\$ 1,176,396

Operation of Plant

Custodial Personnel	\$ 481,420	
Other Salaries and Wages	34,778	
Social Security	31,696	
State Retirement	29,935	
Life Insurance	541	
Employer Medicare	7,413	
Maintenance and Repair Services - Equipment	25,000	
Other Contracted Services	86,378	
Electricity	696,721	
Natural Gas	98,268	
Water and Sewer	66,742	
Other Charges	8,117	
Administration Equipment	118	
Total Operation of Plant		1,567,127

Maintenance of Plant

Supervisor/Director	\$ 43,663	
Custodial Personnel	1,868	
Maintenance Personnel	121,597	
Social Security	10,324	
State Retirement	10,527	
Life Insurance	140	
Employer Medicare	2,414	
Communication	89	
Maintenance and Repair Services - Buildings	219,948	
Travel	52	

(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.)

Maintenance of Plant (Cont.)

Other Contracted Services	\$ 43,328	
Other Supplies and Materials	80,177	
Other Charges	55,598	
Administration Equipment	42,765	
Maintenance Equipment	25,083	
Motor Vehicles	22,692	
Total Maintenance of Plant		\$ 680,265

Transportation

Supervisor/Director	\$ 33,824	
Mechanic(s)	56,507	
Bus Drivers	467,901	
Social Security	35,632	
State Retirement	35,089	
Life Insurance	450	
Medical Insurance	18	
Dental Insurance	1	
Unemployment Compensation	4	
Employer Medicare	8,333	
Communication	2,441	
Travel	3,159	
Other Contracted Services	10,928	
Diesel Fuel	140,975	
Equipment and Machinery Parts	1,544	
Gasoline	66,005	
Lubricants	2,829	
Tires and Tubes	19,438	
Vehicle Parts	77,451	
Other Charges	8,998	
Other Equipment	1,777	
Total Transportation		973,304

Operation of Non-Instructional Services

Food Service

Other Equipment	\$ 85,708	
Total Food Service		85,708

Early Childhood Education

Teachers	\$ 317,650	
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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.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Educational Assistants	\$	121,837	
Non-certified Substitute Teachers		5,174	
Social Security		26,121	
State Retirement		25,728	
Life Insurance		413	
Medical Insurance		36,395	
Dental Insurance		1,077	
Employer Medicare		6,109	
Travel		20,164	
Instructional Supplies and Materials		144,871	
Other Supplies and Materials		66,881	
Other Charges		134,582	
Other Equipment		21,803	
Total Early Childhood Education			\$ 928,805

Other Debt Service

Education

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

Total General Purpose School Fund \$ 21,926,086

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	329,169	
Educational Assistants		29,367	
Other Salaries and Wages		9,209	
Certified Substitute Teachers		7,311	
Non-certified Substitute Teachers		150	
Social Security		22,954	
State Retirement		22,979	
Life Insurance		285	
Medical Insurance		38,466	
Dental Insurance		1,646	
Unemployment Compensation		817	
Employer Medicare		5,368	
Instructional Supplies and Materials		95,801	
Other Charges		20,256	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Regular Instruction Equipment	\$ 66,675	
Total Regular Instruction Program		\$ 650,453

Special Education Program

Educational Assistants	\$ 281,962	
Other Salaries and Wages	96,768	
Certified Substitute Teachers	778	
Non-certified Substitute Teachers	43	
Social Security	21,403	
State Retirement	23,357	
Life Insurance	511	
Unemployment Compensation	2,269	
Employer Medicare	5,463	
Other Contracted Services	258,905	
Instructional Supplies and Materials	17,349	
Other Supplies and Materials	2,792	
Total Special Education Program		711,600

Vocational Education Program

Educational Assistants	\$ 10,547	
Other Salaries and Wages	517	
Social Security	686	
State Retirement	702	
Unemployment Compensation	56	
Employer Medicare	160	
Instructional Supplies and Materials	9,817	
Other Supplies and Materials	52,500	
Vocational Instruction Equipment	27,039	
Total Vocational Education Program		102,024

Support Services

Health Services

Social Workers	\$ 24,062	
Social Security	1,472	
State Retirement	1,501	
Life Insurance	15	
Medical Insurance	2,279	
Dental Insurance	86	
Unemployment Compensation	56	

(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.)

Health Services (Cont.)

