
ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

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This financial report is available at www.tn.gov/comptroller

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Audit Highlights
Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2010.

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 and recommendations are included in the Single Audit section of this report.

Findings and Best Practice

The following are summaries of the audit findings and best practice:

OFFICES OF DIRECTOR OF FINANCE AND DIRECTOR OF SCHOOLS

- ◆ A revenue anticipation note was not retired in compliance with state statutes.
- ◆ Morgan County did not account for American Recovery and Reinvestment Act (ARRA) Grants separately from other county funds.

OFFICE OF COUNTY CLERK

- ◆ A cash shortage of \$54,611.33 existed in the County Clerk's Office on December 14, 2010.

OTHER FINDING

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

BEST PRACTICE

Morgan County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

INTRODUCTORY SECTION

Morgan County Officials

June 30, 2010

Officials

Rebecca Ruppe, County Executive
C. Roy Smith, Road Superintendent
Dr. Edward Diden, Director of Schools
Joyce Northrup, Trustee
Gilford Wilson, Assessor of Property
Carol Hamby, County Clerk
Pamela Keck, Circuit and General Sessions Courts Clerk
Angela Anderson, Clerk and Master
Sandy Leach-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
Dr. Edward Diden, Director of Schools
C. Roy Smith, Road Superintendent
Sue Duncan

Marion Hawn
David Hennessee
Kay Johnson

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 25, 2011

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, 2010, 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 5.8 percent and 1.6 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, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2011, 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.

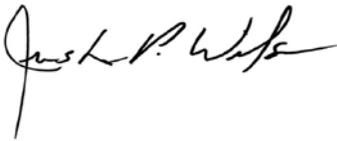
As described in Note V.C., Morgan County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 66 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 a long, sweeping underline.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 623,606	\$ 10,707	\$ 307,952
Equity in Pooled Cash and Investments	7,291,082	3,734,752	0
Deferred Outflow - Interest Rate Swap	2,094,723	0	0
Accounts Receivable	337,770	12,497	1,306
Allowance for Uncollectible Accounts Receivable	(59,111)	0	8,485
Due from Other Governments	613,045	307,931	0
Property Taxes Receivable	5,440,611	2,733,975	0
Allowance for Uncollectible Property Taxes	(294,950)	(148,216)	0
Prepaid Items	87,863	0	22,223
Deferred Charges - Debt Issuance Costs	172,248	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	459,534	1,104,029	90,000
Construction in Progress	1,184,396	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,780,256	23,613,520	1,482,767
Infrastructure	1,271,244	0	0
Other Capital Assets	457,132	6,984,956	466,070
Total Assets	<u>\$ 21,459,449</u>	<u>\$ 38,354,151</u>	<u>\$ 2,378,803</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 136,767	\$ 23,945	\$ 89,855
Accrued Payroll	137,984	0	0
Accrued Interest Payable	50,559	233,544	0
Payroll Deductions Payable	3,238	189,959	0
Contracts Payable	52,914	0	0
Retainage Payable	39,854	0	0
Due to the State of Tennessee	17,332	6,633	0
Derivative - Interest Rate Swap	2,094,723	0	0
Unearned Revenue - Current Property Taxes	4,824,236	2,424,239	0
Noncurrent Liabilities:			
Due Within One Year	920,325	472,342	16,893
Due in More Than One Year (net of unamortized premium on debt)	17,740,929	6,321,804	1,469,541
Total Liabilities	<u>\$ 26,018,861</u>	<u>\$ 9,672,466</u>	<u>\$ 1,576,289</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	\$ 2,538,019	\$ 25,261,183	\$ 552,403
Restricted for:			
Highways	3,096,116	0	0
Debt Service	2,444,546	0	0
Drug Control	42,318	0	0
State and Federal Educational Assistance Programs	0	2,038,035	0
Constitutional Officers' Data Processing Systems	67,596	0	0
Alcohol and Drug Treatment	60,524	0	0
Litigation Tax - Courthouse and Jail Maintenance	115,687	0	0
Other Purposes	93,528	0	0
Unrestricted	<u>(13,017,746)</u>	<u>1,382,467</u>	<u>250,111</u>
Total Net Assets (Deficit)	<u>\$ (4,559,412)</u>	<u>\$ 28,681,685</u>	<u>\$ 802,514</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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Primary Government			Component Units			
	Expenses	Program Revenues		Total Governmental Activities	Morgan County School Department	Emergency Communications District	
		Charges for Services	Operating Grants and Contributions				
Primary Government:							
Governmental Activities:							
General Government	\$ 933,922	\$ 160,192	\$ 16,380	\$ 153,435	\$ (603,915)	\$ 0	\$ 0
Finance	728,329	350,238	7,317	0	(370,774)	0	0
Administration of Justice	769,358	468,687	9,090	0	(291,581)	0	0
Public Safety	2,713,682	253,148	50,596	152,148	(2,257,790)	0	0
Public Health and Welfare	3,195,260	1,083,613	119,685	191,138	(1,800,824)	0	0
Social, Cultural, and Recreational Services	94,969	8,057	0	0	(86,912)	0	0
Agriculture and Natural Resources	63,726	0	0	0	(63,726)	0	0
Other Operations	990,759	0	0	0	(990,759)	0	0
Highway/Public Works	2,098,967	1,707	1,710,388	435,983	49,111	0	0
Debt Service:							
Interest on Long-term Debt	689,070	0	0	0	(689,070)	0	0
Other Debt Service	64,773	0	0	0	(64,773)	0	0
Total Primary Government	\$ 12,342,815	\$ 2,325,642	\$ 1,913,456	\$ 932,704	\$ (7,171,013)	\$ 0	\$ 0
Component Units:							
Morgan County School Department	\$ 27,658,570	\$ 581,378	\$ 4,877,249	\$ 0	\$ 0	\$ (22,199,943)	\$ 0
Emergency Communications District	447,683	136,674	164,574	0	0	0	(146,435)
Total Component Units	\$ 28,106,253	\$ 718,052	\$ 5,041,823	\$ 0	\$ 0	\$ (22,199,943)	\$ (146,435)

