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# ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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**ANNUAL FINANCIAL REPORT**  
**MORGAN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

***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***  
***TIM BRASHEARS***  
***JAMES D. HODGES, CFE***  
***RODNEY MALIN, CGFM***  
***CHAD S. MARCUM, CPA***  
***GARY D. RAMSEY, CPA***  
***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, 2009

***Scope***

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2009.

***Results***

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

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

***Findings***

The following are summaries of the audit findings:

**OFFICE OF DIRECTOR OF FINANCE**

- ◆ The School Federal Projects and Central Cafeteria funds required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.

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**OFFICE OF COUNTY CLERK**

- ◆ We were unable to determine the propriety of the transactions of the office because of significant deficiencies in the maintenance of accounting records.

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**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, 2009

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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  
Wade Adcock  
Juanita Armes  
Vaughn Armes  
Nicholas Bishop  
Lucinda Crouch  
Sue Duncan  
Lucy Freytag  
Marion Hawn  
David Hennessee

Terry Jackson  
Kay Johnson  
Ken Jones  
Vernon Justes  
Susie Kries  
Joe Reed  
Randy Roberts  
Paul Scarbrough  
Fred Snow

### **Board of Education**

Terry Armes, Chairman  
Louise Coleman  
Wendell Collins

Randy Harlan  
Glen Moore  
James Rivers

### **Financial Management Committee**

Rebecca Ruppe, County Executive, Chairperson  
Mike Davis, Director of Schools  
C. Roy Smith, Road Superintendent  
Sue Duncan

Marion Hawn  
David Hennessee  
Kay Johnson

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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**

March 12, 2010

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, 2009, 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 5.2 percent and 1.5 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 other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2009, 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 March 12, 2010, 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 Governmental Accounting Standards Board Statement No. Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

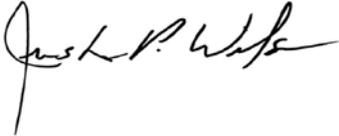
The management of Morgan County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States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

The budgetary comparison, pension, and other postemployment benefits information on pages 75 through 83 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 fluid and cursive, with a prominent initial "J" and "W".

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, 2009

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 50,727	\$ 142,358	\$ 432,184
Equity in Pooled Cash and Investments	7,422,448	1,757,215	0
Cash Shortage	721	0	0
Accounts Receivable	452,075	17,014	1,364
Allowance for Uncollectible Accounts Receivable	(110,344)	0	0
Due from Other Governments	562,689	969,515	89,364
Property Taxes Receivable	5,468,116	2,747,797	0
Allowance for Uncollectible Property Taxes	(263,346)	(132,334)	0
Prepaid Items	70,304	0	9,700
Deferred Charges - Debt Issuance Cost	150,318	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	322,834	1,104,029	90,000
Construction in Progress	0	0	1,350,223
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,840,335	24,735,334	0
Infrastructure	1,317,212	0	0
Other Capital Assets	633,392	7,838,199	173,336
Total Assets	<u>\$ 17,917,481</u>	<u>\$ 39,179,127</u>	<u>\$ 2,146,171</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 84,355	\$ 35,398	\$ 52,594
Accrued Interest Payable	228,026	248,570	24,704
Payroll Deductions Payable	28,427	213,814	0
Due to State of Tennessee	9,961	144,746	0
Deferred Revenue - Property Taxes	4,865,304	2,444,876	0
Noncurrent Liabilities:			
Due Within One Year	870,078	401,144	0
Due in More Than One Year	15,765,219	6,656,702	1,276,191
Total Liabilities	<u>\$ 21,851,370</u>	<u>\$ 10,145,250</u>	<u>\$ 1,353,489</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 517,043	\$ 26,835,096	\$ 337,369
Restricted for:			
Highways	2,783,991	0	0
Debt Service	2,726,746	0	0
Drug Control	66,787	0	0
Capital Projects	544,454	0	0
School Federal Projects	0	164,710	0
Central Cafeteria	0	1,098,967	0
Basic Education Program	0	485,360	0
Other Purposes	255,200	3,634	0
Unrestricted	<u>(10,828,110)</u>	<u>446,110</u>	<u>455,313</u>
Total Net Assets	<u>\$ (3,933,889)</u>	<u>\$ 29,033,877</u>	<u>\$ 792,682</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, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										
	Primary Government					Component Units					
	Program Revenues		Capital Grants and Contributions		Total Governmental Activities	Morgan County School Department		Emergency Communications District			
Expenses	Charges for Services	Operating Grants and Contributions	Contributions								
Primary Government:											
Governmental Activities:											
General Government	\$ 1,126,034	\$ 141,908	\$ 33,753	\$ 1,000	\$ (949,373)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	752,590	324,753	6,904	0	(420,933)	0	0	0	0	0	0
Administration of Justice	733,156	564,463	11,250	0	(157,443)	0	0	0	0	0	0
Public Safety	2,688,604	167,104	151,458	58,647	(2,311,395)	0	0	0	0	0	0
Public Health and Welfare	2,784,025	1,305,677	136,202	411,169	(930,977)	0	0	0	0	0	0
Social, Cultural, and Recreational Services	182,418	7,763	500	5,000	(169,155)	0	0	0	0	0	0
Agriculture and Natural Resources	61,899	0	0	0	(61,899)	0	0	0	0	0	0
Other Operations	307,421	0	0	82,482	(224,939)	0	0	0	0	0	0
Highways	1,353,492	0	1,682,614	173,285	502,407	0	0	0	0	0	0
Debt Service:											
Interest	864,602	0	0	0	(864,602)	0	0	0	0	0	0
Other Debt Service	109,317	0	0	0	(109,317)	0	0	0	0	0	0
Total Primary Government	\$ 10,963,558	\$ 2,511,668	\$ 2,022,681	\$ 731,583	\$ (5,697,626)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:											
Morgan County School Department	\$ 28,170,597	\$ 616,656	\$ 3,745,004	\$ 81,188	\$ 0	\$ (23,727,749)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	300,516	145,694	137,502	0	0	0	0	0	0	(17,320)	(17,320)
Total Component Units	\$ 28,471,113	\$ 762,350	\$ 3,882,506	\$ 81,188	\$ 0	\$ (23,727,749)	\$ 0	\$ 0	\$ 0	\$ (17,320)	\$ (17,320)

(Continued)

Exhibit B

Morgan County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government			Component Units		
	Program Revenues			Morgan County School Department		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Emergency Communications District	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes	\$ 4,809,366			\$ 2,528,760	\$ 0	
Property Taxes Levied for General Debt Service	264,526			0	0	
Local Option Sales Taxes	885,448			0	0	
Litigation Tax - General	40,667			0	0	
Mineral Severance Tax	116,277			0	0	
Other Local Taxes	24,168			88,085	0	
Grants and Contributions Not Restricted to Specific Programs	416,393			18,767,623	106,167	
Unrestricted Investment Income	50,129			113,337	3,140	
Sale of Equipment	31,054			0	0	
Miscellaneous	23,629			64,989	0	
Total General Revenues	\$ 6,661,657			\$ 21,562,794	\$ 109,307	
Insurance Recovery	\$ 240			\$ 0	\$ 0	
Change in Net Assets	\$ 964,271			\$ (2,164,955)	\$ 91,987	
Prior-period Adjustment	(117,195)			0	0	
Net Assets, July 1, 2008	(4,780,965)			31,198,832	700,695	
Net Assets, June 30, 2009	\$ (3,933,889)			\$ 29,033,877	\$ 792,682	

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, 2009

	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	\$ 0	\$ 50,727	\$ 50,727
Equity in Pooled Cash and Investments	1,483,812	190,956	2,550,560	2,081,215	1,115,905	7,422,448	7,422,448
Accounts Receivable	431,150	20,925	0	0	0	452,075	452,075
Allowance for Uncollectibles	(110,344)	0	0	0	0	(110,344)	(110,344)
Due from Other Governments	24,261	18,707	300,687	133,698	85,336	562,689	562,689
Due from Other Funds	28,366	0	0	600,000	10,000	638,366	638,366
Property Taxes Receivable	4,160,993	829,835	63,199	414,089	0	5,468,116	5,468,116
Allowance for Uncollectible Property Taxes	(203,116)	(39,965)	(3,044)	(17,221)	0	(263,346)	(263,346)
Prepaid Items	57,387	5,751	7,166	0	0	70,304	70,304
Cash Shortage	0	0	0	0	721	721	721
Total Assets	\$ 5,872,509	\$ 1,026,209	\$ 2,918,568	\$ 3,211,781	\$ 1,262,689	\$ 14,291,756	\$ 14,291,756

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 0	\$ 26,858	\$ 57,497	\$ 0	\$ 0	\$ 84,355
Accrued Payroll	90,896	10,343	20,708	0	0	121,947
Payroll Deductions Payable	28,426	0	0	0	0	28,426
Due to Other Funds	10,000	0	0	0	628,366	638,366
Due to State of Tennessee	9,060	761	140	0	0	9,961
Deferred Revenue - Current Property Taxes	3,691,763	738,353	56,232	378,956	0	4,865,304
Deferred Revenue - Delinquent Property Taxes	245,454	47,517	3,618	16,521	0	313,110
Other Deferred Revenues	182,580	0	145,322	66,728	0	394,630
Total Liabilities	\$ 4,258,179	\$ 823,832	\$ 283,517	\$ 462,205	\$ 628,366	\$ 6,456,099
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 40,586	\$ 88,635	\$ 241,995	\$ 0	\$ 55,134	\$ 426,350
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	36,638	36,638
Reserved for Alcohol and Drug Treatment	57,918	0	0	0	0	57,918

(Continued)

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	Governmental Funds		
\$ 94,687	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	94,687	
18,685	0	0	0	0	0	0	18,685	
34,022	0	0	0	0	0	0	34,022	
16,557	0	0	0	0	0	0	16,557	
10,249	0	0	0	0	0	0	10,249	
0	0	0	0	600,000	0	0	600,000	
1,341,626	0	0	0	0	0	0	1,341,626	
0	113,742	2,393,056	0	0	52,597	0	2,559,395	
0	0	0	2,149,576	0	0	0	2,149,576	
0	0	0	0	0	489,954	0	489,954	
<u>\$ 1,614,330</u>	<u>\$ 202,377</u>	<u>\$ 2,635,051</u>	<u>\$ 2,749,576</u>	<u>\$ 634,323</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>7,835,657</u>	
<u>\$ 5,872,509</u>	<u>\$ 1,026,209</u>	<u>\$ 2,918,568</u>	<u>\$ 3,211,781</u>	<u>\$ 1,262,689</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>14,291,756</u>	

LIABILITIES AND FUND BALANCES (Cont.)

<u>Fund Balances (Cont.)</u>	
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	
Reserved for Drug Court	
Reserved for Computer System - Register	
Reserved for Automation Purposes - General Sessions Court	
Reserved for Automation Purposes - Chancery Court	
Reserved for Other General Purposes	
Unreserved, Reported In:	
General Fund	
Special Revenue Funds	
Debt Service Funds	
Capital Projects Funds	
Total Fund Balances	

Total Liabilities and Fund Balances

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

Exhibit C-2

Morgan County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2009

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 7,835,657
(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	1,317,212	
Add: buildings and improvements net of accumulated depreciation	1,840,335	
Add: other capital assets net of accumulated depreciation	<u>633,392</u>	4,113,773
(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	\$ (3,530,000)	
Less: notes payable	(759,317)	
Less: other loans payable	(11,845,000)	
Less: accrued interest on bonds, notes, other loans, and capital leases	(106,079)	
Less: compensated absences payable	(128,345)	
Less: other deferred revenue - premium on debt	(63,501)	
Add: deferred charges - debt issuance costs	150,318	
Less: landfill postclosure care costs	<u>(309,135)</u>	(16,591,059)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>707,740</u>
Net assets of governmental activities (Exhibit A)		<u>\$ (3,933,889)</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, 2009

	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	\$ 4,050,815	\$ 759,454	\$ 174,117	\$ 1,147,945	\$ 46,579	\$ 6,178,910	
Licenses and Permits	40,546	0	0	0	0	40,546	
Fines, Forfeitures, and Penalties	123,837	0	0	0	47,687	171,524	
Charges for Current Services	1,062,232	219,737	0	0	127,306	1,409,275	
Other Local Revenues	105,300	13,584	1,102	0	0	119,986	
Fees Received from County Officials	692,769	0	0	0	0	692,769	
State of Tennessee	622,216	65,416	1,854,961	0	92,482	2,635,075	
Federal Government	0	0	0	0	482,816	482,816	
Other Governments and Citizens Groups	103,350	0	0	0	6,792	110,142	
Total Revenues	\$ 6,801,065	\$ 1,058,191	\$ 2,030,180	\$ 1,147,945	\$ 803,662	\$ 11,841,043	
<u>Expenditures</u>							
Current:							
General Government	\$ 1,006,784	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,006,784	
Finance	627,240	0	0	0	123,074	750,314	
Administration of Justice	691,683	0	0	0	47,579	739,262	
Public Safety	2,552,316	0	0	0	59,181	2,611,497	
Public Health and Welfare	1,392,367	1,016,068	0	0	0	2,408,435	
Social, Cultural, and Recreational Services	65,607	0	0	0	0	65,607	
Agriculture and Natural Resources	61,899	0	0	0	0	61,899	
Other Operations	196,797	18,142	0	0	0	214,939	
Highways	0	0	1,580,973	0	0	1,580,973	
Debt Service:							
Principal on Debt	0	0	0	661,641	0	661,641	
Interest on Debt	0	0	0	770,664	0	770,664	
Other Debt Service	0	0	0	259,135	0	259,135	
Capital Projects	0	0	0	0	681,212	681,212	
Total Expenditures	\$ 6,594,693	\$ 1,034,210	\$ 1,580,973	\$ 1,691,440	\$ 911,046	\$ 11,812,362	
Excess (Deficiency) of Revenues Over Expenditures	\$ 206,372	\$ 23,981	\$ 449,207	\$ (543,495)	\$ (107,384)	\$ 28,681	

(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	\$ 180,730	\$ 0	\$ 0	\$ 0	\$ 498,478	\$ 679,208	
Refunding Debt Issued	0	0	0	13,835,000	0	13,835,000	
Premiums on Debt Issued	0	0	0	67,079	0	67,079	
Insurance Recovery	240	0	0	0	0	240	
Transfers In	0	0	0	0	2,499	2,499	
Transfers Out	(2,499)	0	0	0	0	(2,499)	
Payments to Refunded Debt Escrow Agent	0	0	0	(13,744,145)	0	(13,744,145)	
Total Other Financing Sources (Uses)	\$ 178,471	\$ 0	\$ 0	\$ 157,934	\$ 500,977	\$ 837,382	
Net Change in Fund Balances	\$ 384,843	\$ 23,981	\$ 449,207	\$ (385,561)	\$ 393,593	\$ 866,063	
Fund Balance, July 1, 2008	1,229,487	178,396	2,185,844	3,135,137	240,730	6,969,594	
Fund Balance, June 30, 2009	\$ 1,614,330	\$ 202,377	\$ 2,635,051	\$ 2,749,576	\$ 634,323	\$ 7,835,657	

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, 2009

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)		\$	866,063
(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	\$	582,498	
Less: current year depreciation expense		<u>(453,628)</u>	128,870
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$	707,740	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(624,772)</u>	82,968
(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:			
Less: bond proceeds	\$	(3,740,000)	
Less: note proceeds		(679,208)	
Less: other loan proceeds		(10,095,000)	
Add: principal payments on notes		156,641	
Add: principal payments on bonds		505,000	
Add: payments to refunding agent		13,744,145	
Less: other debt issuance costs		(4,645)	
Less: premium on debt proceeds		(63,501)	
Add: deferred debt issuance costs		<u>150,318</u>	(26,250)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest on debt	\$	(89,793)	
Change in landfill postclosure care costs (net of prior-period adjustment)		(7,245)	
Change in compensated absences payable		<u>9,658</u>	(87,380)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 964,271</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 582,975
Accounts Receivable	7,592
Due from Other Governments	56,875
Property Taxes Receivable	<u>45,320</u>
Total Assets	<u>\$ 692,762</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 102,195
Due to Litigants, Heirs, and Others	<u>590,567</u>
Total Liabilities	<u>\$ 692,762</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, 2009**

**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.

**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. During the year, capital leases totaling \$75,771 were issued for the School Department.