Employer Medicare	\$	344	
Travel		615	
Total Health Services			\$ 30,430

Other Student Support

Travel	\$	7,798	
In Service/Staff Development		170	
Other Charges		18,890	
Total Other Student Support			26,858

Regular Instruction Program

Supervisor/Director	\$	63,177	
Secretary(ies)		19,990	
Social Security		5,142	
State Retirement		5,213	
Life Insurance		51	
Medical Insurance		5,386	
Dental Insurance		212	
Unemployment Compensation		112	
Employer Medicare		1,203	
Travel		100,696	
Library Books/Media		5,801	
Other Supplies and Materials		4,491	
In Service/Staff Development		1,050	
Other Charges		33,527	
Total Regular Instruction Program			246,051

Special Education Program

Travel	\$	5,412	
Total Special Education Program			5,412

Vocational Education Program

Travel	\$	1,400	
In Service/Staff Development		5,250	
Total Vocational Education Program			6,650

Total School Federal Projects Fund \$ 1,779,478

(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

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 44,961	
Clerical Personnel	18,467	
Cafeteria Personnel	429,126	
Social Security	28,108	
State Retirement	27,988	
Life Insurance	647	
Medical Insurance	5,370	
Dental Insurance	425	
Unemployment Compensation	836	
Employer Medicare	6,993	
Maintenance and Repair Services - Equipment	250	
Travel	3,087	
Other Contracted Services	4,064	
Food Preparation Supplies	68,224	
Food Supplies	786,036	
Office Supplies	1,003	
Uniforms	398	
Other Supplies and Materials	675	
Trustee's Commission	376	
In Service/Staff Development	2,127	
Other Charges	484	
Food Service Equipment	31,825	
Total Food Service		\$ 1,461,470

Community Services

Part-time Personnel	\$ 27,135	
Social Security	1,679	
State Retirement	1,580	
Life Insurance	5	
Employer Medicare	393	
Travel	1,244	
Food Supplies	40,743	
Other Supplies and Materials	360	
Total Community Services		\$ 73,139

Total Central Cafeteria Fund \$ 1,534,609

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$ 6,415,026	
Other Construction	469,779	
Total Education Capital Projects		\$ 6,884,805

Total Education Capital Projects Fund \$ 6,884,805

Total Governmental Funds - Morgan County School Department \$ 32,124,978

Exhibit J-9

Morgan County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 43,117	\$ 43,117
Interest and Penalty	0	469	469
Local Option Sales Tax	382,702	0	382,702
Total Cash Receipts	<u>\$ 382,702</u>	<u>\$ 43,586</u>	<u>\$ 426,288</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 378,875	\$ 42,714	\$ 421,589
Trustee's Commission	3,827	872	4,699
Total Cash Disbursements	<u>\$ 382,702</u>	<u>\$ 43,586</u>	<u>\$ 426,288</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2007	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, June 30, 2008	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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## **SINGLE AUDIT SECTION**

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

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

June 30, 2009

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, 2008, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated June 30, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Morgan County Emergency Communications District as described in our report on Morgan County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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: 08.01(A), 08.08, and 08.09.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by 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 material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

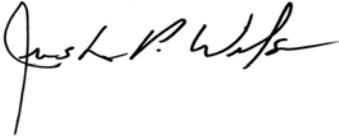
#### Compliance and Other Matters

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 are described in the accompanying Schedule of Findings and Questioned Costs as items 08.01(B), 08.02, 08.03, 08.04, 08.05, 08.06, and 08.07.

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

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 black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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

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

June 30, 2009

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, 2008. 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, 2008.

#### 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.

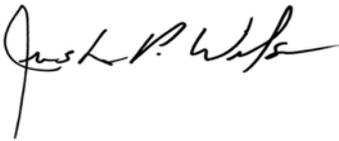
#### Schedule of Expenditures of Federal Awards