(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		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	School Department	Emergency Communications District
General Revenues:						
Property Taxes Levied for General Purposes	\$ 3,844,727	\$ 2,522,948	\$ 0	\$ 0	\$ 0	0
Property Taxes Levied for Solid Waste/Sanitation	761,931	0	0	0	0	0
Property Taxes Levied for Highway/Public Works	58,030	0	0	0	0	0
Property Taxes Levied for General Debt Service	389,972	0	0	0	0	0
Local Option Sales Taxes	835,744	0	0	0	0	0
Mineral Severance Tax	83,791	0	0	0	0	0
Other Local Taxes	83,426	73,611	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs	415,740	19,127,790	152,822	19,127,790	152,822	152,822
Unrestricted Investment Income	61,190	71,043	1,013	71,043	1,013	1,013
Miscellaneous	10,939	52,359	2,432	52,359	2,432	2,432
Total General Revenues	\$ 6,545,490	\$ 21,847,751	\$ 156,267	\$ 21,847,751	\$ 156,267	\$ 156,267
Change in Net Assets	\$ (625,523)	\$ (352,192)	\$ 9,832	\$ (352,192)	\$ 9,832	\$ 9,832
Net Assets (Deficit), July 1, 2009	(3,933,889)	29,033,877	792,682	29,033,877	792,682	792,682
Net Assets (Deficit), June 30, 2010	\$ (4,559,412)	\$ 28,681,685	\$ 802,514	\$ 28,681,685	\$ 802,514	\$ 802,514

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, 2010

	Major Funds						Nonmajor Funds		Total Governmental Funds
	Solid Waste / Sanitation			Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
	General	Waste / Sanitation							
Cash	\$ 329	\$ 65	\$ 261	\$ 0	\$ 622,101	\$ 850	\$ 623,606		
Equity in Pooled Cash and Investments	1,599,543	142,251	2,767,262	2,030,705	709,003	42,318	7,291,082		
Accounts Receivable	290,641	36,412	0	0	0	10,717	337,770		
Allowance for Uncollectibles	(59,111)	0	0	0	0	0	(59,111)		
Due from Other Governments	21,874	3,626	448,180	139,365	0	0	613,045		
Due from Other Funds	11,567	0	0	300,000	0	0	311,567		
Property Taxes Receivable	4,128,304	825,660	62,881	423,766	0	0	5,440,611		
Allowance for Uncollectible Property Taxes	(223,806)	(44,761)	(3,409)	(22,974)	0	0	(294,950)		
Prepaid Items	71,683	7,047	9,133	0	0	0	87,863		
Total Assets	\$ 5,841,024	\$ 970,300	\$ 3,284,308	\$ 2,870,862	\$ 1,331,104	\$ 53,885	\$ 14,351,483		

ASSETS

LIABILITIES AND FUND BALANCES

	Accounts Payable	Accrued Payroll	Payroll Deductions Payable	Contracts Payable	Retainage Payable	Due to Other Funds	Due to State of Tennessee	Deferred Revenue - Current Property Taxes	Deferred Revenue - Delinquent Property Taxes	Other Deferred Revenues	Total Liabilities
Liabilities	\$ 388	\$ 28,752	\$ 107,627	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,767
Accounts Payable	104,284	9,718	23,982	0	0	0	0	0	0	0	137,984
Accrued Payroll	3,238	0	0	0	0	0	0	0	0	0	3,238
Payroll Deductions Payable	0	0	0	0	52,914	0	0	0	0	0	52,914
Contracts Payable	0	0	0	0	39,854	0	0	0	0	0	39,854
Retainage Payable	0	0	0	0	0	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	0	0	300,000	0	0	11,567	311,567
Due to State of Tennessee	15,047	1,459	826	0	0	0	0	0	0	0	17,332
Deferred Revenue - Current Property Taxes	3,660,602	732,120	55,757	375,757	0	0	0	0	0	0	4,824,236
Deferred Revenue - Delinquent Property Taxes	228,943	45,788	3,487	23,500	0	0	0	0	0	0	301,718
Other Deferred Revenues	83,862	0	149,503	66,908	0	0	0	0	0	0	300,273
Total Liabilities	\$ 4,096,364	\$ 817,837	\$ 341,182	\$ 466,165	\$ 392,768	\$ 11,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,125,883

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
Fund Balances							
Reserved for Encumbrances	\$ 66,790	\$ 52,107	\$ 411,177	\$ 0	\$ 1,065,075	\$ 0	\$ 1,595,149
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	36,638	36,638
Reserved for Alcohol and Drug Treatment	60,524	0	0	0	0	0	60,524
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	115,687	0	0	0	0	0	115,687
Reserved for Drug Court	21,835	0	0	0	0	0	21,835
Reserved for Courtroom Security	10	0	0	0	0	0	10
Reserved for Computer System - Register	35,024	0	0	0	0	0	35,024
Reserved for Automation Purposes - General Sessions Court	20,699	0	0	0	0	0	20,699
Reserved for Automation Purposes - Chancery Court	11,873	0	0	0	0	0	11,873
Reserved for Prepaid Items	71,683	7,047	9,133	0	0	0	87,863
Reserved for Other General Purposes	0	0	0	300,000	0	0	300,000
Unreserved, Reported In:							
General Fund	1,340,535	0	0	0	0	0	1,340,535
Special Revenue Funds	0	93,309	2,522,816	0	0	5,680	2,621,805
Debt Service Funds	0	0	0	2,104,697	0	0	2,104,697
Capital Projects Funds (Deficit)	0	0	0	0	(126,739)	0	(126,739)
Total Fund Balances	\$ 1,744,660	\$ 152,463	\$ 2,943,126	\$ 2,404,697	\$ 938,336	\$ 42,318	\$ 8,225,600
Total Liabilities and Fund Balances	\$ 5,841,024	\$ 970,300	\$ 3,284,308	\$ 2,870,862	\$ 1,331,104	\$ 53,885	\$ 14,351,483