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented 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 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 2.65 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of

year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	7 - 40
Other Capital Assets	5 - 30
Infrastructure	25 - 50

**5. Compensated Absences**

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

**6. Long-term Obligations**

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

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

## **7. Net Assets and Fund Equity**

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

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

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 \$255,200, with the primary restrictions being for: (1) litigation taxes – jail, workhouse, or courthouse (\$94,687) and (2) computer systems for various offices (\$60,828).

As of June 30, 2009, Morgan County had \$12,450,770 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.

**8. Prior-period Adjustment**

Net assets were restated \$117,195 from the prior-year because the postclosure cost estimates for the county's closed landfill site had been miscalculated. During the current year, new information was obtained from the state, which significantly changed the method of calculating this estimated liability.

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

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

#### **B. Cash Shortage – Prior Year**

The Office of County Clerk had a cash shortage of \$721 as of June 30, 2008. This cash shortage was liquidated by the clerk on November 2, 2009; therefore, the shortage is still reflected in the financial statements at June 30, 2009.

#### **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 by \$28,592.

**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:	
Industrial Development	\$ 7
Miscellaneous	4,812
Solid Waste/Sanitation:	
Other Charges	230
General Purpose School:	
Instruction - Special Education Program	13,680
Support Services - Special Education Program	645
Support Services - Operation of Plant	4,884
School Federal Projects:	
Instruction - Special Education Program	1,745
Instruction - Vocational Education Program	625
Support Services - Health Services	4,030

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

**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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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, 2009.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2009, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
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	293,123	0	1,435,825
Other Capital Assets	3,831,118	289,375	(160,180)	3,960,313
Total Capital Assets Depreciated	<u>\$ 7,738,599</u>	<u>\$ 582,498</u>	<u>\$ (160,180)</u>	<u>\$ 8,160,917</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 863,403	\$ 61,041	\$ 0	\$ 924,444
Roads and Bridges	79,973	38,640	0	118,613
Other Capital Assets	3,133,154	353,947	(160,180)	3,326,921
Total Accumulated Depreciation	<u>\$ 4,076,530</u>	<u>\$ 453,628</u>	<u>\$ (160,180)</u>	<u>\$ 4,369,978</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,662,069</u>	<u>\$ 128,870</u>	<u>\$ 0</u>	<u>\$ 3,790,939</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,984,903</u>	<u>\$ 128,870</u>	<u>\$ 0</u>	<u>\$ 4,113,773</u>

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

### Governmental Activities:

General Government	\$ 58,218
Public Safety	64,568
Public Health and Welfare	214,533
Highway/Public Works	<u>116,309</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 453,628</u>

**Discretely Presented Morgan County School Department**

**Governmental Activities:**

	Balance				Balance
	7-1-08	Increases	Decreases		6-30-09
	<u>          </u>				<u>          </u>
Capital Assets Not Depreciated:					
Land	\$ 1,104,029	\$ 0	\$ 0		\$ 1,104,029
Construction in Progress	6,884,805	0	(6,884,805)		0
Total Capital Assets Not Depreciated	<u>\$ 7,988,834</u>	<u>\$ 0</u>	<u>\$ (6,884,805)</u>		<u>\$ 1,104,029</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 47,031,069	\$ 535,572	\$ 0		\$ 47,566,641
Other Capital Assets	4,244,248	7,674,641	(260,236)		11,658,653
Total Capital Assets Depreciated	<u>\$ 51,275,317</u>	<u>\$ 8,210,213</u>	<u>\$ (260,236)</u>		<u>\$ 59,225,294</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	\$ 21,552,884	\$ 1,278,423	\$ 0		\$ 22,831,307
Other Capital Assets	3,112,758	967,932	(260,236)		3,820,454
Total Accumulated Depreciation	<u>\$ 24,665,642</u>	<u>\$ 2,246,355</u>	<u>\$ (260,236)</u>		<u>\$ 26,651,761</u>
Total Capital Assets Depreciated, Net	<u>\$ 26,609,675</u>	<u>\$ 5,963,858</u>	<u>\$ 0</u>		<u>\$ 32,573,533</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,598,509</u>	<u>\$ 5,963,858</u>	<u>\$ (6,884,805)</u>		<u>\$ 33,677,562</u>

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

**Governmental Activities:**

Instruction	\$ 19,376
Support Services	2,196,619
Operation of Non-Instructional Services	<u>30,360</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,246,355</u></u>

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

The composition of interfund balances as of June 30, 2009, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 28,366
General Debt Service	Nonmajor governmental	600,000
Nonmajor governmental	General	10,000
Discretely Presented School Department:		
Central Cafeteria	General Purpose School	19,748

These balances resulted from the time lag between the dates that interfund goods and services are provided, reimbursable expenditures occur, 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, 2009, consisted of the following amounts:

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u>
	<u>Nonmajor Governmental Fund</u>
General Fund	\$ 2,499

**Discretely Presented Morgan County School Department**

Transfers Out	Transfers In	
	General Purpose School Fund	Central Cafeteria Fund
General Purpose School Fund	\$ 0	\$ 71,243
School Federal Projects Fund	59,563	0

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

**D. 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.

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.

On September 10, 2009, the Morgan County School Department entered into a three-year lease-purchase agreement for a school bus. The terms of the agreement require total lease payments of \$75,771 plus interest of 4.23 percent. Title to the bus transfers to the School Department at the end of the lease period.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

Year Ending June 30	Governmental Funds
2010	\$ 743,756
2011	743,756
2012	706,110
2013	706,110
2014	706,110
2015-2019	3,454,566
2020-2023	<u>2,520,498</u>
Total Minimum Lease Payments	\$ 9,580,906
Less: Amount Representing Interest	<u>(2,738,440)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 6,842,466</u>

**E. 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 and to refund other loans. 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, seven years for notes, and up to 18 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, 2009, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	2.8 %	\$ 500,000	\$ 250,000
General Obligation Bonds - Refunding	3 to 4	3,280,000	3,280,000
Capital Outlay Notes	0 to 3.85	835,958	759,317
Other Loans	5.6 to 6	1,750,000	1,750,000
Other Loans - Variable	Variable	10,095,000	10,095,000

Morgan County has entered into loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority (PBAs) to finance 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, 2009:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-09	Interest Type	Interest Rates as of 6-30-09	Approximate Fee Rates as of 6-30-09
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,750,000	Fixed	5.6 to 6 %	0 %
Sevier County PBA:					
Series VII-A-3	10,095,000	10,095,000	Variable	0.17	\$250/month

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 240,316	\$ 7,596	\$ 247,912
2011	162,944	2,293	165,237
2012	71,211	0	71,211
2013	71,211	0	71,211
2014	71,211	0	71,211
2015-16	142,424	0	142,424
Total	\$ 759,317	\$ 9,889	\$ 769,206

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 535,000	\$ 125,325	\$ 660,325
2011	560,000	109,365	669,365
2012	580,000	90,115	670,115
2013	605,000	70,165	675,165
2014	640,000	49,340	689,340
2015	610,000	24,400	634,400
Total	\$ 3,530,000	\$ 468,710	\$ 3,998,710

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 0	\$ 120,024	\$ 3,000	\$ 123,024
2011	0	120,024	3,000	123,024
2012	0	120,024	3,000	123,024
2013	0	120,024	3,000	123,024
2014	0	120,024	3,000	123,024
2015-2019	3,705,000	514,513	15,000	4,234,513
2020-2024	5,805,000	231,271	15,000	6,051,271
2025-2026	2,335,000	6,009	6,000	2,347,009
Total	\$ 11,845,000	\$ 1,351,913	\$ 51,000	\$ 13,247,913

There is \$2,149,576 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$179, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans, totaled \$817, 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 provide a hedge 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. The Series A-2-D bonds have since been refunded with a portion of the proceeds of the Series VII-A-3 bonds and the interest rate swap is now associated with the Series VII-A-3 bonds.

**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 bonds hedged by the interest rate swap agreement had an original outstanding principal of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association™ (SIFMA). The bonds and the related swap agreement both mature on June 1, 2026. As of June 30, 2009, 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>-0.47</u>
Net interest rate swap payments		3.86 %
Variable-rate bond coupon payments		<u>0.31</u>
Synthetic interest rate on bonds		<u><u>4.17 %</u></u>

**Fair value.** As of June 30, 2009, the swap had a negative fair value of \$1,639,908. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

**Credit risk.** As of June 30, 2009, 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 AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service at the time the swap agreement was entered into. As of June 30, 2009, Ambac's credit rating had been severely downgraded and was rated BBB by Standard and Poor's and Ba3 by Moody's Investor Service. The counterparty has posted all collateral requirements with a third-party custodian.

**Basis risk.** As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds 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, 2009, 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		
2010	\$ 0	\$ 31,000	\$ 386,275	\$ 417,275
2011	0	31,000	386,275	417,275
2012	0	31,000	386,275	417,275
2013	0	31,000	386,275	417,275
2014	0	31,000	386,275	417,275
2015-2019	2,915,000	142,135	1,771,071	4,828,206
2020-2024	4,760,000	82,011	1,021,891	5,863,902
2025-2026	2,325,000	10,912	135,968	2,471,880
Total	<u>\$ 10,000,000</u>	<u>\$ 390,058</u>	<u>\$ 4,860,305</u>	<u>\$ 15,250,363</u>

#### Current Refunding

During the current year, Morgan County refunded two public building authority loans (\$13,740,000) with a general obligation bond issue and a public building authority loan. One of the refunded loans had a variable interest rate and various fees associated with it, while the other loan had a synthetic interest rate created by the exercising of a swap agreement in prior years. The county issued the general obligation bonds of \$3,740,000 on August 27, 2008, and the other loan of \$10,095,000 on August 28, 2008, to provide resources to pay off the other loans outstanding. The general obligation bond issued has a fixed interest rate and the other loan issued has a variable interest rate with a fixed monthly fee of \$250. As a result of these refunding activities, the liability for the other loans has been removed from the county’s long-term schedule. Since the other loans carried variable and

synthetic interest rates, an accurate calculation of the reduction/addition of total debt service payments over the next 18 years could not be determined.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
	<u>          </u>	<u>          </u>	<u>          </u>
Balance, July 1, 2008	\$ 295,000	\$ 236,250	\$ 15,490,000
Additions	3,740,000	679,708	10,095,000
Deductions	<u>(505,000)</u>	<u>(156,641)</u>	<u>(13,740,000)</u>
Balance, June 30, 2009	<u>\$ 3,530,000</u>	<u>\$ 759,317</u>	<u>\$ 11,845,000</u>
Balance Due Within One Year	<u>\$ 535,000</u>	<u>\$ 240,316</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs
	<u>          </u>	<u>          </u>
Balance, July 1, 2008	\$ 138,003	\$ 184,695
Additions	94,762	124,440
Deductions	<u>(104,420)</u>	<u>0</u>
Balance, June 30, 2009	<u>\$ 128,345</u>	<u>\$ 309,135</u>
Balance Due Within One Year	<u>\$ 94,762</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 16,635,297
Less: Balance Due Within One Year	<u>(870,078)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,765,219</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, 2009, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Capital Leases
Balance July 1, 2008	\$ 113,804	\$ 7,049,696
Additions	190,700	75,771
Deductions	(89,124)	(283,001)
Balance June 30, 2009	<u>\$ 215,380</u>	<u>\$ 6,842,466</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 401,144</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 7,057,846
Less: Balance Due Within One Year	<u>(401,144)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,656,702</u>

**F. 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, 2009, were \$50,163 and \$14,594, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

Morgan County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General, Solid Waste/Sanitation, and General Purpose School funds. These notes were necessary because 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, 2009, was as follows:

	Balance 7-1-08	Issued	Paid	Balance 6-30-09
General	\$ 0	\$ 500,000	\$ (500,000)	\$ 0
Solid Waste/Sanitation	0	200,000	(200,000)	0
General Purpose School	0	500,000	(500,000)	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. Pre-65 age retirees are not allowed to participate in the health plan. 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. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Morgan County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Morgan County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Morgan County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Morgan County could have endowment investments in subsequent years.

**C. Subsequent Events**

Mike Davis left the Office of Director of Schools on June 30, 2009, and was succeeded by Dr. Edward Diden.

On December 15, 2009, the county entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee. Under the terms of this agreement, the authority would make available to the county \$2,000,000 to be drawn as needed for the renovation of the courthouse and various other projects. As of the date of this report, the county had drawn down \$604,930 of these funds.

Subsequent to June 30, 2009, various county funds issued revenue anticipation notes to provide temporary operating funds as noted in the following table:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
9-10-09	General Purpose School	\$ 1,300,000
10-5-09	Solid Waste/Sanitation	200,000
12-17-09	School Federal Projects	100,000

**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**

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Morgan County closed its sanitary landfill in 1995. The \$309,135 reported as postclosure care liability at June 30, 2009, represents amounts based on what it would cost to perform all postclosure care in 2009. 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, 2009, 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 contributed \$35,000 to the board for the year ended June 30, 2009.

**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, 2009, was 6.7 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, 2009, Morgan County’s annual pension cost of \$438,980 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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, 2007, was eight 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
6-30-09	\$438,980	100%	\$0
6-30-08	401,314	100	0
6-30-07	360,353	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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs](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, 2009, was 6.42 percent of annual

covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$818,113, \$776,468, and \$721,105, 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://tn.gov/finance/act/cafr.html>.

### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops 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	\$ 190,564
Interest on the NPO	5,120
Adjustment to the ARC	(4,984)
	<hr/>
Annual OPEB cost	\$ 190,700
Amount of contribution	(89,124)
	<hr/>
Increase/decrease in NPO	\$ 101,576
Net OPEB obligation, 7-1-08	<hr/> 113,804 <hr/>
 Net OPEB obligation, 6-30-09	 \$ 215,380 <hr/> <hr/>

Fiscal 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
6-30-09	"	190,700	47	215,380

\* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 1,729,598
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,729,598
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,457,642
UAAL as a % of covered payroll	14%

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 July 1, 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 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:

Assets	Method	Estimated Useful Life (Years)	2009 Depreciation
Communications Equipment	S/L	5-10	\$ 32,455
Office Equipment	S/L	5-10	4,577
Vehicles	S/L	5	0
Construction in Progress	N/A	N/A	0
Land	N/A	N/A	0
Total			\$ 37,032

**2. Major Sources of Revenue**

The major sources of operating revenue are emergency telephone service charges from local telephone companies, wireless surcharges, and operational funding from the State Emergency Communications Board. The only nonoperating revenues are interest, 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 \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2009:

<u>Account</u>	<u>Depository</u>	<u>Amount</u>
Checking	Citizen's First Bank	\$ 320,064
Certificate of Deposit - 3 Months	Citizen's First Bank	56,815
Certificate of Deposit - 5 Months	Citizen's First Bank	55,305
Total		<u>\$ 432,184</u>

At June 30, 2009, the carrying amount of the Morgan County Emergency Communications District’s cash deposits was \$432,184. The district’s deposit accounts are covered up to \$250,000 by the FDIC. Any amounts over \$250,000 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 had a bond covering certain members of the board at June 30, 2009. They also had 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, 2009:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Communications Equipment	\$ 268,399	\$ 99,993	\$ 168,406
Office Equipment	19,810	14,879	4,931
Vehicles	21,888	21,888	0
Land	90,000	0	90,000
Construction in Progress	1,350,223	0	1,350,223
Total	<u>\$ 1,750,320</u>	<u>\$ 136,760</u>	<u>\$ 1,613,560</u>

<u>Assets</u>	<u>Balance 6-30-08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-09</u>
Communications Equipment	\$ 254,640	\$ 13,760	\$ 0	\$ 268,400
Office Equipment	24,457	0	(4,648)	19,809
Vehicles	21,888	0	0	21,888
Land	90,000	0	0	90,000
Construction in Progress	59,821	1,290,402	0	1,350,223
Total	<u>\$ 450,806</u>	<u>\$ 1,304,162</u>	<u>\$ (4,648)</u>	<u>\$ 1,750,320</u>

**E. Cash and Cash Equivalents**

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

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

Accounts Receivable	Bell South	\$ 1,301
Due from State ECB	State ECB	<u>89,364</u>
Total		<u>\$ 90,665</u>

**G. Compensated Absences**

There were no employees at June 30, 2009.