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, 2008, and have issued our report thereon dated June 30, 2009. 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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Morgan County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 91,755 (4)
Total Passed-through State Department of Agriculture			<u>\$ 91,755</u>
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 256,211
National School Lunch Program	10.555	N/A	783,090 (4)
Summer Food Service Program for Children	10.559	N/A	21,119
Total Passed-through State Department of Education			<u>\$ 1,060,420</u>
Total U.S. Department of Agriculture			<u>\$ 1,152,175</u>
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Regional Development	23.001	N/A	\$ 326,300
Total Appalachian Regional Commission			<u>\$ 326,300</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 636,937
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	679,354
Special Education - Preschool Grants	84.173	N/A	41,430
Vocational Education - Basic Grants to States	84.048	N/A	116,642
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	13,862
Twenty-First Century Community Learning Centers	84.287	(2)	504,345
State Grants for Innovative Programs	84.298	N/A	5,803
Education Technology State Grants	84.318	N/A	7,765
Rural Education	84.358	(2)	77,090
Improving Teacher Quality State Grants	84.367	N/A	200,595
Total U.S. Department of Education			<u>\$ 2,283,823</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 1,773
Total U.S. Election Assistance Commission			<u>\$ 1,773</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(3)	\$ 40,745
Emergency Management Performance Grants	97.042	Z-07-20647-00	2,906
Total U.S. Department of Homeland Security			<u>\$ 43,651</u>
Total Expenditures of Federal Awards			<u>\$ 3,807,722</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,079
Drug Court Treatment Resources Fund Grant - State Office of Criminal Justice Programs	N/A	(2)	47,977
Local Health Services Grant - State Department of Health	N/A	(2)	141,572
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	117,500
Tobacco Cessation - State Department of Health	N/A	(2)	15,789
Courtroom Security Grants - Administrative Office of the Courts	N/A	(2)	7,717
Courtroom Audio Grants - Administrative Office of the Courts	N/A	(2)	8,000
Farmer's Market Grant - State Department of Agriculture	N/A	(2)	855
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	6,975
Law Enforcement Training - State Department of Safety	N/A	(2)	6,600
Litter Program - State Department of Transportation	N/A	(2)	32,684
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	353,028
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	9,217
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	6,743
Driver's Education - State Department of Education	N/A	(2)	19,265
Early Childhood Education - Lottery and Expansion - State Department of Education	N/A	(2)	610,526
Family Resource Center Grant - State Department of Education	N/A	(2)	<u>33,300</u>
Total State Grants			<u>\$ 1,426,827</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

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

(2) - Information not available.

(3) - \$25,652: Z-05-025194-01; \$10,753: GG-07-20789-01; \$4,340: GG-08-24140-00.

(4) - Total for CFDA No. 10.555 is \$874,845.

Morgan County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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, 2007, which have not been corrected.

**OFFICE OF DIRECTOR OF FINANCE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.01 (B)	158	The office had budget deficiencies
07.02	159	The county did not follow the purchasing provisions of the County Financial Management System of 1981
07.03	159	A lease-purchase agreement was not in compliance with state statutes

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.04 (B)	160	The office did not deposit funds within three days of collection

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.05	161	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

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**MORGAN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the financial statements of Morgan County is unqualified.
2. The audit of the financial statements of Morgan County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed two 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 Appalachian Regional Development Program (CFDA No. 23.001); and the Twenty-first Century Learning Centers Program (CFDA No. 84.287) 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 08.01      THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS  
(A. – Internal Control – Significant Deficiency Under Government Auditing Standards); B. – Noncompliance Under Government Auditing Standards)**

Our examination revealed the following deficiencies in budget operations:

- A. Budget amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$82,123. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was a result of several budget amendments not identifying revenue sources to fund the increase in appropriations.
  
- 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:	
Courtroom Security	\$ 1,790
Civil Defense	246
Ambulance/Emergency Medical Services	17,857
Libraries	10,712
Parks and Fair Boards	71
Industrial Development	1,585
Solid Waste/Sanitation:	
Sanitation Education/Information	414

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.” This deficiency exists because

management failed to stay within the spending limits authorized by the County Commission and failed to correct the finding noted in the prior-year audit report. This deficiency resulted in unauthorized expenditures.

### RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations. County officials should ensure that expenditures are held within appropriations approved by the County Commission.

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### OFFICES OF DIRECTOR OF FINANCE AND DIRECTOR OF SCHOOLS

FINDING 08.02      **THE COUNTY AND SCHOOL DEPARTMENT DID NOT FOLLOW THE PURCHASING PROVISIONS OF THE COUNTY FINANCIAL MANAGEMENT SYSTEM OF 1981**  
(Material Noncompliance Under Government Auditing Standards)

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 several bids for the School Department as required by the County Financial Management System of 1981. Instead, the director of schools solicited and received bids, and awarded the contract. In addition, the director of finance was not always notified of the bid awards, which resulted in purchase orders not being issued in a timely manner and funds not being encumbered. 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 purchases orders and contracts. This deficiency exists, in part, because of the failure of management to correct the deficiency noted in the prior-year audit report.

### 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.

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FINDING 08.03      **A LEASE-PURCHASE AGREEMENT WAS NOT IN COMPLIANCE WITH STATE STATUTES**  
(Material Noncompliance Under Government Auditing Standards)

On March 4, 2008, the School Department, in-lieu-of the Finance Department, entered into a ten-year lease-purchase agreement (\$601,414) for football field lighting improvements at various schools. Our audit revealed the following violations of state statutes regarding the issuance and administration of this lease:

- A.     The county did not file a Report on Debt Obligation with the state director of Local Finance for this capital lease. Section 9-21-151, Tennessee Code Annotated (TCA), requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.
  