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, 2010

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)		\$	8,225,600
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	459,534	
Add: construction in progress		1,184,396	
Add: infrastructure net of accumulated depreciation		1,271,244	
Add: buildings and improvements net of accumulated depreciation		1,780,256	
Add: other capital assets net of accumulated depreciation		<u>457,132</u>	5,152,562
(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	\$	(2,995,000)	
Less: notes payable		(519,001)	
Less: other loans payable		(14,595,000)	
Less: leases payable		(42,106)	
Add: deferred charges - debt issuance costs		172,248	
Less: compensated absences payable		(118,686)	
Less: landfill closure/postclosure care costs		(312,845)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(50,559)	
Less: unamortized portion of debt premiums		<u>(78,616)</u>	(18,539,565)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>601,991</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (4,559,412)</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, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
Revenues								
Local Taxes	\$ 3,933,296	\$ 763,660	\$ 141,952	\$ 1,223,077	\$ 0	\$ 33,316	\$ 6,095,301	
Licenses and Permits	39,000	0	0	0	0	0	39,000	
Fines, Forfeitures, and Penalties	79,891	0	0	0	0	25,509	105,400	
Charges for Current Services	1,018,235	173,881	1,707	0	0	108,077	1,301,900	
Other Local Revenues	67,197	31,251	0	35,000	2,419	0	135,867	
Fees Received from County Officials	696,250	0	0	0	0	0	696,250	
State of Tennessee	608,230	41,581	2,142,190	0	18,177	0	2,810,178	
Federal Government	1,600	0	0	0	478,544	0	480,144	
Other Governments and Citizens Groups	154,529	0	0	0	0	0	154,529	
Total Revenues	\$ 6,598,228	\$ 1,010,373	\$ 2,285,849	\$ 1,258,077	\$ 499,140	\$ 166,902	\$ 11,818,569	
Expenditures								
Current:								
General Government	\$ 990,943	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 990,943	
Finance	598,653	0	0	0	0	127,400	726,053	
Administration of Justice	683,909	0	0	0	0	37,075	720,984	
Public Safety	2,567,491	0	0	0	0	49,978	2,617,469	
Public Health and Welfare	1,351,399	1,041,603	0	0	0	0	2,393,002	
Social, Cultural, and Recreational Services	70,988	0	0	0	0	0	70,988	
Agriculture and Natural Resources	63,726	0	0	0	0	0	63,726	
Other Operations	202,488	18,684	0	0	0	0	221,172	
Highways	0	0	1,977,774	0	0	0	1,977,774	
Debt Service:								
Principal on Debt	19,297	0	0	775,316	0	0	794,613	
Interest on Debt	3,653	0	0	740,937	0	0	744,590	
Other Debt Service	0	0	0	86,703	0	0	86,703	
Capital Projects	0	0	0	0	2,874,845	0	2,874,845	
Total Expenditures	\$ 6,552,547	\$ 1,060,287	\$ 1,977,774	\$ 1,602,956	\$ 2,874,845	\$ 214,453	\$ 14,282,862	
Excess (Deficiency) of Revenues Over Expenditures	\$ 45,681	\$ (49,914)	\$ 308,075	\$ (344,879)	\$ (2,375,705)	\$ (47,551)	\$ (2,464,293)	

(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	General Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>								
Capital Leases Issued	\$ 61,403	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,403
Premiums on Debt Issued	0	0	0	0	19,587	0	0	19,587
Other Loans Issued	0	0	0	0	2,750,000	0	0	2,750,000
Insurance Recovery	23,246	0	0	0	0	0	0	23,246
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 84,649</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,769,587</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,854,236</u>
Net Change in Fund Balances	\$ 130,330	\$ (49,914)	\$ 308,075	\$ (344,879)	\$ 393,882	\$ (47,551)	\$	\$ 389,943
Fund Balance, July 1, 2009	1,614,330	202,377	2,635,051	2,749,576	544,454	89,869		7,835,657
Fund Balance, June 30, 2010	<u>\$ 1,744,660</u>	<u>\$ 152,463</u>	<u>\$ 2,943,126</u>	<u>\$ 2,404,697</u>	<u>\$ 938,336</u>	<u>\$ 42,318</u>	<u>\$</u>	<u>\$ 8,225,600</u>

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

Exhibit C-4

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

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)	\$	389,943	
(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	\$	1,498,676	
Less: current-year depreciation expense		<u>(459,887)</u>	1,038,789
(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, 2010	\$	601,991	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(707,740)</u>	(105,749)
(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: other loan proceeds	\$	(2,750,000)	
Less: capital lease proceeds		(61,403)	
Add: principal payments on bonds		535,000	
Add: principal payments on notes		240,316	
Add: principal payments on leases		19,297	
Less: change in debt issuance premiums		(15,115)	
Add: change in debt issuance costs		<u>21,930</u>	(2,009,975)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	55,520	
Change in compensated absences payable		9,659	
Change in landfill closure/postclosure care costs		<u>(3,710)</u>	61,469
Change in net assets of governmental activities (Exhibit B)			<u><u>\$ (625,523)</u></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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 403,332
Accounts Receivable	18,323
Due from Other Governments	54,354
Property Taxes Receivable	<u>56,347</u>
Total Assets	<u>\$ 532,356</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 110,701
Due to Litigants, Heirs, and Others	<u>421,655</u>
Total Liabilities	<u>\$ 532,356</u>

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

MORGAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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
P.O. Box 69
Wartburg, TN 37887

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.