**H. Calculation of Invested in Capital Assets, Net of Related Debt**

Net Book Value	\$ 1,613,560
Current and Noncurrent Debt	<u>(1,276,191)</u>
Invested in Capital Assets	<u><u>\$ 337,369</u></u>

**I. Budgetary Information**

As stated in Note A., the district must file a budget with Morgan County each year, which must be legally adopted by the county. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the program level as well as the object level.

**J. Construction Loan**

On July 31, 2008, the district opened a 12-month construction loan at Citizen's First Bank totaling \$1,500,000. As of June 30, 2009, the district had drawn \$1,276,191 of the original \$1,500,000. The district owed no payments on principal or interest until the note was called on July 31, 2009. In the meantime, the district applied for a \$1,500,000 bond with USDA. The bond was approved on August 1, 2009, to be paid over 38 years at an interest rate of 4.25 percent. Monthly payments are to be made at \$6,645 per month starting August 1, 2009.

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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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,050,815	\$ 0	\$ 0	\$ 4,050,815	\$ 3,845,184	\$ 3,845,184	\$ 205,631
Licenses and Permits	40,546	0	0	40,546	41,600	41,600	(1,054)
Fines, Forfeitures, and Penalties	123,837	0	0	123,837	79,700	79,700	44,137
Charges for Current Services	1,062,232	0	0	1,062,232	890,000	1,001,579	60,653
Other Local Revenues	105,300	0	0	105,300	96,000	98,299	7,001
Fees Received from County Officials	692,769	0	0	692,769	701,900	701,900	(9,131)
State of Tennessee	622,216	0	0	622,216	742,535	745,285	(123,069)
Other Governments and Citizens Groups	103,350	0	0	103,350	100,000	105,000	(1,650)
Total Revenues	\$ 6,801,065	\$ 0	\$ 0	\$ 6,801,065	\$ 6,496,919	\$ 6,618,547	\$ 182,518
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 76,333	\$ 0	\$ 89	\$ 76,422	\$ 76,124	\$ 78,888	\$ 2,466
County Mayor/Executive	152,621	0	0	152,621	152,906	154,540	1,919
County Attorney	10,346	0	0	10,346	10,500	10,500	154
Election Commission	140,331	(1,078)	698	139,951	144,496	143,196	3,245
Register of Deeds	107,117	(716)	295	106,696	116,532	116,837	10,141
County Buildings	520,036	(400)	2,033	521,669	545,866	550,725	29,056
<u>Finance</u>							
Accounting and Budgeting	234,004	(4,000)	3,294	233,298	234,939	235,864	2,566
Property Assessor's Office	150,579	0	0	150,579	156,610	153,922	3,343
Reappraisal Program	39,685	0	0	39,685	41,126	41,590	1,905
County Trustee's Office	34,320	0	0	34,320	142,809	144,119	109,799
County Clerk's Office	168,652	0	0	168,652	176,056	177,271	8,619

(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 7/1/2008	Add: Encumbrances 6/30/2009	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	\$ 213,329	\$ (464)	731	\$ 213,596	\$ 220,526	\$ 222,506	\$ 8,910
Criminal Court	10,097	0	0	10,097	13,000	10,392	295
General Sessions Court	42,153	(399)	1,491	43,245	43,257	43,797	552
General Sessions Judge	127,305	0	0	127,305	127,799	128,574	1,269
Drug Court	69,278	0	2,730	72,008	80,000	80,775	8,767
Chancery Court	151,221	0	79	151,300	152,535	154,145	2,845
Juvenile Court	24,701	(745)	0	23,956	24,827	24,828	872
Courtroom Security	53,599	0	0	53,599	50,714	53,632	33
<u>Public Safety</u>							
Sheriff's Department	989,659	(53,107)	16,494	953,046	989,162	974,700	21,654
Jail	1,138,362	(1,831)	1,581	1,138,112	1,014,303	1,148,997	10,885
Juvenile Services	3,525	0	0	3,525	2,500	3,525	0
Fire Prevention and Control	105,865	(489)	600	105,976	106,091	106,091	115
Civil Defense	19,253	(100)	100	19,253	16,966	19,265	12
Other Emergency Management	275,723	0	0	275,723	275,284	280,284	4,561
County Coroner/Medical Examiner	18,309	0	0	18,309	10,000	19,709	1,400
Other Public Safety	1,620	(1,084)	476	1,012	6,800	6,800	5,788
<u>Public Health and Welfare</u>							
Local Health Center	43,991	0	0	43,991	47,740	47,740	3,749
Ambulance/Emergency Medical Services	1,271,508	(6,285)	5,800	1,271,023	1,177,208	1,295,818	24,795
Crippled Children Services	5,250	0	0	5,250	5,937	5,937	687
Other Local Health Services	71,618	0	0	71,618	211,035	211,035	139,417
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	3,591	0	0	3,591	3,600	3,600	9

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Libraries	\$ 60,952	\$ 0	1,155	\$ 62,107	\$ 56,387	\$ 64,466	\$ 2,359
Parks and Fair Boards	1,064	0	1,406	2,470	2,500	2,500	30
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	56,899	(1,185)	1,034	56,748	57,388	57,387	639
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0
<u>Other Operations</u>							
Tourism	1,500	0	0	1,500	1,500	1,500	0
Industrial Development	63,782	0	500	64,282	64,275	64,275	(7)
Other Economic and Community Development	21,000	0	0	21,000	21,000	21,000	0
Veterans' Services	453	0	0	453	1,000	1,000	547
Miscellaneous	110,062	0	0	110,062	104,000	105,250	(4,812)
Total Expenditures	\$ 6,594,693	\$ (71,883)	\$ 40,586	\$ 6,563,396	\$ 6,690,298	\$ 6,971,980	\$ 408,584
Excess (Deficiency) of Revenues Over Expenditures	\$ 206,372	\$ 71,883	\$ (40,586)	\$ 237,669	\$ (193,379)	\$ (353,433)	\$ 591,102
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 180,730	\$ 0	\$ 0	\$ 180,730	\$ 181,230	\$ 181,230	\$ (500)
Insurance Recovery	240	0	0	240	0	240	0
Transfers Out	(2,499)	0	0	(2,499)	0	(2,499)	0
Discounts on Debt Issued	0	0	0	0	0	(500)	500
Total Other Financing Sources (Uses)	\$ 178,471	\$ 0	\$ 0	\$ 178,471	\$ 181,230	\$ 178,471	\$ 0
Net Change in Fund Balance	\$ 384,843	\$ 71,883	\$ (40,586)	\$ 416,140	\$ (12,149)	\$ (174,962)	\$ 591,102
Fund Balance, July 1, 2008	1,229,487	(71,883)	0	1,157,604	1,184,084	1,184,087	(26,483)
Fund Balance, June 30, 2009	\$ 1,614,330	\$ 0	\$ (40,586)	\$ 1,573,744	\$ 1,171,935	\$ 1,009,125	\$ 564,619

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 759,454	\$ 0	\$ 0	\$ 759,454	\$ 723,878	\$ 723,878	\$ 35,576
Charges for Current Services	219,737	0	0	219,737	250,000	250,000	(30,263)
Other Local Revenues	13,584	0	0	13,584	18,000	18,000	(4,416)
State of Tennessee	65,416	0	0	65,416	29,000	113,248	(47,832)
Total Revenues	\$ 1,058,191	\$ 0	\$ 0	\$ 1,058,191	\$ 1,020,878	\$ 1,105,126	\$ (46,935)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 99,277	\$ 0	\$ 0	\$ 99,277	\$ 109,233	\$ 109,538	\$ 10,261
Sanitation Education/Information	33,333	(300)	425	33,458	29,935	34,237	779
Waste Pickup	445,219	(23,751)	54,339	475,807	546,743	586,294	110,487
Convenience Centers	241,964	(2,450)	17,400	256,914	264,331	291,481	34,567
Recycling Center	109,780	(626)	2,196	111,350	68,875	147,846	36,496
Landfill Operation and Maintenance	86,495	(11,276)	14,275	89,494	130,661	123,361	33,867
<u>Other Operations</u>							
Other Charges	17,230	0	0	17,230	17,000	17,000	(230)
Miscellaneous	912	0	0	912	1,000	1,000	88
Total Expenditures	\$ 1,034,210	\$ (38,403)	\$ 88,635	\$ 1,084,442	\$ 1,167,778	\$ 1,310,757	\$ 226,315
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,981	\$ 38,403	\$ (88,635)	\$ (26,251)	\$ (146,900)	\$ (205,631)	\$ 179,380
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 23,981	\$ 38,403	\$ (88,635)	\$ (26,251)	\$ (146,900)	\$ (205,631)	\$ 179,380
Fund Balance, July 1, 2008	178,396	(38,403)	0	139,993	177,039	177,039	(37,046)
Fund Balance, June 30, 2009	\$ 202,377	\$ 0	\$ (88,635)	\$ 113,742	\$ 30,139	\$ (28,592)	\$ 142,334

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 174,117	\$ 0	\$ 0	\$ 174,117	\$ 105,740	\$ 105,740	\$ 68,377
Other Local Revenues	1,102	0	0	1,102	5,500	5,500	(4,398)
State of Tennessee	1,854,961	0	0	1,854,961	1,989,492	1,989,492	(134,531)
Total Revenues	\$ 2,030,180	\$ 0	\$ 0	\$ 2,030,180	\$ 2,100,732	\$ 2,100,732	\$ (70,552)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 115,005	\$ 0	\$ 0	\$ 115,005	\$ 121,806	\$ 121,806	\$ 6,801
Highway and Bridge Maintenance	1,092,511	(186,135)	235,280	1,141,656	2,119,171	2,119,171	977,515
Operation and Maintenance of Equipment	206,486	(7,164)	6,715	206,037	329,935	329,935	123,898
Other Charges	65,601	(350)	0	65,251	73,700	73,700	8,449
Employee Benefits	23,731	0	0	23,731	42,000	42,000	18,269
Capital Outlay	77,639	0	0	77,639	589,200	589,200	511,561
Total Expenditures	\$ 1,580,973	\$ (193,649)	\$ 241,995	\$ 1,629,319	\$ 3,275,812	\$ 3,275,812	\$ 1,646,493
Excess (Deficiency) of Revenues Over Expenditures	\$ 449,207	\$ 193,649	\$ (241,995)	\$ 400,861	\$ (1,175,080)	\$ (1,175,080)	\$ 1,575,941
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 449,207	\$ 193,649	\$ (241,995)	\$ 400,861	\$ (1,175,080)	\$ (1,175,080)	\$ 1,575,941
Fund Balance, July 1, 2008	2,185,844	(193,649)	0	1,992,195	1,989,650	1,989,650	2,545
Fund Balance, June 30, 2009	\$ 2,635,051	\$ 0	\$ (241,995)	\$ 2,393,056	\$ 814,570	\$ 814,570	\$ 1,578,486

Exhibit E-4

Morgan County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Morgan County School Department  
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	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)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-09	7-1-07	\$ 10,119	\$ 11,375	1,256	88.96 %	\$ 5,582	22.50 %
6-30-08	7-1-07	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 2007-08 fiscal year; therefore, data is only presented for two years.

Exhibit E-5

Morgan County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Morgan County School Department  
June 30, 2009

Local Education Group Plan

(Dollar amounts in thousands)

Fiscal Year Ended *	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-08	7-1-07	\$ 0	\$ 1,989	\$ 1,989	0 %	\$ 12,055	17%
6-30-09	7-1-07	0	1,989	1,989	0	12,055	17

\* Data only available for two years.

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**MORGAN COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2009**

**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 County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, 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 by \$28,592.

**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):

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Industrial Development	\$ 7
Miscellaneous	4,812
Solid Waste/Sanitation:	
Other Charges	230

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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Exhibit F-1

Morgan County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	0	50,727	\$ 50,727	\$ 0	\$ 0	50,727
	66,787	0	66,787	1,049,118		1,115,905
	0	0	0	85,336		85,336
	0	0	0	10,000		10,000
	0	721	721	0		721
\$	66,787	51,448	118,235	1,144,454	\$	1,262,689

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0	28,366	\$ 28,366	\$ 600,000	\$ 628,366
Total Liabilities	0	28,366	\$ 28,366	\$ 600,000	\$ 628,366
<u>Fund Balances</u>					
Reserved for Encumbrances	634	0	\$ 634	\$ 54,500	\$ 55,134
Reserved for Purchase of Electronic Fingerprint Imaging System	36,638	0	36,638	0	36,638
Unreserved	29,515	23,082	52,597	489,954	542,551
Total Fund Balances	66,787	23,082	\$ 89,869	\$ 544,454	\$ 634,323
Total Liabilities and Fund Balances	66,787	51,448	\$ 118,235	\$ 1,144,454	\$ 1,262,689

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, 2009

	<u>Special Revenue Funds</u>			Capital Projects	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	Fund General Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 46,579	\$ 46,579	\$ 0	\$ 46,579
Fines, Forfeitures, and Penalties	47,687	0	47,687	0	47,687
Charges for Current Services	0	127,306	127,306	0	127,306
State of Tennessee	0	0	0	92,482	92,482
Federal Government	0	0	0	482,816	482,816
Other Governments and Citizens Groups	0	0	0	6,792	6,792
Total Revenues	<u>\$ 47,687</u>	<u>\$ 173,885</u>	<u>\$ 221,572</u>	<u>\$ 582,090</u>	<u>\$ 803,662</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 123,074	\$ 123,074	\$ 0	\$ 123,074
Administration of Justice	0	47,579	47,579	0	47,579
Public Safety	59,181	0	59,181	0	59,181
Capital Projects	0	0	0	681,212	681,212
Total Expenditures	<u>\$ 59,181</u>	<u>\$ 170,653</u>	<u>\$ 229,834</u>	<u>\$ 681,212</u>	<u>\$ 911,046</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,494)</u>	<u>\$ 3,232</u>	<u>\$ (8,262)</u>	<u>\$ (99,122)</u>	<u>\$ (107,384)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 498,478	\$ 498,478
Transfers In	0	0	0	2,499	2,499
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 500,977</u>	<u>\$ 500,977</u>
Net Change in Fund Balances	\$ (11,494)	\$ 3,232	\$ (8,262)	\$ 401,855	\$ 393,593
Fund Balance, July 1, 2008	78,281	19,850	98,131	142,599	240,730
Fund Balance, June 30, 2009	<u>\$ 66,787</u>	<u>\$ 23,082</u>	<u>\$ 89,869</u>	<u>\$ 544,454</u>	<u>\$ 634,323</u>

Exhibit F-3

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 47,687 \$	0 \$	47,687 \$	37,500 \$	37,500 \$	10,187
Total Revenues	\$ 47,687 \$	0 \$	47,687 \$	37,500 \$	37,500 \$	10,187
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 59,181 \$	634 \$	59,815 \$	69,700 \$	69,700 \$	9,885
Total Expenditures	\$ 59,181 \$	634 \$	59,815 \$	69,700 \$	69,700 \$	9,885
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,494) \$	(634) \$	(12,128) \$	(32,200) \$	(32,200) \$	20,072
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (11,494) \$	(634) \$	(12,128) \$	(32,200) \$	(32,200) \$	20,072
	78,281	0	78,281	96,934	96,934	(18,653)
Fund Balance, June 30, 2009	\$ 66,787 \$	(634) \$	66,153 \$	64,734 \$	64,734 \$	1,419