- B.     The lease-purchase agreement required the financial institution that provided the financing to deposit the funds for the project in an escrow account and for the funds to be invested in accordance with directions from the School Department. Funds were to be released to the vendors as work was completed and approved by the School Department. However, while held in escrow, the proceeds of the financing agreement were invested in mutual funds.

The investment in mutual funds is not an investment type permitted by Section 5-8-301, TCA. This statute provides that county funds be invested in: (a) bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; (b) certificates of deposit and other evidence of deposits at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations; (c) certain repurchase agreements; (d) the state investment pool; (e) certain bonds issued by states and political subdivisions; (f) nonconvertible debt securities of certain federal government sponsored enterprises; and (g) the county's own debt issued in accordance with Title 9, Chapter 21, TCA. As of June 30, 2008, the total lease-purchase proceeds (\$601,414) were invested in these mutual funds. Subsequent to year-end, this investment was liquidated as the installation of the lights was completed.

RECOMMENDATION

The finance director or a deputy appointed by the finance director should handle the acquisition and administration of lease-purchase agreements. A Report on Debt Obligation should be filed with the state director of Local Finance within 45 days following the issuance of debt. County officials should ensure county funds are invested in accordance with state statute.

**OFFICE OF COUNTY CLERK**

**FINDING 08.04      **THE OFFICE HAD A CASH SHORTAGE OF \$721 ON JUNE 30, 2008**  
(Noncompliance Under Government Auditing Standards)**

The Office of County Clerk had a cash shortage of \$721 on June 30, 2008. This cash shortage resulted from office receipts not being deposited to the official bank account or accounted for otherwise. Although the clerk routinely compared receipts with deposits, differences noted in her review were not investigated or satisfactorily resolved. This finding has been reviewed with the district attorney general and the county executive.

**RECOMMENDATION**

The county clerk should liquidate the cash shortage. Receipts should be reconciled with deposits and any variances should be identified and resolved promptly.

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**FINDING 08.05      **THE OFFICE HAD WEAKNESSES IN THE COLLECTION AND REMITTANCE OF WHOLESALE BEER TAXES**  
(Noncompliance Under Government Auditing Standards)**

Our examination of wholesale beer taxes revealed the following weaknesses:

- A. Receipts were not issued for collections of wholesale beer taxes received from local distributors in three of the 12 months examined. During this three-month period, collections totaling \$25,197 were deposited into the office bank account and posted to the general ledger; however, no receipts were issued for these collections. Section 9-2-103, Tennessee Code Annotated (TCA), requires that receipts be issued for all collections.
- B. The county clerk was delinquent in reporting and paying wholesale beer tax revenues to the county. Section 67-4-213(d), TCA, requires officials collecting state and county revenues to report those revenues to the appropriate agency within 15 days after the end of the month in which the funds were collected. Our examination revealed that for ten of the 12 months examined, the clerk reported and paid collections from three to 83 days after the due date.

**RECOMMENDATION**

Receipts should be issued for all collections as required by state statute. Also, the clerk should report and pay state and county revenues to the appropriate agency no later than 15 days after the end of the month in which the funds were collected.

## **OFFICES OF COUNTY CLERK AND SHERIFF**

**FINDING 08.06      THE OFFICES DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under Government Auditing Standards)

In some instances, the Offices of County Clerk and Sheriff did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days of collection. The delay in depositing funds increases the risks of fraud and misappropriation.

### **RECOMMENDATION**

The Offices of County Clerk and Sheriff should ensure that all funds are deposited to the office bank accounts within three days of collection as required by state statute.

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**FINDING 08.07      THE OFFICES DID NOT PREPARE ANNUAL FINANCIAL REPORTS**  
(Noncompliance Under Government Auditing Standards)

The Offices of County Clerk and Sheriff did not prepare annual financial reports. Section 5-8-505, Tennessee Code Annotated, requires that, “all appointive or elective county public officials, official county boards, committees, and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ...”

### **RECOMMENDATION**

The Offices of County Clerk and Sheriff should prepare annual financials report as required by state statute.

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

**FINDING 08.08      THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Since they were not aware of its importance, management did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

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## OTHER FINDING

FINDING 08.09      **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 accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

## RECOMMENDATION

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

**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, 2008**

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