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.

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

Additionally, Morgan County reports the following fund type:

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

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

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 2.95 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
Intangibles	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	3 - 40
Other Capital Assets	3 - 30
Infrastructure	15 - 40

5. Compensated Absences

Primary Government

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay 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.

Discretely Presented Morgan County School Department

It is the School Department's policy to permit support personnel with at least ten years of service to accumulate a limited amount of earned but unused sick pay benefits, which will be paid to those employees upon separation from service. A liability for sick pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave of professional employees since there is no policy to pay any amounts when those employees separate from service. There is also no liability for unpaid vacation pay for any School Department employees since vacation benefits do not accumulate.

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.

7. Net Assets and Fund Equity

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

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

As of June 30, 2010, Morgan County had \$12,083,760 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. The account Reserved for Other General Purposes in the General Debt Service Fund represents the amount of a long-term interfund receivable, which is not available for appropriation.

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. Fund Deficit

The General Capital Projects Fund had a deficit in unreserved fund balance of \$126,739 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$197,202 and a land purchase obligation of \$850,000 being reserved as encumbrances. This deficit was liquidated subsequent to June 30, 2010, upon receipt of federal grant funds.

C. Cash Shortages: Prior and Current Years

Office of County Clerk

The county's 2007-08 audit report reflected a cash shortage of \$721. This cash shortage resulted from office receipts not being deposited to the official bank account or accounted for otherwise. This cash shortage was liquidated by the clerk on November 2, 2009.

On February 10, 2011, the state Comptroller's Office issued a special report on the Morgan County Clerk's Office for the period July 1, 2009, through December 22, 2010. This report disclosed a cash shortage of \$54,611.33 at December 14, 2010. Subsequently, the county clerk deposited \$47,200.71, leaving an unpaid cash shortage of \$7,410.62 at December 22, 2010. This report is available at www.tn.gov/comptroller.

On January 24, 2011, County Clerk Carol Hamby was arraigned on charges of theft, official misconduct, and failure to follow the three-day deposit law. On February 18, 2011, the Criminal Court of Morgan County accepted a plea of guilty to charges of official misconduct and violation of the three-day deposit law. The charge of theft was dismissed. The court also accepted a memorandum of understanding to defer entry of judgment of guilty if terms and conditions of that memorandum are met. Among the conditions specified was the requirement that Ms. Hamby pay the remaining cash shortage, cost of the extended audit, and court costs. Also, on February 18, 2011, Ms. Hamby resigned as Morgan County Clerk and submitted payment of \$6,500 to apply toward the agreed obligations.

D. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Instruction – Special Education Program major appropriation category (the legal level of control) of the School Department's School Federal Projects Fund by \$11,453. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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 Comptroller's Office 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 fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2010.

B. Derivatives Instruments

At June 30, 2010, Morgan County had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 10,000,000	2-13-02	6-1-26	Pay 4.33% receive 70% of LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2010		6-30-10
	Classification	Amount	Classification	Amount	Notional Amount
Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$ (465,796)	Debt	\$ (2,094,723)	\$ 10,000,000
Totals		\$ (465,796)		\$ (2,094,723)	\$ 10,000,000

Derivative Swap Agreement Detail

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 amount 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, 2010, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.33 %
Variable payment from counterparty	% of LIBOR	<u>-0.24</u>
Net interest rate swap payments		4.09 %
Variable-rate bond coupon payments		<u>0.25</u>
 Synthetic interest rate on bonds		 <u><u>4.34 %</u></u>

Fair Value. As of June 30, 2010, the swap had a negative fair value of \$2,094,723. 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, 2010, the county was not exposed to credit risk because the swap had a negative fair value. However, should 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, Morgan Keegan Financial Products (“MKFP”) was rated A+ by Standard and Poor’s as of June 30, 2010, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody’s, Standard and Poor’s, and Fitch, respectively.

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, 2010, 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 Payment	Total
	Principal	Interest		
2011	\$ 0	\$ 25,000	\$ 408,892	\$ 433,892
2012	0	25,000	408,892	433,892
2013	0	25,000	408,892	433,892
2014	0	25,000	408,892	433,892
2015	0	25,000	408,892	433,892
2016-2020	3,760,000	107,338	1,755,578	5,622,916
2021-2025	5,045,000	54,238	887,091	5,986,329
2026	1,195,000	2,988	48,863	1,246,851
Total	\$ 10,000,000	\$ 289,564	\$ 4,735,992	\$ 15,025,556

C. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 322,834	\$ 136,700	\$ 0	\$ 459,534
Construction in Progress	0	1,184,396	0	1,184,396
Total Capital Assets Not Depreciated	\$ 322,834	\$ 1,321,096	\$ 0	\$ 1,643,930
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,764,779	\$ 0	\$ 0	\$ 2,764,779
Infrastructure	1,435,825	0	0	1,435,825
Other Capital Assets	3,960,313	177,580	(11,000)	4,126,893
Total Capital Assets Depreciated	\$ 8,160,917	\$ 177,580	\$ (11,000)	\$ 8,327,497

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 924,444	\$ 60,079	\$ 0	\$ 984,523
Roads and Bridges	118,613	45,968	0	164,581
Other Capital Assets	3,326,921	353,840	(11,000)	3,669,761
Total Accumulated Depreciation	<u>\$ 4,369,978</u>	<u>\$ 459,887</u>	<u>\$ (11,000)</u>	<u>\$ 4,818,865</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,790,939</u>	<u>\$ (282,307)</u>	<u>\$ 0</u>	<u>\$ 3,508,632</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,113,773</u>	<u>\$ 1,038,789</u>	<u>\$ 0</u>	<u>\$ 5,152,562</u>