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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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,147,945	\$ 1,103,010	\$ 1,103,010	\$ 44,935
Total Revenues	\$ 1,147,945	\$ 1,103,010	\$ 1,103,010	\$ 44,935
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 316,641	\$ 0	\$ 318,000	\$ 1,359
Education	345,000	0	345,000	0
<u>Interest on Debt</u>				
General Government	158,360	0	159,112	752
Education	612,304	0	880,888	268,584
<u>Other Debt Service</u>				
General Government	67,880	1,808,000	71,679	3,799
Education	191,255	0	191,255	0
Total Expenditures	\$ 1,691,440	\$ 1,808,000	\$ 1,965,934	\$ 274,494
Excess (Deficiency) of Revenues Over Expenditures	\$ (543,495)	\$ (704,990)	\$ (862,924)	\$ 319,429
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 13,835,000	\$ 0	\$ 13,835,000	\$ 0
Premiums on Debt Issued	67,079	0	67,079	0
Transfers In	0	90,000	0	0
Payments to Refunded Debt Escrow Agent	(13,744,145)	0	(13,744,145)	0
Total Other Financing Sources (Uses)	\$ 157,934	\$ 90,000	\$ 157,934	\$ 0
Net Change in Fund Balance	\$ (385,561)	\$ (614,990)	\$ (704,990)	\$ 319,429
Fund Balance, July 1, 2008	3,135,137	3,068,881	3,068,881	66,256
Fund Balance, June 30, 2009	\$ 2,749,576	\$ 2,453,891	\$ 2,363,891	\$ 385,685

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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 monthly.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, 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, 2009

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 582,975	\$ 582,975
Accounts Receivable	0	0	7,592	7,592
Due from Other Governments	56,875	0	0	56,875
Property Taxes Receivable	0	45,320	0	45,320
Total Assets	<u>\$ 56,875</u>	<u>\$ 45,320</u>	<u>\$ 590,567</u>	<u>\$ 692,762</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 56,875	\$ 45,320	\$ 0	\$ 102,195
Due to Litigants, Heirs, and Others	0	0	590,567	590,567
Total Liabilities	<u>\$ 56,875</u>	<u>\$ 45,320</u>	<u>\$ 590,567</u>	<u>\$ 692,762</u>

Exhibit H-2

Morgan County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 393,382	\$ 393,382	\$ 0
Due from Other Governments	61,752	56,875	61,752	56,875
Total Assets	\$ 61,752	\$ 450,257	\$ 455,134	\$ 56,875
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 61,752	\$ 450,257	\$ 455,134	\$ 56,875
Total Liabilities	\$ 61,752	\$ 450,257	\$ 455,134	\$ 56,875
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 37,922	\$ 37,922	\$ 0
Property Taxes Receivable	42,076	45,320	42,076	45,320
Total Assets	\$ 42,076	\$ 83,242	\$ 79,998	\$ 45,320
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,076	\$ 83,242	\$ 79,998	\$ 45,320
Total Liabilities	\$ 42,076	\$ 83,242	\$ 79,998	\$ 45,320
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 666,552	\$ 2,736,532	\$ 2,820,109	\$ 582,975
Accounts Receivable	1,151	7,592	1,151	7,592
Total Assets	\$ 667,703	\$ 2,744,124	\$ 2,821,260	\$ 590,567
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 667,703	\$ 2,744,124	\$ 2,821,260	\$ 590,567
Total Liabilities	\$ 667,703	\$ 2,744,124	\$ 2,821,260	\$ 590,567

(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	\$ 666,552	\$ 2,736,532	\$ 2,820,109	\$ 582,975
Equity in Pooled Cash and Investments	0	431,304	431,304	0
Account Receivable	1,151	7,592	1,151	7,592
Due from Other Governments	61,752	56,875	61,752	56,875
Property Taxes Receivable	42,076	45,320	42,076	45,320
Total Assets	<u>\$ 771,531</u>	<u>\$ 3,277,623</u>	<u>\$ 3,356,392</u>	<u>\$ 692,762</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 103,828	\$ 533,499	\$ 535,132	\$ 102,195
Due to Litigants, Heirs, and Others	667,703	2,744,124	2,821,260	590,567
Total Liabilities	<u>\$ 771,531</u>	<u>\$ 3,277,623</u>	<u>\$ 3,356,392</u>	<u>\$ 692,762</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, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,377,748	\$ 49,864	\$ 1,332,724	\$ 0
Support Services	9,475,028	0	357,170	81,188
Operation of Non-Instructional Services	2,641,141	566,792	2,055,110	0
Other Debt Service	676,680	0	0	0
Total Governmental Activities	\$ 28,170,597	\$ 616,656	\$ 3,745,004	\$ 81,188
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,528,760
Other Local Taxes				88,085
Grants and Contributions Not Restricted to Specific Programs				18,767,623
Unrestricted Investment Income				113,337
Miscellaneous				64,989
Total General Revenues				\$ 21,562,794
Change in Net Assets				\$ (2,164,955)
Net Assets, July 1, 2008				31,198,832
Net Assets, June 30, 2009				\$ 29,033,877

Exhibit I-2

Morgan County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Morgan County School Department  
June 30, 2009

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 140,086	\$ 1,272	\$ 1,000	\$ 142,358
Equity in Pooled Cash and Investments	734,241	127,336	895,638	1,757,215
Accounts Receivable	6,535	10,479	0	17,014
Due from Other Governments	721,102	65,832	182,581	969,515
Due from Other Funds	0	0	19,748	19,748
Property Taxes Receivable	2,747,797	0	0	2,747,797
Allowance for Uncollectible Property Taxes	(132,334)	0	0	(132,334)
<b>Total Assets</b>	<b>\$ 4,217,427</b>	<b>\$ 204,919</b>	<b>\$ 1,098,967</b>	<b>\$ 5,521,313</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 334	\$ 35,064	\$ 0	\$ 35,398
Payroll Deductions Payable	210,748	3,066	0	213,814
Due to Other Funds	19,748	0	0	19,748
Due to State of Tennessee	142,667	2,079	0	144,746
Deferred Revenue - Current Property Taxes	2,444,876	0	0	2,444,876
Deferred Revenue - Delinquent Property Taxes	157,343	0	0	157,343
<b>Total Liabilities</b>	<b>\$ 2,975,716</b>	<b>\$ 40,209</b>	<b>\$ 0</b>	<b>\$ 3,015,925</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 58,935	\$ 4,602	\$ 26,833	\$ 90,370
Reserved for Career Ladder - Extended Contract	2,849	0	0	2,849
Reserved for Career Ladder Program	785	0	0	785
Reserved for Basic Education Program	485,360	0	0	485,360
Reserved for Title I Grants to Local Education Agencies	0	56,442	0	56,442
Other Federal Reserves	0	103,666	0	103,666
Unreserved, Reported In:				
General Fund	693,782	0	0	693,782
Special Revenue Funds	0	0	1,072,134	1,072,134
<b>Total Fund Balances</b>	<b>\$ 1,241,711</b>	<b>\$ 164,710</b>	<b>\$ 1,098,967</b>	<b>\$ 2,505,388</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,217,427</b>	<b>\$ 204,919</b>	<b>\$ 1,098,967</b>	<b>\$ 5,521,313</b>

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, 2009

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$ 2,505,388
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,104,029	
Add: buildings and improvements net of accumulated depreciation	24,735,334	
Add: other capital assets net of accumulated depreciation	<u>7,838,199</u>	33,677,562
(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	\$ (6,842,466)	
Less: accrued interest on debt	(248,570)	
Less: other postemployment benefits liability	<u>(215,380)</u>	(7,306,416)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>157,343</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 29,033,877</u>

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, 2009

	Major Funds					Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects		
<u>Revenues</u>						
Local Taxes	\$ 2,610,280	\$ 0	\$ 0	\$ 0	\$ 0	2,610,280
Licenses and Permits	688	0	0	0	0	688
Charges for Current Services	48,993	0	567,663	0	0	616,656
Other Local Revenues	143,893	0	34,433	0	0	178,326
State of Tennessee	18,706,778	0	19,901	0	0	18,726,679
Federal Government	571,083	1,829,228	1,251,209	0	0	3,651,520
Other Governments and Citizens Groups	51,000	0	0	0	0	51,000
Total Revenues	\$ 22,132,715	\$ 1,829,228	\$ 1,873,206	\$ 0	\$ 0	\$ 25,835,149
<u>Expenditures</u>						
Current:						
Instruction	\$ 13,751,481	\$ 1,522,952	\$ 0	\$ 0	\$ 0	15,274,433
Support Services	7,442,595	323,946	0	0	0	7,766,541
Operation of Non-Instructional Services	873,817	0	1,610,911	0	0	2,484,728
Capital Outlay	522,510	0	0	0	0	522,510
Debt Service:						
Principal on Debt	283,001	0	0	0	0	283,001
Interest on Debt	428,110	0	0	0	0	428,110
Capital Projects	0	0	0	259,254	0	259,254
Total Expenditures	\$ 23,301,514	\$ 1,846,898	\$ 1,610,911	\$ 259,254	\$ 259,254	\$ 27,018,577
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,168,799)	\$ (17,670)	\$ 262,295	\$ (259,254)	\$ (1,183,428)	
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 75,771	\$ 0	\$ 0	\$ 0	\$ 0	75,771
Transfers In	59,563	0	71,243	0	0	130,806
Transfers Out	(71,243)	(59,563)	0	0	0	(130,806)
Total Other Financing Sources (Uses)	\$ 64,091	\$ (59,563)	\$ 71,243	\$ 0	\$ 0	\$ 75,771
Net Change in Fund Balances Fund Balance, July 1, 2008	\$ (1,104,708)	\$ (77,233)	\$ 333,538	\$ (259,254)	\$ (259,254)	\$ (1,107,657)
Fund Balance, July 1, 2008	2,346,419	241,943	765,429	259,254	259,254	3,613,045
Fund Balance, June 30, 2009	\$ 1,241,711	\$ 164,710	\$ 1,098,967	\$ 0	\$ 0	\$ 2,505,388

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, 2009

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)		\$ (1,107,657)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,325,408	
Less: current year depreciation expense	<u>(2,246,355)</u>	(920,947)
(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, 2008	\$ (150,778)	
Add: deferred delinquent property taxes and other deferred June 30, 2009	<u>157,343</u>	6,565
(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	\$ (75,771)	
Add: capital lease principal payments	<u>283,001</u>	207,230
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest on debt	\$ (248,570)	
Change in other postemployment benefits liability	<u>(101,576)</u>	<u>(350,146)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,164,955)</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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,610,280	\$ 0	\$ 0	\$ 2,610,280	\$ 2,556,893	\$ 2,556,893	\$ 53,387
Licenses and Permits	688	0	0	688	750	750	(62)
Charges for Current Services	48,993	0	0	48,993	26,400	26,400	22,593
Other Local Revenues	143,893	0	0	143,893	160,000	208,374	(64,481)
State of Tennessee	18,706,778	0	0	18,706,778	17,891,021	19,456,006	(749,228)
Federal Government	571,083	0	0	571,083	0	68,976	502,107
Other Governments and Citizens Groups	51,000	0	0	51,000	0	51,000	0
Total Revenues	\$ 22,132,715	\$ 0	\$ 0	\$ 22,132,715	\$ 20,635,064	\$ 22,368,399	\$ (235,684)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,019,582	\$ (150)	\$ 0	\$ 11,019,432	\$ 10,427,955	\$ 11,111,277	\$ 91,845
Special Education Program	1,788,698	0	0	1,788,698	1,742,497	1,775,018	(13,680)
Vocational Education Program	943,201	(17,184)	20	926,037	919,950	926,572	535
<u>Support Services</u>							
Attendance	141,596	0	0	141,596	137,293	142,522	926
Health Services	227,958	0	0	227,958	238,328	233,099	5,141
Other Student Support	541,292	0	1,745	543,037	492,933	546,722	3,685
Regular Instruction Program	859,023	(5,486)	3,377	856,914	806,126	914,943	58,029
Special Education Program	155,452	0	0	155,452	154,607	154,807	(645)
Vocational Education Program	79,015	0	0	79,015	91,264	85,397	6,382
Other Programs	64,757	0	0	64,757	0	64,757	0
Board of Education	526,249	0	0	526,249	532,091	537,191	10,942
Director of Schools	360,565	0	414	360,979	247,903	369,006	8,027
Office of the Principal	1,177,953	0	0	1,177,953	1,198,238	1,193,288	15,335
Operation of Plant	1,540,528	(1,072)	3,839	1,543,295	1,570,298	1,538,411	(4,884)
Maintenance of Plant	817,658	(284,573)	28,880	561,965	626,901	650,088	88,123
Transportation	950,549	(647)	1,944	951,846	996,451	973,730	21,884

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 3,234	\$ 0	\$ 4,766	\$ 8,000	\$ 30,039	\$ 8,000	\$ 0
Early Childhood Education	870,583	(11,494)	13,950	873,039	0	989,202	116,163
<u>Capital Outlay</u>							
Regular Capital Outlay	522,510	0	0	522,510	167,000	522,510	0
<u>Principal on Debt</u>							
Education	283,001	0	0	283,001	0	283,001	0
<u>Interest on Debt</u>							
Education	428,110	0	0	428,110	0	428,110	0
<u>Other Debt Service</u>							
Education	0	0	0	0	265,986	0	0
Total Expenditures	\$ 23,301,514	\$ (320,606)	\$ 58,935	\$ 23,039,843	\$ 20,645,860	\$ 23,447,651	\$ 407,808
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,168,799)	\$ 320,606	\$ (58,935)	\$ (907,128)	\$ (10,796)	\$ (1,079,252)	\$ 172,124
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 75,771	\$ 0	\$ 0	\$ 75,771	\$ 0	\$ 75,771	\$ 0
Insurance Recovery	0	0	0	0	0	6,550	(6,550)
Transfers In	59,563	0	0	59,563	60,000	60,000	(437)
Transfers Out	(71,243)	0	0	(71,243)	(49,204)	(71,243)	0
Total Other Financing Sources (Uses)	\$ 64,091	\$ 0	\$ 0	\$ 64,091	\$ 10,796	\$ 71,078	\$ (6,987)
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (1,104,708)	\$ 320,606	\$ (58,935)	\$ (843,037)	\$ 0	\$ (1,008,174)	\$ 165,137
Fund Balance, July 1, 2008	2,346,419	(320,606)	0	2,025,813	1,915,609	1,915,609	110,204
Fund Balance, June 30, 2009	\$ 1,241,711	\$ 0	\$ (58,935)	\$ 1,182,776	\$ 1,915,609	\$ 907,435	\$ 275,341

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,829,228	\$ 0	\$ 0	\$ 1,829,228	\$ 1,796,044	\$ 1,930,943	\$ (101,715)
Total Revenues	\$ 1,829,228	\$ 0	\$ 0	\$ 1,829,228	\$ 1,796,044	\$ 1,930,943	\$ (101,715)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 775,533	\$ (4,998)	\$ 614	\$ 771,149	\$ 717,502	\$ 938,508	\$ 167,359
Special Education Program	692,086	0	0	692,086	688,923	690,341	(1,745)
Vocational Education Program	55,333	(4,500)	577	51,410	50,777	50,785	(625)
<u>Support Services</u>							
Health Services	47,260	0	0	47,260	0	43,230	(4,030)
Other Student Support	19,355	(2,549)	3,108	19,914	24,900	24,900	4,986
Regular Instruction Program	250,213	0	303	250,516	305,842	343,359	92,843
Special Education Program	5,521	0	0	5,521	6,500	6,500	979
Vocational Education Program	1,597	0	0	1,597	1,600	1,600	3
Total Expenditures	\$ 1,846,898	\$ (12,047)	\$ 4,602	\$ 1,839,453	\$ 1,796,044	\$ 2,099,223	\$ 259,770
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,670)	\$ 12,047	\$ (4,602)	\$ (10,225)	\$ 0	\$ (168,280)	\$ 158,055
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 207,720	\$ (207,720)
Transfers Out	(59,563)	0	0	(59,563)	0	(207,720)	148,157
Total Other Financing Sources (Uses)	\$ (59,563)	\$ 0	\$ 0	\$ (59,563)	\$ 0	\$ 0	\$ (59,563)
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (77,233)	\$ 12,047	\$ (4,602)	\$ (69,788)	\$ 0	\$ (168,280)	\$ 98,492
Fund Balance, July 1, 2008	241,943	(12,047)	0	229,896	233,533	233,533	(3,637)
Fund Balance, June 30, 2009	\$ 164,710	\$ 0	\$ (4,602)	\$ 160,108	\$ 233,533	\$ 65,253	\$ 94,855

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 567,663	\$ 0	\$ 0	\$ 567,663	\$ 684,970	\$ 674,970	\$ (107,307)
Other Local Revenues	34,433	0	0	34,433	25,000	25,000	9,433
State of Tennessee	19,901	0	0	19,901	25,000	25,000	(5,099)
Federal Government	1,251,209	0	0	1,251,209	1,058,797	1,058,797	192,412
Total Revenues	\$ 1,873,206	\$ 0	\$ 0	\$ 1,873,206	\$ 1,793,767	\$ 1,783,767	\$ 89,439
<u>Expenditures</u>							
Operation of Non-Instructional Services							
Food Service	\$ 1,558,722	\$ (37,909)	\$ 225	\$ 1,521,038	\$ 1,752,021	\$ 1,811,225	\$ 290,187
Community Services	52,189	(2,724)	26,608	76,073	90,950	92,989	16,916
Total Expenditures	\$ 1,610,911	\$ (40,633)	\$ 26,833	\$ 1,597,111	\$ 1,842,971	\$ 1,904,214	\$ 307,103
Excess (Deficiency) of Revenues Over Expenditures	\$ 262,295	\$ 40,633	\$ (26,833)	\$ 276,095	\$ (49,204)	\$ (120,447)	\$ 396,542
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 71,243	\$ 0	\$ 0	\$ 71,243	\$ 49,204	\$ 120,447	\$ (49,204)
Total Other Financing Sources (Uses)	\$ 71,243	\$ 0	\$ 0	\$ 71,243	\$ 49,204	\$ 120,447	\$ (49,204)
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 333,538	\$ 40,633	\$ (26,833)	\$ 347,338	\$ 0	\$ 0	\$ 347,338
	765,429	(40,633)	0	724,796	550,214	550,214	174,582
Fund Balance, June 30, 2009	\$ 1,098,967	\$ 0	\$ (26,833)	\$ 1,072,134	\$ 550,214	\$ 550,214	\$ 521,920

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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, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-09
<b>PRIMARY GOVERNMENT</b>									
<b>NOTES PAYABLE</b>									
Payable through General Debt Service Fund									
Vehicles (Police and Ambulance)	\$ 160,000	4.19 %	10-11-06	10-11-08	\$ 80,000	\$ 0	80,000	\$ 0	\$ 0
Ambulance-Heart Monitors-Patrol Cars	156,250	3.85	10-5-07	10-5-09	156,250	0	76,641	0	79,609
Ambulance-Patrol Cars	181,230	2.5	10-10-08	10-10-10	0	181,230	0	0	181,230
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	0	498,478	0	0	498,478
Total Notes Payable					\$ 236,250	\$ 679,708	\$ 156,641	\$ 0	\$ 759,317
<b>BONDS PAYABLE</b>									
Payable through General Debt Service Fund									
General Obligation	500,000	2.8	4-22-03	6-1-14	\$ 295,000	\$ 0	45,000	\$ 0	\$ 250,000
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	0	3,740,000	460,000	0	3,280,000
Total Bonds Payable					\$ 295,000	\$ 3,740,000	\$ 505,000	\$ 0	\$ 3,530,000
<b>OTHER LOANS PAYABLE</b>									
Payable through General Debt Service Fund									
Public Building Authority of Blount County - \$9,888,000 (Schools)	10,000,000	Variable	6-21-01	8-28-08	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000	\$ 0
\$112,000 (Jail)									
Public Building Authority of Sevier County - \$4,118,000 (Schools)	5,500,000	Variable	1-31-02	8-27-08	3,740,000	0	0	3,740,000	0
\$1,382,000 (Jail)									
Public Building Authority of Blount County	1,750,000	5.6 to 6	10-18-07	6-30-24	1,750,000	0	0	0	1,750,000
Public Improvement - Series B-13-A									
Public Building Authority of Sevier County - 99% Schools, 1% County (Jail)	10,095,000	Variable	8-28-08	6-1-26	0	10,095,000	0	0	10,095,000
Series VII-A-3									
Total Other Loans Payable					\$ 15,490,000	\$ 10,095,000	\$ 0	\$ 13,740,000	\$ 11,845,000

(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 7-1-08	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-09
<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	\$ 6,448,282	\$ 0	\$ 214,747	\$ 0	\$ 6,233,535
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	601,414	0	63,254	0	538,160
School Bus	75,771	4.23	9-10-08	9-10-10	0	75,771	5,000	0	70,771
Total Capital Leases Payable					\$ 7,049,696	\$ 75,771	\$ 283,001	\$ 0	\$ 6,842,466

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	Notes		
	Principal	Interest	Total
2010	\$ 240,316	\$ 7,596	\$ 247,912
2011	162,944	2,293	165,237
2012	71,211	0	71,211
2013	71,211	0	71,211
2014	71,211	0	71,211
2015	71,212	0	71,212
2016	71,212	0	71,212
Total	\$ 759,317	\$ 9,889	\$ 769,206

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 535,000	\$ 125,325	\$ 660,325
2011	560,000	109,365	669,365
2012	580,000	90,115	670,115
2013	605,000	70,165	675,165
2014	640,000	49,340	689,340
2015	610,000	24,400	634,400
Total	\$ 3,530,000	\$ 468,710	\$ 3,998,710

Year Ending June 30	Other Loans			
	Principal	Interest	Fees	Total
2010	\$ 0	\$ 120,024	\$ 3,000	\$ 123,024
2011	0	120,024	3,000	123,024
2012	0	120,024	3,000	123,024
2013	0	120,024	3,000	123,024
2014	0	120,024	3,000	123,024

(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 Loans (Cont.)			Total
	Principal	Interest	Fees	
2015	\$ 125,000	\$ 120,024	\$ 3,000	\$ 248,024
2016	820,000	113,087	3,000	936,087
2017	870,000	103,548	3,000	976,548
2018	910,000	93,848	3,000	1,006,848
2019	980,000	84,006	3,000	1,067,006
2020	1,030,000	72,138	3,000	1,105,138
2021	1,105,000	60,185	3,000	1,168,185
2022	1,160,000	46,646	3,000	1,209,646
2023	1,215,000	33,014	3,000	1,251,014
2024	1,295,000	19,288	3,000	1,317,288
2025	1,135,000	3,969	3,000	1,141,969
2026	1,200,000	2,040	3,000	1,205,040
Total	<u>\$ 11,845,000</u>	<u>\$ 1,351,913</u>	<u>\$ 51,000</u>	<u>\$ 13,247,913</u>

DISCRETELY PRESENTED MORGAN COUNTY  
SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2010	\$ 401,144	\$ 342,614	\$ 743,758
2011	421,003	322,753	743,756
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	<u>\$ 6,842,466</u>	<u>\$ 2,738,443</u>	<u>\$ 9,580,909</u>

Exhibit J-3

Morgan County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Operations	\$ 2,499
Total Transfers Primary Government			\$ 2,499
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	Central Cafeteria	Operations	\$ 71,243
School Federal Projects	General Purpose School	"	59,563
Total Transfers Discretely Presented Morgan County School Department			\$ 130,806

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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 66,702	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	63,527	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>	57,751	700,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	57,751 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	63,527 (3)	25,000	"
Director of Finance	Board of County Commissioners	48,239 (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 \$1,000.
- (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, 2009

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund					Capital Projects
						General	Debt Service				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 3,447,534	\$ 667,367	\$ 0	\$ 0	\$ 50,826	\$ 232,166	\$ 0	\$ 4,397,893			
Trustee's Collections - Prior Year	256,064	50,215	0	0	3,825	14,132	0	324,236			
Circuit/Clerk & Master Collections - Prior Years	161,291	31,242	0	46,579	2,379	10,773	0	252,264			
Interest and Penalty	43,320	8,481	0	0	646	2,457	0	54,904			
Pick-up Taxes	11,080	2,149	0	0	164	727	0	14,120			
Payments in-Lieu-of Taxes - Local Utilities	19,159	0	0	0	0	0	0	19,159			
Payments in-Lieu-of Taxes - Other	21,571	0	0	0	0	0	0	21,571			
<u>County Local Option Taxes</u>											
Local Option Sales Tax	0	0	0	0	0	883,103	0	883,103			
Litigation Tax - General	40,667	0	0	0	0	0	0	40,667			
Litigation Tax - Special Purpose	302	0	0	0	0	0	0	302			
Litigation Tax - Jail, Workhouse, or Courthouse	17,809	0	0	0	0	0	0	17,809			
Mineral Severance Tax	0	0	0	0	116,277	0	0	116,277			
<u>Statutory Local Taxes</u>											
Bank Excise Tax	30,548	0	0	0	0	0	0	30,548			
Beer Privilege Tax	1,470	0	0	0	0	0	0	1,470			
Interstate Telecommunications Tax	0	0	0	0	0	4,587	0	4,587			
Total Local Taxes	\$ 4,050,815	\$ 759,454	\$ 0	\$ 46,579	\$ 174,117	\$ 1,147,945	\$ 0	\$ 6,178,910			
<u>Licenses and Permits</u>											
<u>Licenses</u>											
Marriage Licenses	\$ 682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 682			
Cable TV Franchise	38,614	0	0	0	0	0	0	38,614			
<u>Permits</u>											
Beer Permits	1,250	0	0	0	0	0	0	1,250			
Total Licenses and Permits	\$ 40,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,546			
<u>Fines, Forfeitures, and Penalties</u>											
Circuit Court	\$ 1,871	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,871			
Fines											

(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	Debt Service Fund		Capital Projects Fund				
						General	Debt Service	General	Capital Projects			
<b>Fines, Forfeitures, and Penalties (Cont.)</b>												
<u>Circuit Court (Cont.)</u>												
Officers Costs	\$ 3,873	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,873
Game and Fish Fines	45	0	0	0	0	0	0	0	0	0	0	45
Drug Control Fines	1,392	0	5,956	0	0	0	0	0	0	0	0	7,348
Jail Fees	410	0	0	0	0	0	0	0	0	0	0	410
Data Entry Fee - Circuit Court	713	0	0	0	0	0	0	0	0	0	0	713
<u>General Sessions Court</u>												
Fines	17,145	0	0	0	0	0	0	0	0	0	0	17,145
Officers Costs	35,126	0	0	0	0	0	0	0	0	0	0	35,126
Game and Fish Fines	826	0	0	0	0	0	0	0	0	0	0	826
Drug Control Fines	12,180	0	23,663	0	0	0	0	0	0	0	0	35,843
Jail Fees	6,025	0	0	0	0	0	0	0	0	0	0	6,025
DUI Treatment Fines	12,043	0	0	0	0	0	0	0	0	0	0	12,043
Data Entry Fee - General Sessions Court	3,647	0	0	0	0	0	0	0	0	0	0	3,647
<u>Juvenile Court</u>												
Fines	508	0	0	0	0	0	0	0	0	0	0	508
Officers Costs	3,665	0	0	0	0	0	0	0	0	0	0	3,665
Drug Court Fees	18,685	0	0	0	0	0	0	0	0	0	0	18,685
Data Entry Fee - Juvenile Court	357	0	0	0	0	0	0	0	0	0	0	357
<u>Chancery Court</u>												
Officers Costs	2,422	0	0	0	0	0	0	0	0	0	0	2,422
Data Entry Fee - Chancery Court	2,866	0	0	0	0	0	0	0	0	0	0	2,866
Courtroom Security Fee	38	0	0	0	0	0	0	0	0	0	0	38
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property	0	0	18,068	0	0	0	0	0	0	0	0	18,068
Total Fines, Forfeitures, and Penalties	\$ 123,837	\$ 0	\$ 47,687	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 171,524
<u>Charges for Current Services</u>												
<u>General Service Charges</u>												
Solid Waste Disposal Fees	\$ 0	\$ 219,737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 219,737
Patient Charges	1,023,218	0	0	0	0	0	0	0	0	0	0	1,023,218

(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		Fund		Fund		
							General	Debt Service	General	Capital Projects	
<u>Charges for Current Services (Cont.)</u>											
<u>General Service Charges (Cont.)</u>											
Other General Service Charges	\$ 1,064	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,064
<u>Fees</u>											
Copy Fees	14,258	0	0	0	0	0	0	0	0	0	14,258
Library Fees	7,763	0	0	0	0	0	0	0	0	0	7,763
Telephone Commissions	4,684	0	0	0	0	0	0	0	0	0	4,684
Constitutional Officers' Fees and Commissions	0	0	0	126,306	0	0	0	0	0	0	126,306
Special Commissioner Fees/Special Master Fees	0	0	0	1,000	0	0	0	0	0	0	1,000
Data Processing Fee - Register	8,056	0	0	0	0	0	0	0	0	0	8,056
Data Processing Fee - Sheriff	3,189	0	0	0	0	0	0	0	0	0	3,189
<u>Total Charges for Current Services</u>	<u>\$ 1,062,232</u>	<u>\$ 219,737</u>	<u>\$ 0</u>	<u>\$ 127,306</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,409,275</u>
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 50,129	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,129
Lease/Rentals	14	0	0	0	0	0	0	0	0	0	14
Commissary Sales	17,267	0	0	0	0	0	0	0	0	0	17,267
Sale of Recycled Materials	0	13,416	0	0	63	0	0	0	0	0	13,479
Miscellaneous Refunds	6,344	168	0	0	589	0	0	0	0	0	7,101
<u>Nonrecurring Items</u>											
Sale of Equipment	0	0	0	0	450	0	0	0	0	0	450
Sale of Property	30,604	0	0	0	0	0	0	0	0	0	30,604
Damages Recovered from Individuals	872	0	0	0	0	0	0	0	0	0	872
<u>Other Local Revenues</u>											
Other Local Revenues	70	0	0	0	0	0	0	0	0	0	70
<u>Total Other Local Revenues</u>	<u>\$ 105,300</u>	<u>\$ 13,584</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,102</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,986</u>
<u>Fees Received from County Officials</u>											
Excess Fees	\$ 120,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,000
Trustee											