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

Governmental Activities:

General Government	\$ 58,508
Public Safety	87,670
Public Health and Welfare	190,855
Highway/Public Works	<u>122,854</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 459,887</u>

Discretely Presented Morgan County School Department**Governmental Activities:**

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 1,104,029	\$ 0	\$ 1,104,029
Total Capital Assets Not Depreciated	<u>\$ 1,104,029</u>	<u>\$ 0</u>	<u>\$ 1,104,029</u>

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Depreciated:			
Buildings and Improvements	\$ 47,566,641	\$ 0	\$ 47,566,641
Other Capital Assets	11,658,653	187,437	11,846,090
Total Capital Assets Depreciated	<u>\$ 59,225,294</u>	<u>\$ 187,437</u>	<u>\$ 59,412,731</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 22,831,307	\$ 1,121,814	\$ 23,953,121
Other Capital Assets	3,820,454	1,040,680	4,861,134
Total Accumulated Depreciation	<u>\$ 26,651,761</u>	<u>\$ 2,162,494</u>	<u>\$ 28,814,255</u>
Total Capital Assets Depreciated, Net	<u>\$ 32,573,533</u>	<u>\$ (1,975,057)</u>	<u>\$ 30,598,476</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,677,562</u>	<u>\$ (1,975,057)</u>	<u>\$ 31,702,505</u>

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

Governmental Activities:

Instruction	\$ 39,286
Support Services	2,092,059
Operation of Non-Instructional Services	<u>31,149</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,162,494</u></u>

D. Construction Commitments

At June 30, 2010, the General Capital Projects Fund had uncompleted construction contracts of approximately \$197,202 for various projects. Funding is being provided for these future expenditures by debt proceeds and federal grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 11,567
General Debt Service	General Capital Projects	300,000
Discretely Presented School Department:		
Central Cafeteria	School Federal Projects	50,000

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Discretely Presented Morgan County School Department

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Central Cafeteria Fund
General Purpose School Fund	\$ 0	\$ 31,000
School Federal Projects Fund	5,373	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.

F. Capital Leases

Primary Government

On August 25, 2009, Morgan County entered into a two-year lease-purchase agreement for four patrol cars. The terms of the agreement require total lease payments of \$61,403 plus interest of 5.95 percent. Title to the patrol cars transfers to Morgan County 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, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2011	\$ 22,950
2012	22,950
Total Minimum Lease Payments	<u>\$ 45,900</u>
Less: Amount Representing Interest	<u>(3,794)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 42,106</u></u>

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 \$6,448,282 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 April 7, 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, 2008, the Morgan County School Department entered into a two-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, 2010, were as follows:

Year Ending June 30	Governmental Funds
2011	\$ 743,756
2012	706,110
2013	706,110
2014	706,110
2015	706,111
2016-2020	3,378,581
2021-2023	<u>1,890,373</u>
Total Minimum Lease Payments	\$ 8,837,151
Less: Amount Representing Interest	<u>(2,395,829)</u>
Present Value of Minimum Lease Payments	<u>\$ 6,441,322</u>

G. 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 20 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, 2010, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	2.8 %	\$ 500,000	\$ 205,000
General Obligation Bonds - Refunding	3 to 4	3,740,000	2,790,000
Capital Outlay Notes	0 to 2.5	679,708	519,001
Other Loans - Fixed Rate	4.25 to 6	2,500,000	2,500,000
Other Loans - Variable Rate	Variable	12,095,000	12,095,000
Capital Lease	5.95	61,403	42,106

Morgan County has entered into loan agreements with the Sevier County Public Building Authority, Blount County Public Building Authority, and City of Clarksville 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, 2010:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-10	Interest Type	Interest Rates as of 6-30-10	Fee Rates as of 6-30-10
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,750,000	Fixed	5.6 to 6 %	0 %
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	0
City of Clarksville PBA:					
Series 2009	2,000,000	2,000,000	Variable	.41	.99
Sevier County PBA:					
Series VII-A-3	10,095,000	10,095,000	Variable	.25 (1)	.77

(1) In addition to interest requirements on this debt, the county is also obligated for payments under a swap agreement that was entered into in connection with the debt. See Note IV.B., Derivative Instruments.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	<u>\$ 2,995,000</u>	<u>\$ 343,385</u>	<u>\$ 3,338,385</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
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	<u>\$ 519,001</u>	<u>\$ 2,293</u>	<u>\$ 521,294</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest (1)	Other Fees	
2011	\$ 65,000	\$ 661,304	\$ 93,131	\$ 819,435
2012	69,000	659,839	92,631	821,470
2013	72,000	656,845	92,100	820,945
2014	76,000	653,720	91,545	821,265
2015	205,000	650,422	90,960	946,382
2016-2020	5,071,000	2,764,413	389,797	8,225,210
2021-2025	6,700,000	1,454,251	204,720	8,358,971
2026-2029	2,337,000	157,104	20,821	2,514,925
Total	<u>\$ 14,595,000</u>	<u>\$ 7,657,898</u>	<u>\$ 1,075,705</u>	<u>\$ 23,328,603</u>

(2) Includes payments under swap agreement discussed in Note IV.B., Derivative Instruments.