(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	Debt Service Fund		Capital Projects Fund				
						General	Debt Service	General	Capital Projects			
<u>Fees Received from County Officials (Cont.)</u>												
<u>Fees in-Lieu-of-Salary</u>												
County Clerk	\$ 124,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 124,344
Circuit Court Clerk	24,765	0	0	0	0	0	0	0	0	0	0	24,765
General Sessions Court Clerk	131,143	0	0	0	0	0	0	0	0	0	0	131,143
Clerk and Master	114,518	0	0	0	0	0	0	0	0	0	0	114,518
Juvenile Court Clerk	15,687	0	0	0	0	0	0	0	0	0	0	15,687
Register	78,666	0	0	0	0	0	0	0	0	0	0	78,666
Sheriff	6,331	0	0	0	0	0	0	0	0	0	0	6,331
Other Officials	77,315	0	0	0	0	0	0	0	0	0	0	77,315
Total Fees Received from County Officials	\$ 692,769	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 692,769
<u>State of Tennessee</u>												
General Government Grants												
Juvenile Services Program	\$ 11,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,250
State Reappraisal Grant	6,904	0	0	0	0	0	0	0	0	0	0	6,904
<u>Public Safety Grants</u>												
Drug Control Grants	43,019	0	0	0	0	0	0	0	0	0	0	43,019
Public Works Grants												
State Aid Program	0	0	0	0	173,285	0	0	0	0	0	0	173,285
Litter Program	0	33,758	0	0	0	0	0	0	0	0	0	33,758
<u>Other State Revenues</u>												
Income Tax	20,227	0	0	0	0	0	0	0	0	0	0	20,227
Beer Tax	18,701	0	0	0	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	42,457	0	0	0	0	0	0	0	0	0	0	42,457
State Revenue Sharing - T.V.A.	266,054	0	0	0	0	0	0	0	0	0	0	266,054
Contracted Prisoner Boarding	117,565	0	0	0	0	0	0	0	0	0	0	117,565
Gasoline and Motor Fuel Tax	0	0	0	0	1,665,809	0	0	0	0	0	0	1,665,809
Petroleum Special Tax	0	0	0	0	15,867	0	0	0	0	0	0	15,867
Registrar's Salary Supplement	13,118	0	0	0	0	0	0	0	0	0	0	13,118
Other State Grants	72,286	31,658	0	0	0	0	0	0	0	0	82,482	186,426
Other State Revenues	10,635	0	0	0	0	0	0	0	0	0	10,000	20,635
Total State of Tennessee	\$ 622,216	\$ 65,416	\$ 0	\$ 0	\$ 1,854,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 92,482	\$ 2,635,075

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Debt Service	General Capital Projects			
<b>Federal Government</b>											
<b>Federal Through State</b>											
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 325,833	\$ 325,833	\$ 0	\$ 325,833
Disaster Relief	0	0	0	0	0	0	0	8,000	8,000	0	8,000
Homeland Security Grants	0	0	0	0	0	0	0	58,647	58,647	0	58,647
Other Federal through State	0	0	0	0	0	0	0	90,336	90,336	0	90,336
<b>Total Federal Government</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 482,816</b>	<b>\$ 482,816</b>	<b>\$ 0</b>	<b>\$ 482,816</b>
<b>Other Governments and Citizens Groups</b>											
<b>Other Governments</b>											
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,792	6,792	\$ 0	6,792
Contracted Services	100,439	0	0	0	0	0	0	0	0	0	100,439
<b>Citizens Groups</b>											
Donations	261	0	0	0	0	0	0	0	0	0	261
Other	2,650	0	0	0	0	0	0	0	0	0	2,650
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 103,350</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,792</b>	<b>\$ 6,792</b>	<b>\$ 0</b>	<b>\$ 110,142</b>
<b>Total</b>	<b>\$ 6,801,065</b>	<b>\$ 1,058,191</b>	<b>\$ 47,687</b>	<b>\$ 173,885</b>	<b>\$ 2,030,180</b>	<b>\$ 1,147,945</b>	<b>\$ 582,090</b>	<b>\$ 11,841,043</b>	<b>\$ 11,841,043</b>	<b>\$ 0</b>	<b>\$ 11,841,043</b>

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, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,219,894	\$ 0	\$ 0	\$ 2,219,894
Trustee's Collections - Prior Year	162,456	0	0	162,456
Circuit/Clerk & Master Collections - Prior Years	103,627	0	0	103,627
Interest and Penalty	29,062	0	0	29,062
Pick-up Taxes	7,156	0	0	7,156
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	88,015	0	0	88,015
Beer Privilege Tax	70	0	0	70
<b>Total Local Taxes</b>	<b>\$ 2,610,280</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,610,280</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 688	\$ 0	\$ 0	\$ 688
<b>Total Licenses and Permits</b>	<b>\$ 688</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 688</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 12,322	\$ 0	\$ 0	\$ 12,322
Tuition - Other	1,475	0	0	1,475
Lunch Payments - Children	0	0	296,092	296,092
Lunch Payments - Adults	0	0	41,985	41,985
Income from Breakfast	0	0	110,700	110,700
A la carte Sales	0	0	118,015	118,015
Receipts from Individual Schools	35,196	0	0	35,196
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	871	871
<b>Total Charges for Current Services</b>	<b>\$ 48,993</b>	<b>\$ 0</b>	<b>\$ 567,663</b>	<b>\$ 616,656</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 78,914	\$ 0	\$ 34,423	\$ 113,337
Miscellaneous Refunds	64,979	0	10	64,989
<b>Total Other Local Revenues</b>	<b>\$ 143,893</b>	<b>\$ 0</b>	<b>\$ 34,433</b>	<b>\$ 178,326</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 64,757	\$ 0	\$ 0	\$ 64,757
<u>State Education Funds</u>				
Basic Education Program	17,044,003	0	0	17,044,003
Early Childhood Education	618,389	0	0	618,389
School Food Service	0	0	19,901	19,901
Driver Education	5,490	0	0	5,490
Other State Education Funds	79,255	0	0	79,255
Career Ladder Program	200,094	0	0	200,094
Career Ladder - Extended Contract	119,700	0	0	119,700
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	266,054	0	0	266,054
Other State Grants	243,529	0	0	243,529

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Other State Revenues	\$ 65,507	\$ 0	\$ 0	\$ 65,507
Total State of Tennessee	\$ 18,706,778	\$ 0	\$ 19,901	\$ 18,726,679
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 821,758	\$ 821,758
Breakfast	0	0	365,480	365,480
USDA - Other	0	0	63,971	63,971
Vocational Education - Basic Grants to States	0	60,539	0	60,539
Title I Grants to Local Education Agencies	0	787,489	0	787,489
Special Education - Grants to States	31,083	660,427	0	691,510
Special Education Preschool Grants	0	35,348	0	35,348
Safe and Drug-free Schools - State Grants	540,000	12,444	0	552,444
Rural Education	0	64,432	0	64,432
Eisenhower Professional Development State Grants	0	205,549	0	205,549
Other Federal through State	0	3,000	0	3,000
Total Federal Government	\$ 571,083	\$ 1,829,228	\$ 1,251,209	\$ 3,651,520
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 51,000	\$ 0	\$ 0	\$ 51,000
Total Other Governments and Citizens Groups	\$ 51,000	\$ 0	\$ 0	\$ 51,000
Total	\$ 22,132,715	\$ 1,829,228	\$ 1,873,206	\$ 25,835,149

Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	25,770	
Social Security		1,598	
Employer Medicare		374	
Audit Services		5,927	
Dues and Memberships		15,350	
Legal Services		13,371	
Legal Notices, Recording, and Court Costs		1,334	
Pauper Burials		1,000	
Postal Charges		576	
Office Supplies		1,021	
Other Supplies and Materials		779	
Premiums on Corporate Surety Bonds		5,529	
Other Charges		3,704	
Total County Commission			\$ 76,333

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Assistant(s)		22,176	
Clerical Personnel		20,678	
Longevity Pay		1,100	
Social Security		6,725	
State Retirement		7,400	
Medical Insurance		21,181	
Employer Medicare		1,573	
Communication		2,481	
Postal Charges		285	
Travel		2,138	
Office Supplies		182	
Total County Mayor/Executive			152,621

County Attorney

Legal Services	\$	10,346	
Total County Attorney			10,346

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		16,924	
Temporary Personnel		3,925	
Overtime Pay		173	
Election Commission		8,977	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	11,930	
Social Security		4,474	
State Retirement		4,563	
Medical Insurance		9,316	
Employer Medicare		1,046	
Advertising		1,800	
Communication		1,529	
Dues and Memberships		120	
Maintenance and Repair Services - Office Equipment		12,816	
Postal Charges		1,188	
Rentals		2,000	
Travel		2,672	
Office Supplies		4,902	
Total Election Commission			\$ 140,331

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		19,349	
Longevity Pay		500	
Social Security		4,774	
State Retirement		5,199	
Medical Insurance		4,647	
Employer Medicare		1,116	
Communication		1,843	
Postal Charges		650	
Printing, Stationery, and Forms		1,439	
Rentals		1,650	
Office Supplies		519	
Office Equipment		7,680	
Total Register of Deeds			107,117

County Buildings

Custodial Personnel	\$	20,801	
Longevity Pay		400	
Social Security		1,314	
State Retirement		1,216	
Medical Insurance		442	
Employer Medicare		307	
Communication		1,357	
Maintenance and Repair Services - Buildings		62,588	

(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		6,475	
Electricity		42,512	
Natural Gas		8,174	
Office Supplies		9,008	
Water and Sewer		6,824	
Other Supplies and Materials		1,261	
Liability Insurance		227,432	
Workers' Compensation Insurance		125,785	
Total County Buildings			\$ 520,036

Finance

Accounting and Budgeting

Supervisor/Director	\$	48,239	
Accountants/Bookkeepers		99,169	
Longevity Pay		4,100	
Social Security		8,860	
State Retirement		10,151	
Medical Insurance		32,127	
Employer Medicare		2,072	
Communication		3,073	
Maintenance and Repair Services - Office Equipment		9,429	
Postal Charges		5,847	
Travel		722	
Office Supplies		5,064	
In Service/Staff Development		556	
Data Processing Equipment		4,595	
Total Accounting and Budgeting			234,004

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		40,521	
Part-time Personnel		7,901	
Longevity Pay		1,400	
Board and Committee Members Fees		2,850	
Social Security		6,401	
State Retirement		6,677	
Medical Insurance		13,480	
Employer Medicare		1,497	

(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	\$	134	
Audit Services		1,575	
Communication		1,140	
Data Processing Services		4,096	
Maintenance and Repair Services - Office Equipment		506	
Postal Charges		650	
Travel		2,009	
Office Supplies		1,991	
Total Property Assessor's Office			\$ 150,579

Reappraisal Program

Clerical Personnel	\$	19,849	
Part-time Personnel		32	
Longevity Pay		700	
Social Security		1,067	
State Retirement		1,379	
Medical Insurance		11,888	
Employer Medicare		250	
Data Processing Services		2,848	
Travel		1,260	
Other Supplies and Materials		412	
Total Reappraisal Program			39,685

County Trustee's Office

Social Security	\$	6,182	
State Retirement		6,544	
Medical Insurance		20,148	
Employer Medicare		1,446	
Total County Trustee's Office			34,320

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		48,149	
Part-time Personnel		2,910	
Longevity Pay		600	
Social Security		6,157	
State Retirement		7,095	
Medical Insurance		34,872	
Employer Medicare		1,440	
Communication		1,964	

(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.)

Dues and Memberships	\$	397	
Postal Charges		2,964	
Travel		148	
Office Supplies		2,555	
Office Equipment		1,650	
Total County Clerk's Office			\$ 168,652

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		76,780	
Longevity Pay		2,000	
Overtime Pay		3,294	
Social Security		8,467	
State Retirement		9,368	
Medical Insurance		30,475	
Employer Medicare		1,980	
Communication		2,225	
Dues and Memberships		140	
Maintenance and Repair Services - Office Equipment		11,504	
Postal Charges		1,550	
Rentals		1,778	
Travel		483	
Office Supplies		5,534	
Total Circuit Court			213,329

Criminal Court

Jury and Witness Fees	\$	7,583	
Postal Charges		2,514	
Total Criminal Court			10,097

General Sessions Court

Paraprofessionals	\$	5,465	
Clerical Personnel		17,854	
Longevity Pay		100	
Social Security		1,452	
State Retirement		1,569	
Medical Insurance		8,261	
Employer Medicare		340	
Communication		1,762	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Dues and Memberships	\$	120	
Postal Charges		160	
Travel		2,510	
Office Supplies		2,560	
Total General Sessions Court			\$ 42,153

General Sessions Judge

Judge(s)	\$	101,149	
Social Security		6,071	
State Retirement		6,777	
Medical Insurance		11,888	
Employer Medicare		1,420	
Total General Sessions Judge			127,305

Drug Court

Assistant(s)	\$	24,551	
Guards		3,807	
Longevity Pay		100	
Social Security		1,764	
State Retirement		1,652	
Medical Insurance		11,888	
Unemployment Compensation		112	
Employer Medicare		413	
Communication		2,626	
Maintenance and Repair Services - Equipment		1,154	
Postal Charges		160	
Travel		10,397	
Other Contracted Services		1,630	
Office Supplies		9,024	
Total Drug Court			69,278

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		43,489	
Longevity Pay		3,000	
Social Security		6,167	
State Retirement		6,984	
Medical Insurance		24,795	
Employer Medicare		1,442	
Communication		1,772	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	60	
Maintenance and Repair Services - Office Equipment		111	
Postal Charges		1,300	
Travel		397	
Office Supplies		3,953	
Total Chancery Court			\$ 151,221

Juvenile Court

Social Workers	\$	18,623	
Longevity Pay		200	
Social Security		1,157	
State Retirement		1,261	
Employer Medicare		271	
Travel		1,413	
Office Supplies		1,776	
Total Juvenile Court			24,701

Courtroom Security

Supervisor/Director	\$	9,053	
Guards		34,535	
Longevity Pay		100	
Overtime Pay		211	
Social Security		2,680	
State Retirement		1,397	
Medical Insurance		4,649	
Employer Medicare		627	
Law Enforcement Equipment		347	
Total Courtroom Security			53,599

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Assistant(s)		20,284	
Deputy(ies)		414,185	
Salary Supplements		7,200	
Longevity Pay		4,300	
Overtime Pay		60,945	
Other Salaries and Wages		18,942	
Board and Committee Members Fees		1,300	
In-Service Training		5,620	

(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.)

Social Security	\$	35,408	
State Retirement		35,626	
Medical Insurance		117,588	
Employer Medicare		8,516	
Contracts with Other Public Agencies		825	
Dues and Memberships		1,600	
Maintenance and Repair Services - Equipment		767	
Maintenance and Repair Services - Vehicles		6,547	
Postal Charges		2,770	
Travel		841	
Other Contracted Services		4,248	
Gasoline		70,623	
Law Enforcement Supplies		1,082	
Office Supplies		4,798	
Uniforms		4,631	
Vehicle Parts		24,992	
Other Supplies and Materials		1,417	
Communication Equipment		1,707	
Data Processing Equipment		38,314	
Law Enforcement Equipment		7,963	
Motor Vehicles		23,093	
Total Sheriff's Department			\$ 989,659

Jail

Supervisor/Director	\$	24,956
Guards		459,694
Clerical Personnel		11,881
Cafeteria Personnel		16,897
Temporary Personnel		3,097
Longevity Pay		4,700
Overtime Pay		13,120
Other Salaries and Wages		23,572
In-Service Training		2,511
Social Security		33,177
State Retirement		33,781
Medical Insurance		115,667
Employer Medicare		7,759
Communication		26,262
Maintenance and Repair Services - Buildings		8,692
Maintenance and Repair Services - Equipment		6,660

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Office Equipment	\$	3,513	
Medical and Dental Services		142,155	
Pest Control		360	
Travel		1,591	
Custodial Supplies		27,368	
Drugs and Medical Supplies		755	
Electricity		39,551	
Food Supplies		87,184	
Natural Gas		7,641	
Office Supplies		2,289	
Prisoners Clothing		2,606	
Uniforms		1,135	
Water and Sewer		24,299	
Other Supplies and Materials		1,905	
Law Enforcement Equipment		3,584	
Total Jail			\$ 1,138,362

Juvenile Services

Other Contracted Services	\$	3,525	
Total Juvenile Services			3,525

Fire Prevention and Control

Medical Insurance	\$	10,184	
Contracts with Government Agencies		2,000	
Contributions		37,778	
Vehicle and Equipment Insurance		33,125	
Workers' Compensation Insurance		7,782	
Other Charges		14,996	
Total Fire Prevention and Control			105,865

Civil Defense

Supervisor/Director	\$	7,536	
Social Security		344	
Communication		5,521	
Dues and Memberships		200	
Maintenance and Repair Services - Equipment		226	
Travel		1,675	
Food Supplies		482	
Gasoline		900	
Office Supplies		458	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Supplies and Materials	\$ 1,911	
Total Civil Defense	<u>1,911</u>	\$ 19,253