There is \$2,104,697 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$152, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$881, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2009	\$ 3,530,000	\$ 759,317	\$ 11,845,000
Additions	0	0	2,750,000
Deductions	(535,000)	(240,316)	0
Balance, June 30, 2010	<u>\$ 2,995,000</u>	<u>\$ 519,001</u>	<u>\$ 14,595,000</u>
Balance Due Within One Year	<u>\$ 560,000</u>	<u>\$ 162,944</u>	<u>\$ 65,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2009	\$ 0	\$ 128,345	\$ 309,135
Additions	61,403	94,762	3,710
Deductions	(19,297)	(104,421)	0
Balance, June 30, 2010	<u>\$ 42,106</u>	<u>\$ 118,686</u>	<u>\$ 312,845</u>
Balance Due Within One Year	<u>\$ 20,445</u>	<u>\$ 94,762</u>	<u>\$ 17,174</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 18,582,638
Add: Unamortized Premium on Debt	78,616
Less: Balance Due Within One Year	<u>(920,325)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 17,740,929</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 discretely presented Morgan County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Capital Leases	Compensated Absences
Balance July 1, 2009	\$ 215,380	\$ 6,842,466	\$ 0
Additions	192,512	0	96,175
Deductions	(140,633)	(401,144)	(10,610)
Balance June 30, 2010	<u>\$ 267,259</u>	<u>\$ 6,441,322</u>	<u>\$ 85,565</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 421,003</u>	<u>\$ 51,339</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 6,794,146
Less: Balance Due Within One Year	<u>(472,342)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,321,804</u>

H. 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, 2010, were \$53,590 and \$15,342, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Morgan County issued tax and revenue anticipation notes in advance of property tax and other revenue collections in the following funds. These notes were necessary because funds were not available to meet obligations

coming due before revenues were available. Short-term debt activity for the year ended June 30, 2010, was as follows:

Tax Anticipation Notes:

Fund	Balance 7-1-09	Issued	Paid	Balance 6-30-10
Sanitation/Solid Waste (Borrowed from General Debt Service)	\$ 0	\$ 200,000	\$ (200,000)	\$ 0
General Purpose School (Borrowed from General Debt Service)	0	1,300,000	(1,300,000)	0

Revenue Anticipation Notes:

Fund	Balance 7-1-09	Issued	Paid	Balance 6-30-10
School Federal Projects (Borrowed from General Debt Service)	\$ 0	\$ 200,000	\$ (200,000)	\$ 0
School Federal Projects (Borrowed from Central Cafeteria)	0	50,000	0	50,000

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. Risk Financing Activities

Morgan County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left the LOGIC members exposed to significant claim liabilities for their policy years. In 2003, the LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2009, the LOGIC board of directors made a second assessment of its members. Morgan County's share of this second assessment totaled \$41,399.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Morgan County had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Morgan County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the

commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Morgan County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Note IV.B., Derivative Instruments, describes derivative transactions of Morgan County as of and for the year ended June 30, 2010.

D. Subsequent Events

Subsequent to June 30, 2010, various county funds issued tax and revenue anticipation notes to provide temporary operating funds as noted in the following table:

Date	Fund	Amount
8-26-10	Solid Waste/Sanitation	\$ 300,000
8-26-10	School Federal Projects	300,000
9-10-10	General Capital Projects	300,000
10-5-10	General	300,000

On August 31, 2010, Rebecca Ruppe left the Office of County Executive and was succeeded by Don Edwards, Joyce Northrup left the Office of Trustee and was succeeded by Cindi Jones, and Dennis Ledbetter left the Office of Sheriff and was succeeded by Glendon Freytag.

On October 13, 2010, Morgan County issued \$6,400,000 in general obligation refunding bonds to pay off a capital lease of the discretely presented Morgan County School Department.

On December 20, 2010, Morgan County issued capital outlay notes totaling \$180,000 on behalf of the School Department for the purchase of land.

On January 24, 2011, County Clerk Carol Hamby was arraigned on charges of theft, official misconduct, and failure to follow the three-day deposit law. Ms. Hamby resigned as the Morgan County Clerk on February 18, 2011.

E. 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.

F. Landfill Closure/Postclosure Care Costs

Morgan County has active permits on file with the state Department of Environment and Conservation for one sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated closure and 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 Morgan 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 \$312,845 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between 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, 2010, 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 and Roane 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 park. The agreement established a nine-member board with each county appointing three members and having responsibility for one-third of the entity's funding. During the year, Morgan County issued debt of \$750,000 and contributed the proceeds to the board.

H. 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/PS/.

Funding Policy

Morgan County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, Morgan County's annual pension cost of \$457,286 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$457,286	100%	\$0
6-30-09	438,980	100	0
6-30-08	401,314	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.19 percent funded. The actuarial accrued liability for benefits was \$12.78 million, and the actuarial value of assets was \$10.76 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.33 million, and the ratio of the UAAL to the covered payroll was 31.92 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year 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 TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008, were \$805,034, \$818,113, and \$776,468, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The Morgan County 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 employers in each plan develop their 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. The Morgan County School Department does not pay any premiums for retiree health insurance. However, since pre-65 retirees are allowed to remain on the plan, an implicit rate subsidy exists and is accounted for as other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 192,000
Interest on the NPO	9,692
Adjustment to the ARC	(9,180)
Annual OPEB cost	<hr/> \$ 192,512
Amount of contribution	(140,633)
Increase/decrease in NPO	<hr/> \$ 51,879
Net OPEB obligation, 7-1-09	<hr/> 215,380
Net OPEB obligation, 6-30-10	<hr/> <hr/> \$ 267,259

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 219,304	48	% \$ 113,804
6-30-09	"	190,700	47	215,380
6-30-10	"	192,512	73	267,259

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 1,715,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,715,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,231,295
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 multi-year 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, 2009, actuarial valuation for the Local Education Plan, the projected unit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

J. 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.

K. 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 \$10,000 are to be made on a competitive bid basis.

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 for the purpose of providing an enhanced level of 911 service to the Morgan County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Morgan County. The Morgan County E-911 Emergency Communications District is run by a board of directors 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:

<u>Assets</u>	<u>Method</u>	<u>Estimated Useful Life (Years)</u>	<u>2010 Depreciation</u>
Building and Improvements	S/L	3-40	\$ 4,389
Communications Equipment	S/L	5, 7 and 10	52,455
Furniture and Fixtures	S/L	3, 5 and 10	7,142
Office Equipment	S/L	5, 7 and 10	6,185
Vehicle	S/L	5	<u>0</u>
Total			<u>\$ 70,171</u>

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, 2010:

<u>Account</u>	<u>Depository</u>	<u>Amount</u>
Checking	Citizen's First Bank	\$ 195,059
Certificate of Deposit - 3 Months	Citizen's First Bank	57,243
Certificate of Deposit - 5 Months	Citizen's First Bank	<u>55,650</u>
Total		<u>\$ 307,952</u>

At June 30, 2010, the carrying amount of the Morgan County Emergency Communications District’s cash deposits was \$307,952. 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.

C. Bonding and Insurance

The district had a bond covering certain members of the board at June 30, 2010. 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, 2010:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings and Improvements	\$ 1,487,156	\$ 4,389	\$ 1,482,767
Communications Equipment	516,153	142,421	373,732
Furniture and Fixtures	74,136	7,142	66,994
Office Equipment	36,648	11,304	25,344
Vehicles	21,888	21,888	0
Land	90,000	0	90,000
Total	<u>\$ 2,225,981</u>	<u>\$ 187,144</u>	<u>\$ 2,038,837</u>

<u>Assets</u>	<u>Balance 6-30-09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-10</u>
Buildings and Improvements	\$ 0	\$ 1,487,156	\$ 0	\$ 1,487,156
Communications Equipment	268,400	257,781	(10,028)	516,153
Furniture and Fixtures	0	74,136	0	74,136
Office Equipment	19,809	28,399	(11,560)	36,648
Vehicles	21,888	0	0	21,888
Land	90,000	0	0	90,000
Construction in Progress	1,350,223	0	(1,350,223)	0
Total	<u>\$ 1,750,320</u>	<u>\$ 1,847,472</u>	<u>\$ (1,371,811)</u>	<u>\$ 2,225,981</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	\$	1,175
Due from State ECB	State ECB		<u>8,485</u>
Total		\$	<u><u>9,660</u></u>

G. Compensated Absences

There were no employees at June 30, 2010.

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

Net Book Value	\$	2,038,837
Current and Noncurrent Debt		<u>(1,486,434)</u>
Invested in Capital Assets	\$	<u><u>552,403</u></u>

I. Budgetary Information

As stated in Note VI.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, 2010, the district had drawn the full \$1,500,000. 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. The current portion of long-term debt due in one year is \$16,893. Current-year activity is as follows:

Balance 6-30-09	New Loans	Principal Payments	Balance 6-30-10
<u>\$1,276,191</u>	<u>\$223,809</u>	<u>(\$13,566)</u>	<u>\$1,486,434</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Morgan County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,933,296	\$ 0	\$ 0	\$ 3,933,296	\$ 3,863,153	\$ 3,863,153	\$ 70,143
Licenses and Permits	39,000	0	0	39,000	40,100	40,100	(1,100)
Fines, Forfeitures, and Penalties	79,891	0	0	79,891	78,700	78,700	1,191
Charges for Current Services	1,018,235	0	0	1,018,235	1,058,000	1,079,242	(61,007)
Other Local Revenues	67,197	0	0	67,197	86,000	88,026	(20,829)
Fees Received from County Officials	696,250	0	0	696,250	757,091	649,727	46,523
State of Tennessee	608,230	0	0	608,230	695,870	731,692	(123,462)
Federal Government	1,600	0	0	1,600	0	102,400	(100,800)
Other Governments and Citizens Groups	154,529	0	0	154,529	104,683	153,500	1,029
Total Revenues	\$ 6,598,228	\$ 0	\$ 0	\$ 6,598,228	\$ 6,683,597	\$ 6,786,540	\$ (188,312)

<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 83,725	(89)	1,100	\$ 84,736	\$ 87,589	\$ 85,988	\$ 1,252
County Mayor/Executive	153,478	0	0	153,478	154,789	154,789	1,311
County Attorney	8,841	0	0	8,841	10,500	10,500	1,659
Election Commission	111,414	(698)	610	111,326	114,355	114,355	3,029
Register of Deeds	106,499	(295)	1,947	108,151	115,816	115,816	7,665
County Buildings	526,986	(2,033)	14,860	539,813	509,916	547,916	8,103
<u>Finance</u>							
Accounting and Budgeting	203,506	(3,294)	0	200,212	203,034	203,034	2,822
Property Assessor's Office	149,081	0	0	149,081	164,292	152,349	3,268
Reappraisal Program	39,406	0	0	39,406	42,529	42,472	3,066
County Trustee's Office	34,849	0	0	34,849	143,938	36,574	1,725
County Clerk's Office	171,811	0	151	171,962	173,556	172,556	594