Other Emergency Management

Dispatchers/Radio Operators	\$ 142,702	
Part-time Personnel	25,573	
Longevity Pay	1,200	
Overtime Pay	37,241	
Other Salaries and Wages	7,565	
Social Security	12,907	
State Retirement	12,804	
Medical Insurance	31,603	
Unemployment Compensation	1,109	
Employer Medicare	<u>3,019</u>	
Total Other Emergency Management		275,723

County Coroner/Medical Examiner

Supervisor/Director	\$ 15,525	
Social Security	149	
Employer Medicare	35	
Medical and Dental Services	<u>2,600</u>	
Total County Coroner/Medical Examiner		18,309

Other Public Safety

Contributions	\$ 27	
Road Signs	<u>1,593</u>	
Total Other Public Safety		1,620

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,320	
Social Security	268	
Employer Medicare	63	
Communication	3,251	
Contributions	20,068	
Maintenance and Repair Services - Buildings	220	
Maintenance and Repair Services - Equipment	312	
Postal Charges	2,000	
Custodial Supplies	310	
Drugs and Medical Supplies	1,676	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Electricity	\$	5,577	
Natural Gas		2,322	
Office Supplies		1,742	
Water and Sewer		1,232	
Other Charges		536	
Office Equipment		94	
Total Local Health Center			\$ 43,991

Ambulance/Emergency Medical Services

Supervisor/Director	\$	41,156
Medical Personnel		342,432
Temporary Personnel		20,360
Longevity Pay		10,600
Overtime Pay		281,847
Other Salaries and Wages		15,750
In-Service Training		347
Social Security		42,458
State Retirement		45,778
Medical Insurance		109,346
Employer Medicare		9,930
Communication		5,643
Dues and Memberships		330
Licenses		2,000
Maintenance and Repair Services - Equipment		8,254
Maintenance and Repair Services - Vehicles		29,066
Postal Charges		170
Travel		1,789
Other Contracted Services		6,000
Custodial Supplies		2,438
Drugs and Medical Supplies		48,667
Electricity		5,816
Gasoline		45,880
Natural Gas		3,168
Office Supplies		2,387
Uniforms		5,611
Water and Sewer		947
Other Charges		4,827
Attendance Equipment		674
Communication Equipment		3,500
Data Processing Equipment		2,906

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Motor Vehicles	\$ 171,431	
Total Ambulance/Emergency Medical Services	<u>                    </u>	\$ 1,271,508

Crippled Children Services

Contributions	\$ 250	
Other Charges	<u>5,000</u>	
Total Crippled Children Services		5,250

Other Local Health Services

Medical Personnel	\$ 36,534	
Clerical Personnel	20,825	
Longevity Pay	800	
Social Security	3,606	
State Retirement	3,897	
Medical Insurance	5,002	
Employer Medicare	843	
Travel	<u>111</u>	
Total Other Local Health Services		71,618

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$ 3,591	
Total Senior Citizens Assistance		3,591

Libraries

Librarians	\$ 39,112	
Social Security	2,425	
Employer Medicare	567	
Communication	6,889	
Postal Charges	718	
Rentals	1,021	
Travel	308	
Instructional Supplies and Materials	316	
Office Supplies	690	
Periodicals	2,198	
Other Charges	5,916	
Data Processing Equipment	<u>792</u>	
Total Libraries		60,952

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$	641	
Other Supplies and Materials		423	
Total Parks and Fair Boards			\$ 1,064

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,964	
Travel		748	
Other Contracted Services		44,653	
Office Supplies		5,245	
Other Supplies and Materials		3,200	
Office Equipment		1,089	
Total Agriculture Extension Service			56,899

Soil Conservation

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

Other Operations

Tourism

Contributions	\$	1,500	
Total Tourism			1,500

Industrial Development

Board and Committee Members Fees	\$	3,600	
Communication		675	
Contributions		59,507	
Total Industrial Development			63,782

Other Economic and Community Development

Contributions	\$	20,000	
Other Charges		1,000	
Total Other Economic and Community Development			21,000

Veterans' Services

Contributions	\$	453	
Total Veterans' Services			453

Miscellaneous

Unemployment Compensation	\$	13,053	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Trustee's Commission	\$	95,759	
Other Charges		1,250	
Total Miscellaneous			\$ 110,062

Total General Fund \$ 6,594,693

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	44,322	
Longevity Pay		1,500	
Social Security		2,841	
State Retirement		3,070	
Medical Insurance		4,648	
Employer Medicare		664	
Communication		2,032	
Liability Insurance		9,838	
Workers' Compensation Insurance		30,362	
Total Sanitation Management			\$ 99,277

Sanitation Education/Information

Supervisor/Director	\$	6,794	
Attendants		5,691	
Social Security		792	
Employer Medicare		185	
Advertising		1,672	
Travel		379	
Other Contracted Services		6,545	
Gasoline		812	
Instructional Supplies and Materials		4,661	
Vehicle Parts		614	
Other Supplies and Materials		5,188	
Total Sanitation Education/Information			33,333

Waste Pickup

Truck Drivers	\$	43,738	
Part-time Personnel		47	
Longevity Pay		1,000	
Overtime Pay		4,142	
Social Security		3,033	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

State Retirement	\$	3,278	
Medical Insurance		11,894	
Employer Medicare		709	
Licenses		92	
Other Contracted Services		343,431	
Equipment and Machinery Parts		3,442	
Gasoline		14,911	
Lubricants		1,060	
Tires and Tubes		3,018	
Solid Waste Equipment		11,424	
Total Waste Pickup			\$ 445,219

Convenience Centers

Attendants	\$	168,020	
Longevity Pay		2,400	
Overtime Pay		2,132	
Social Security		8,801	
State Retirement		8,322	
Medical Insurance		40,176	
Employer Medicare		2,058	
Rentals		3,600	
General Construction Materials		3,992	
Gravel and Chert		1,536	
Other Supplies and Materials		927	
Total Convenience Centers			241,964

Recycling Center

Supervisor/Director	\$	20,958	
Part-time Personnel		10,443	
Social Security		1,947	
State Retirement		1,404	
Medical Insurance		11,160	
Employer Medicare		455	
Communication		1,466	
Electricity		1,819	
Gasoline		2,124	
Uniforms		51	
Vehicle Parts		2,758	
Water and Sewer		396	
Other Supplies and Materials		42,960	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Other Charges	\$	331	
Solid Waste Equipment		11,508	
Total Recycling Center			\$ 109,780

Landfill Operation and Maintenance

Attendants	\$	12,700	
Overtime Pay		120	
Social Security		795	
State Retirement		572	
Medical Insurance		1,108	
Employer Medicare		186	
Communication		4,067	
Maintenance and Repair Services - Equipment		8,488	
Rentals		4,658	
Electricity		13,440	
Equipment and Machinery Parts		10,106	
Gasoline		20,969	
General Construction Materials		3,199	
Lubricants		979	
Natural Gas		614	
Office Supplies		732	
Water and Sewer		2,957	
Site Development		805	
Total Landfill Operation and Maintenance			86,495

Other Operations

Other Charges

Trustee's Commission	\$	17,230	
Total Other Charges			17,230

Miscellaneous

Unemployment Compensation	\$	912	
Total Miscellaneous			912

Total Solid Waste/Sanitation Fund \$ 1,034,210

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	390	
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(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Rentals	\$	4,200	
Tow-in Services		515	
Veterinary Services		234	
Other Contracted Services		2,034	
Animal Food and Supplies		318	
Instructional Supplies and Materials		777	
Uniforms		1,005	
Other Supplies and Materials		1,400	
Trustee's Commission		488	
Law Enforcement Equipment		3,370	
Motor Vehicles		44,450	
Total Drug Enforcement			\$ 59,181

Total Drug Control Fund \$ 59,181

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		46,220	
Constitutional Officers' Operating Expenses		19,103	
Total County Trustee's Office			\$ 123,074

Administration of Justice

Chancery Court

Other Salaries and Wages	\$	21,190	
Special Commissioner Fees/Special Master Fees		1,000	
Constitutional Officers' Operating Expenses		19,789	
Office Equipment		5,600	
Total Chancery Court			47,579

Total Constitutional Officers - Fees Fund 170,653

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		25,263	
Longevity Pay		1,875	
Social Security		5,621	

(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	\$	6,074	
Employee and Dependent Insurance		8,266	
Employer Medicare		1,315	
Dues and Memberships		2,720	
Office Supplies		344	
Total Administration			\$ 115,005

Highway and Bridge Maintenance

Foremen	\$	66,369	
Equipment Operators		44,829	
Truck Drivers		64,512	
Laborers		67,920	
Longevity Pay		12,375	
Social Security		18,542	
State Retirement		16,336	
Employee and Dependent Insurance		53,235	
Employer Medicare		3,596	
Other Contracted Services		448,579	
Asphalt - Liquid		191,258	
Crushed Stone		76,540	
Other Road Supplies		728	
Pipe - Metal		22,402	
Road Signs		5,290	
Total Highway and Bridge Maintenance			1,092,511

Operation and Maintenance of Equipment

Mechanic(s)	\$	31,072	
Laborers		28,682	
Longevity Pay		3,750	
Social Security		3,704	
State Retirement		4,255	
Employee and Dependent Insurance		16,542	
Employer Medicare		866	
Other Contracted Services		7,207	
Diesel Fuel		31,496	
Equipment and Machinery Parts		47,067	
Garage Supplies		6,735	
Gasoline		10,759	
Lubricants		2,269	
Tires and Tubes		5,531	

(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.)

Uniforms	\$ 6,551	
Total Operation and Maintenance of Equipment		\$ 206,486

Other Charges

Communication	\$ 3,283	
Electricity	3,016	
Natural Gas	3,472	
Water and Sewer	698	
Liability Insurance	35,418	
Trustee's Commission	19,084	
Other Charges	630	
Total Other Charges		65,601

Employee Benefits

Unemployment Compensation	\$ 448	
Workers' Compensation Insurance	23,283	
Total Employee Benefits		23,731

Capital Outlay

Highway Equipment	\$ 77,549	
Motor Vehicles	90	
Total Capital Outlay		77,639

Total Highway/Public Works Fund		\$ 1,580,973
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 160,000	
Principal on Notes	156,641	
Total General Government		\$ 316,641

Education

Principal on Bonds	\$ 345,000	
Total Education		345,000

Interest on Debt

General Government

Interest on Bonds	\$ 33,401	
Interest on Notes	9,248	

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

General Government (Cont.)

Interest on Other Loans	\$ 115,711	
Total General Government	<u>                    </u>	\$ 158,360

Education

Interest on Bonds	\$ 75,421	
Interest on Other Loans	<u>536,883</u>	
Total Education		612,304

Other Debt Service

General Government

Contributions	\$ 35,000	
Fiscal Agent Charges	1,232	
Trustee's Commission	13,969	
Underwriter's Discount	9,350	
Other Debt Issuance Charges	<u>8,329</u>	
Total General Government		67,880

Education

Underwriter's Discount	\$ 28,050	
Other Debt Issuance Charges	112,205	
Other Debt Service	<u>51,000</u>	
Total Education		<u>191,255</u>

Total General Debt Service Fund		\$ 1,691,440
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General Capital Projects Fund

Capital Projects

Public Safety Projects

Other Charges	\$ 67,649	
Total Public Safety Projects	<u>                    </u>	\$ 67,649

Public Health and Welfare Projects

Other Construction	\$ 349,188	
Total Public Health and Welfare Projects	<u>                    </u>	349,188

Social, Cultural, and Recreation Projects

Other Construction	\$ 2,470	
Total Social, Cultural, and Recreation Projects	<u>                    </u>	2,470

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Other General Government Projects</u>		
Other Equipment	\$ 82,482	
Other Construction	179,423	
Total Other General Government Projects	<u>                    </u>	\$ <u>261,905</u>
Total General Capital Projects Fund		<u>\$ 681,212</u>
Total Governmental Funds - Primary Government		<u>\$ 11,812,362</u>

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, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,862,989	
Career Ladder Program	128,750	
Career Ladder Extended Contracts	82,000	
Educational Assistants	142,287	
Certified Substitute Teachers	89,888	
Non-certified Substitute Teachers	104,451	
Social Security	513,487	
State Retirement	525,800	
Life Insurance	5,539	
Medical Insurance	923,311	
Dental Insurance	38,126	
Unemployment Compensation	15,850	
Employer Medicare	119,427	
Instructional Supplies and Materials	137,197	
Textbooks	259,614	
Other Supplies and Materials	9,311	
Fee Waivers	26,814	
Other Charges	34,741	
Total Regular Instruction Program		\$ 11,019,582

Special Education Program

Teachers	\$ 964,858	
Career Ladder Program	9,000	
Career Ladder Extended Contracts	4,000	
Educational Assistants	90,139	
Speech Pathologist	76,363	
Social Security	68,832	
State Retirement	73,594	
Life Insurance	838	
Medical Insurance	147,114	
Dental Insurance	5,338	
Unemployment Compensation	48	
Employer Medicare	16,098	
Contracts with Private Agencies	315,921	
Instructional Supplies and Materials	15,172	
Other Charges	1,056	
Special Education Equipment	327	
Total Special Education Program		1,788,698

(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	\$	676,936	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		2,600	
Secretary(ies)		13,356	
Clerical Personnel		132	
Educational Assistants		11,095	
Social Security		42,561	
State Retirement		45,741	
Life Insurance		509	
Medical Insurance		88,595	
Dental Insurance		3,407	
Employer Medicare		9,954	
Instructional Supplies and Materials		35,315	
Vocational Instruction Equipment		3,000	
Total Vocational Education Program			\$ 943,201

Support Services

Attendance

Supervisor/Director	\$	63,977	
Career Ladder Program		1,000	
Social Security		3,967	
State Retirement		4,098	
Life Insurance		29	
Medical Insurance		5,378	
Dental Insurance		212	
Employer Medicare		928	
Travel		1,579	
Other Contracted Services		60,428	
Total Attendance			141,596

Health Services

Teachers	\$	72	
Medical Personnel		37,068	
Other Salaries and Wages		134,778	
Social Security		10,583	
State Retirement		11,005	
Life Insurance		198	
Medical Insurance		27,761	
Dental Insurance		1,037	

(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	\$	2,475	
Travel		986	
Drugs and Medical Supplies		1,995	
Total Health Services			\$ 227,958

Other Student Support

Teachers	\$	289	
Career Ladder Program		5,000	
Guidance Personnel		379,361	
Social Security		23,458	
State Retirement		24,694	
Life Insurance		230	
Medical Insurance		34,951	
Dental Insurance		1,482	
Employer Medicare		5,486	
Evaluation and Testing		17,301	
Travel		33	
In Service/Staff Development		2,224	
Other Charges		46,783	
Total Other Student Support			541,292

Regular Instruction Program

Supervisor/Director	\$	2,697	
Teachers		289	
Career Ladder Program		9,000	
Librarians		251,477	
Secretary(ies)		46,121	
Educational Assistants		32,615	
Other Salaries and Wages		126,818	
Social Security		28,643	
State Retirement		29,389	
Life Insurance		292	
Medical Insurance		57,104	
Dental Insurance		1,700	
Employer Medicare		6,699	
Travel		7,763	
Other Contracted Services		12,950	
Library Books/Media		15,759	
Other Charges		15,869	

(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.)

Other Equipment	\$ 213,838	
Total Regular Instruction Program		\$ 859,023

Special Education Program

Supervisor/Director	\$ 59,177	
Psychological Personnel	51,687	
Clerical Personnel	10,098	
Social Security	7,478	
State Retirement	7,785	
Life Insurance	63	
Medical Insurance	5,065	
Dental Insurance	427	
Employer Medicare	1,749	
Travel	6,586	
In Service/Staff Development	5,337	
Total Special Education Program		155,452

Vocational Education Program

Supervisor/Director	\$ 60,900	
Teachers	1,080	
Social Security	3,346	
State Retirement	3,970	
Life Insurance	28	
Medical Insurance	7,471	
Dental Insurance	211	
Employer Medicare	783	
Travel	1,226	
Total Vocational Education Program		79,015

Other Programs

On-Behalf Payments to OPEB	\$ 64,757	
Total Other Programs		64,757

Board of Education

Board and Committee Members Fees	\$ 16,350	
Social Security	1,014	
Employer Medicare	237	
Audit Services	11,550	
Dues and Memberships	11,758	

(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.)

Legal Services	\$	4,546	
Postal Charges		12	
Travel		10,004	
Other Contracted Services		1,230	
Liability Insurance		209,724	
Trustee's Commission		95,497	
Workers' Compensation Insurance		156,458	
Other Charges		7,869	
Total Board of Education			\$ 526,249

Director of Schools

County Official/Administrative Officer	\$	84,784	
Assistant(s)		71,450	
Secretary(ies)		27,265	
Social Security		11,264	
State Retirement		11,834	
Life Insurance		71	
Medical Insurance		4,863	
Dental Insurance		205	
Employer Medicare		2,634	
Communication		15,078	
Dues and Memberships		200	
Travel		6,924	
Other Contracted Services		8,747	
Office Supplies		3,023	
Other Charges		110,864	
Administration Equipment		1,359	
Total Director of Schools			360,565

Office of the Principal

Principals	\$	426,896	
Teachers		289	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		14,000	
Assistant Principals		304,100	
Secretary(ies)		83,430	
Clerical Personnel		72,334	
Social Security		56,506	
State Retirement		58,883	

(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.)

Life Insurance	\$	540	
Medical Insurance		66,520	
Dental Insurance		2,542	
Employer Medicare		12,899	
Communication		11,799	
Travel		11,397	
Other Contracted Services		42,818	
Total Office of the Principal			\$ 1,177,953

Operation of Plant

Custodial Personnel	\$	483,316	
Other Salaries and Wages		44,406	
Social Security		32,514	
State Retirement		32,662	
Life Insurance		331	
Unemployment Compensation		2,672	
Employer Medicare		7,604	
Other Contracted Services		36,907	
Electricity		706,505	
Natural Gas		108,686	
Water and Sewer		78,818	
Other Charges		5,035	
Administration Equipment		1,072	
Total Operation of Plant			1,540,528

Maintenance of Plant

Supervisor/Director	\$	26,445	
Custodial Personnel		1,156	
Maintenance Personnel		105,469	
Social Security		8,221	
State Retirement		8,661	
Life Insurance		73	
Unemployment Compensation		2,699	
Employer Medicare		1,923	
Maintenance and Repair Services - Buildings		187,418	
Travel		6,081	
Other Contracted Services		36,515	
Other Supplies and Materials		90,151	
Other Charges		57,737	

(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.)

Administration Equipment	\$	40,791	
Building Improvements		244,318	
Total Maintenance of Plant			\$ 817,658

Transportation

Supervisor/Director	\$	34,446	
Mechanic(s)		55,045	
Bus Drivers		489,552	
Custodial Personnel		235	
Social Security		35,740	
State Retirement		36,013	
Life Insurance		359	
Unemployment Compensation		6,891	
Employer Medicare		8,359	
Communication		3,175	
Travel		237	
Other Contracted Services		59,224	
Diesel Fuel		101,931	
Equipment and Machinery Parts		812	
Gasoline		43,082	
Lubricants		3,948	
Tires and Tubes		22,303	
Vehicle Parts		43,406	
Other Charges		5,791	
Total Transportation			950,549

Operation of Non-Instructional Services

Food Service

Other Charges	\$	3,234	
Total Food Service			3,234

Early Childhood Education

Teachers	\$	314,495	
Educational Assistants		147,472	
Non-certified Substitute Teachers		6,078	
Social Security		26,732	
State Retirement		27,391	
Life Insurance		341	
Medical Insurance		36,921	

(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.)

Dental Insurance	\$	1,485	
Employer Medicare		6,252	
Travel		16,336	
Instructional Supplies and Materials		55,679	
Other Supplies and Materials		135,679	
Other Charges		95,147	
Other Equipment		575	
Total Early Childhood Education			\$ 870,583

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	285,247	
Other Capital Outlay		237,263	
Total Regular Capital Outlay			522,510

Principal on Debt

Education

Principal on Capital Leases	\$	283,001	
Total Education			283,001

Interest on Debt

Education

Interest on Capital Leases	\$	428,110	
Total Education			428,110

Total General Purpose School Fund \$ 23,301,514

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	378,064
Educational Assistants		41,683
Other Salaries and Wages		35,600
Certified Substitute Teachers		13,439
Non-certified Substitute Teachers		80
Social Security		30,956
State Retirement		29,262
Life Insurance		335
Medical Insurance		47,367

(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.)

Dental Insurance	\$	1,840	
Unemployment Compensation		869	
Employer Medicare		6,669	
Instructional Supplies and Materials		152,157	
Other Charges		37,212	
Total Regular Instruction Program			\$ 775,533

Special Education Program

Teachers	\$	45,600	
Educational Assistants		407,441	
Non-certified Substitute Teachers		1,000	
Social Security		27,815	
State Retirement		29,348	
Life Insurance		544	
Medical Insurance		4,840	
Dental Insurance		181	
Unemployment Compensation		3,125	
Employer Medicare		6,482	
Other Contracted Services		147,841	
Instructional Supplies and Materials		17,869	
Total Special Education Program			692,086

Vocational Education Program

Educational Assistants	\$	10,652	
Other Salaries and Wages		238	
Social Security		675	
State Retirement		727	
Unemployment Compensation		44	
Employer Medicare		158	
Instructional Supplies and Materials		12,966	
Vocational Instruction Equipment		29,873	
Total Vocational Education Program			55,333

Support Services

Health Services

Social Workers	\$	35,859	
Other Salaries and Wages		144	
Social Security		2,198	
State Retirement		2,309	

(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.)

Life Insurance	\$	27	
Medical Insurance		4,812	
Dental Insurance		203	
Unemployment Compensation		43	
Employer Medicare		514	
Travel		1,151	
Total Health Services			\$ 47,260

Other Student Support

Travel	\$	3,622	
In Service/Staff Development		4,031	
Other Charges		11,702	
Total Other Student Support			19,355

Regular Instruction Program

Supervisor/Director	\$	69,705	
Teachers		289	
Secretary(ies)		20,382	
Social Security		5,565	
State Retirement		5,850	
Life Insurance		43	
Medical Insurance		5,527	
Dental Insurance		213	
Unemployment Compensation		84	
Employer Medicare		1,302	
Consultants		24,642	
Travel		77,740	
Library Books/Media		6,394	
Other Supplies and Materials		10,000	
Other Charges		22,477	
Total Regular Instruction Program			250,213

Special Education Program

Travel	\$	5,521	
Total Special Education Program			5,521

Vocational Education Program

Travel	\$	1,597	
Total Vocational Education Program			1,597

Total School Federal Projects Fund \$ 1,846,898

(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	\$	51,750	
Clerical Personnel		18,894	
Cafeteria Personnel		460,506	
Social Security		32,317	
State Retirement		33,320	
Life Insurance		556	
Medical Insurance		5,527	
Dental Insurance		425	
Unemployment Compensation		690	
Employer Medicare		7,611	
Maintenance and Repair Services - Equipment		365	
Travel		2,134	
Other Contracted Services		4,064	
Food Preparation Supplies		84,295	
Food Supplies		795,740	
Office Supplies		1,113	
Uniforms		2,582	
Other Supplies and Materials		229	
Trustee's Commission		353	
In Service/Staff Development		1,740	
Other Charges		4,592	
Food Service Equipment		49,919	
Total Food Service			\$ 1,558,722

Community Services

Part-time Personnel	\$	27,429	
Social Security		1,701	
State Retirement		1,782	
Employer Medicare		398	
Travel		384	
Food Supplies		20,467	
Other Supplies and Materials		28	
Total Community Services			\$ 52,189

Total Central Cafeteria Fund \$ 1,610,911

(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Improvements	\$	127,619
Other Construction		<u>131,635</u>
Total Education Capital Projects		<u>\$ 259,254</u>
 Total Education Capital Projects Fund		 <u>\$ 259,254</u>
 Total Governmental Funds - Morgan County School Department		 <u><u>\$ 27,018,577</u></u>

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, 2009

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 36,423	\$ 36,423
Prior Year Property Tax	0	1,235	1,235
Interest and Penalty	0	264	264
Local Option Sales Tax	393,382	0	393,382
Total Cash Receipts	<u>\$ 393,382</u>	<u>\$ 37,922</u>	<u>\$ 431,304</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 389,449	\$ 37,164	\$ 426,613
Trustee's Commission	3,933	758	4,691
Total Cash Disbursements	<u>\$ 393,382</u>	<u>\$ 37,922</u>	<u>\$ 431,304</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2008	0	0	0
Cash Balance, June 30, 2009	<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

March 12, 2010

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, 2009, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated March 12, 2010. 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: 09.01, 09.02(A), 09.03(A,B,E), and 09.04.

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, of the significant deficiencies described above, we consider item 09.01 to be a material weakness.

#### Compliance and Other Matters

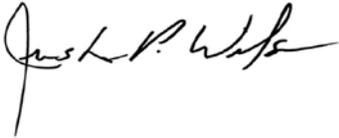
As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 09.02(B) and 09.03(C,D).

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

The county's response to one of the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

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 long vertical stroke extending downwards from the end.

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

March 12, 2010

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, 2009. 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, 2009.

#### 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

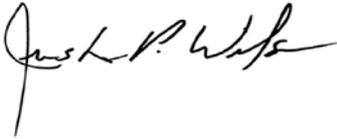
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County as of and for the year ended June 30, 2009, and have issued our report thereon dated March 12, 2010. 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.

The county's response to one of the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the county's response and, accordingly, we express no opinion on it.

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 prominent vertical stroke on the left side.

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, 2009

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 365,480
National School Lunch Program	10.555	N/A	852,058 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	33,671
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	163,928 (3)
Total U.S. Department of Agriculture			\$ 1,415,137
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development			
Community Development Block Grants - State's Program	14.228	GG-08-25481-00	\$ 325,833
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 85,336
U.S. Institute of Museum and Library Services			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 5,500
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 812,458
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	692,124
Special Education - Preschool Grants	84.173	N/A	37,799
Career and Technical Education - Basic Grants to States	84.048	N/A	64,567
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	18,833
Twenty-first Century Community Learning Centers	84.287	(2)	540,000
State Grants for Innovative Programs	84.298	N/A	30,041
Education Technology State Grants	84.318	N/A	1,441
Rural Education	84.358	(2)	64,220
Improving Teacher Quality State Grants	84.367	N/A	216,061
Total U.S. Department of Education			\$ 2,477,544
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-09-21723-XX	\$ 1,000
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	GG-08-25940-00	\$ 8,000
Homeland Security Grant Program	97.067	(2)	58,647
Total U.S. Department of Homeland Security			\$ 66,647
Total Expenditures of Federal Awards			\$ 4,376,997

(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)	\$ 6,904
Rural Local Health Services - State Department of Health	N/A	(4)	70,786
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	11,250
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	43,019
Youth Services Program - State Commission on Children and Youth	N/A	(2)	11,250
Law Enforcement Training - State Department of Safety	N/A	(2)	7,200
Litter Program - State Department of Transportation	N/A	(2)	33,758
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	82,482
Used Oil Grant - State Department of Environment and Conservation	N/A	(2)	28,364
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	3,294
Voluntary Lottery Funded Classrooms - State Department of Education	N/A	(5)	618,388
Safe Schools Act - State Department of Education	N/A	(2)	21,100
Coordinated School Health Grant - State Department of Education	N/A	(2)	105,000
Family Resource Center Grant - State Department of Education	N/A	(2)	33,300
Total State Grants			\$ 1,076,095

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

- (1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) - Information not available.
- (3) - Total for CFDA No. 10.555 is \$1,015,986.
- (4) - \$61,893: Z-09-213756-XX; \$8,893: Z-08-020375-XX.
- (5) - \$412,259: MW9ACX; \$206,129: MW9AAX.

Morgan County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2009

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, 2008, which have not been corrected.

**OFFICE OF DIRECTOR OF FINANCE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	178	The office had budget deficiencies

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.06	182	The office did not deposit funds within three days of collection
08.07	182	The office did not prepare an annual financial report

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.09	182	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, 2009**

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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. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no 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 and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Community Development Block Grant – State's Program (CFDA No. 14.228); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Morgan County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response from the county clerk is paraphrased in this report.

### OFFICE OF DIRECTOR OF FINANCE

FINDING 09.01      **THE SCHOOL FEDERAL PROJECTS AND CENTRAL CAFETERIA FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, certain general ledger account balances in the School Federal Projects and Central Cafeteria funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Morgan County to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### RECOMMENDATION

Morgan County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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FINDING 09.02      **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. These deficiencies exist because management failed to correct the finding noted in the prior-year audit report.

- 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 \$28,592. 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 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:	
Industrial Development	\$          7
Miscellaneous	4,812
Solid Waste/Sanitation:	
Other Charges	230
General Purpose School:	
Instruction - Special Education Program	13,680
Support Services - Special Education Program	645
Support Services - Operation of Plant	4,884
School Federal Projects:	
Instruction - Special Education Program	1,745
Instruction - Vocational Education Program	625
Support Services - Health Services	4,030

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 of the failure of management to stay within the spending limits authorized by the County Commission. 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.

## OFFICE OF COUNTY CLERK

### FINDING 09.03      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

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

Numerous deficiencies were noted in the maintenance of accounting records in the Office of County Clerk. These deficiencies are the result of a lack of management oversight and are considered significant deficiencies that increase the risks of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner. As a result of these deficiencies, we were unable to determine the propriety of the office's transactions reflected in the financial statements of this report.

- A. The clerk did not maintain an official cash journal from October 2008 through June 2009. The official cash journal is the primary cash control record that summarizes the office's financial operations; therefore, the maintenance of this record on a current basis is necessary for the official to determine the financial position of the office. It should be noted that substantive testing and alternative auditing procedures were performed and used to reflect cash receipts and disbursements for this office.
- B. Since the official cash journal was not properly maintained as noted above, bank statements were not reconciled with cash journal controls during the same period. The failure to reconcile bank statements with general ledger accounts creates an environment where errors and irregularities can occur without being detected. Auditors determined the cash balance reflected in the financial statements at June 30, 2009, by examining year-end bank statements and utilizing alternative auditing procedures.
- C. The clerk did not prepare an annual financial report as required by state statute. Section 5-8-505, Tennessee Code Annotated, (TCA), states, "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 executive and with the county clerk ... an annual financial report ..." This deficiency exists, in part, because of the failure to properly maintain the official cash journal.
- D. Funds were not deposited within three days of collection as required by Section 5-8-207, TCA. Our examination revealed that the clerk held funds for up to 25 days before depositing them to the office bank account. Such a delay in depositing funds increases the risks of fraud and misappropriation.
- E. Due to the deficiencies noted above, we were unable to determine if the fees and state and county revenues collected in the office were properly reported and remitted to the appropriate governmental entities in a timely manner in compliance with applicable state statutes.

## RECOMMENDATION

The county clerk should maintain an official cash journal that reflects all financial activity of the office and reconcile the general ledger accounts with bank statements monthly. Also, the clerk should prepare an annual financial report and deposit all funds to the office bank account within three days of collection as required by state statutes. The clerk should remit fees and state and county revenues in a timely manner.

## MANAGEMENT'S RESPONSE – COUNTY CLERK

The books are maintained on a daily basis, all checks are recorded, and all monies are receipted. The error occurred when I failed to insure that the electronic version of my bookkeeping records were the correct version and were backed-up sufficiently. This caused the need to generate new electronic files from the daily printed reports. I am putting steps in place to insure that all record keeping is in the new computer software that maintains all daily records in the office. This system is on a network server that is backed up in the office as well as off-site.

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## OTHER FINDING

**FINDING 09.04 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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

## 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, 2009**

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