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	
					Original	Final		
	\$	213,586	\$	212,855	\$	224,132	\$	11,277
<u>Expenditures (Cont.)</u>								
<u>Administration of Justice</u>								
Circuit Court	5,838	(731)	0	5,838	13,000	8,149	2,311	
Criminal Court	44,151	(1,372)	1,165	43,944	45,873	45,873	1,929	
General Sessions Court	131,314	0	0	131,314	132,240	132,240	926	
General Sessions Judge	56,752	(2,849)	3,853	57,756	69,139	112,639	54,883	
Drug Court	153,294	(79)	86	153,301	153,981	155,581	2,280	
Chancery Court	23,647	0	635	24,282	24,467	24,467	185	
Juvenile Court	55,327	0	0	55,327	51,414	56,265	938	
Courtroom Security								
<u>Public Safety</u>								
Sheriff's Department	971,706	(6,644)	6,724	971,786	979,187	1,015,014	43,228	
Jail	1,104,671	(1,581)	1,256	1,104,346	1,094,970	1,113,998	9,652	
Juvenile Services	1,000	0	0	1,000	3,500	3,500	2,500	
Fire Prevention and Control	108,812	(600)	1,000	109,212	110,080	110,080	868	
Civil Defense	18,656	(100)	100	18,656	16,966	18,729	73	
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0	
Other Emergency Management	329,786	0	0	329,786	279,967	330,902	1,116	
County Coroner/Medical Examiner	22,584	0	4,500	27,084	25,861	28,461	1,377	
Other Public Safety	7,276	(476)	1,000	7,800	6,800	7,800	0	
<u>Public Health and Welfare</u>								
Local Health Center	43,771	0	0	43,771	47,140	47,903	4,132	
Ambulance/Emergency Medical Services	1,220,952	(5,800)	12,580	1,227,732	1,201,203	1,227,858	126	
Crippled Children Services	5,765	0	0	5,765	5,937	5,937	172	
Other Local Health Services	80,911	0	7,795	88,706	145,270	214,872	126,166	
<u>Social, Cultural, and Recreational Services</u>								
Senior Citizens Assistance	3,593	0	0	3,593	3,600	3,600	7	
Libraries	65,291	(1,155)	1,423	65,559	60,814	65,774	215	
Parks and Fair Boards	2,104	(1,406)	1,660	2,358	2,500	2,500	142	

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	\$ 58,726	\$ (1,034)	\$ 3,092	\$ 60,784	\$ 61,467	\$ 61,467	\$ 683
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0
<u>Other Operations</u>							
Tourism	5,001	0	0	5,001	5,000	5,001	0
Industrial Development	60,468	(500)	805	60,773	59,275	60,774	1
Other Economic and Community Development	21,000	0	0	21,000	21,000	21,000	0
Veterans' Services	552	0	448	1,000	1,000	1,000	0
Miscellaneous	115,467	0	0	115,467	109,000	117,200	1,733
<u>Principal on Debt</u>							
General Government	19,297	0	0	19,297	0	19,297	0
<u>Interest on Debt</u>							
General Government	3,653	0	0	3,653	0	3,653	0
Total Expenditures	\$ 6,552,547	\$ (30,736)	\$ 66,790	\$ 6,588,601	\$ 6,683,097	\$ 6,890,015	\$ 301,414
Excess (Deficiency) of Revenues Over Expenditures	\$ 45,681	\$ 30,736	\$ (66,790)	\$ 9,627	\$ 500	\$ (103,475)	\$ 113,102
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 61,403	\$ 0	\$ 0	\$ 61,403	\$ 0	\$ 61,403	\$ 0
Insurance Recovery	23,246	0	0	23,246	0	5,788	17,458
Discounts on Debt Issued	0	0	0	0	(500)	0	0
Total Other Financing Sources (Uses)	\$ 84,649	\$ 0	\$ 0	\$ 84,649	\$ (500)	\$ 67,191	\$ 17,458
Net Change in Fund Balance	\$ 130,330	\$ 30,736	\$ (66,790)	\$ 94,276	\$ 0	\$ (36,284)	\$ 130,560
Fund Balance, July 1, 2009	1,614,330	(30,736)	0	1,583,594	1,596,791	1,596,791	(13,197)
Fund Balance, June 30, 2010	\$ 1,744,660	\$ 0	\$ (66,790)	\$ 1,677,870	\$ 1,596,791	\$ 1,560,507	\$ 117,363

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 763,660	\$ 0	0	\$ 763,660	\$ 771,110	\$ 771,110	\$ (7,450)
Charges for Current Services	173,881	0	0	173,881	300,000	300,000	(126,119)
Other Local Revenues	31,251	0	0	31,251	30,000	30,000	1,251
State of Tennessee	41,581	0	0	41,581	30,000	30,000	11,581
<u>Total Revenues</u>	<u>\$ 1,010,373</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,010,373</u>	<u>\$ 1,131,110</u>	<u>\$ 1,131,110</u>	<u>\$ (120,737)</u>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 109,538	\$ 0	0	\$ 109,538	\$ 100,282	\$ 110,706	\$ 1,168
Sanitation Education/Information	26,578	(425)	1,612	27,765	29,239	29,239	1,474
Waste Pickup	514,496	(54,339)	15,941	476,098	571,225	608,285	132,187
Convenience Centers	243,331	(17,400)	5,729	231,660	277,046	277,614	45,954
Recycling Center	64,685	(2,196)	3,548	66,037	68,742	68,742	2,705
Landfill Operation and Maintenance	82,975	(14,275)	25,277	93,977	122,205	122,205	28,228
<u>Other Operations</u>							
Other Charges	16,712	0	0	16,712	17,000	17,000	288
Miscellaneous	1,972	0	0	1,972	1,000	2,157	185
<u>Total Expenditures</u>	<u>\$ 1,060,287</u>	<u>\$ (88,635)</u>	<u>\$ 52,107</u>	<u>\$ 1,023,759</u>	<u>\$ 1,186,739</u>	<u>\$ 1,235,948</u>	<u>\$ 212,189</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ (49,914)</u>	<u>\$ 88,635</u>	<u>\$ (52,107)</u>	<u>\$ (13,386)</u>	<u>\$ (55,629)</u>	<u>\$ (104,838)</u>	<u>\$ 91,452</u>
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2009</u>	<u>\$ (49,914)</u>	<u>\$ 88,635</u>	<u>\$ (52,107)</u>	<u>\$ (13,386)</u>	<u>\$ (55,629)</u>	<u>\$ (104,838)</u>	<u>\$ 91,452</u>
	<u>202,377</u>	<u>(88,635)</u>	<u>0</u>	<u>113,742</u>	<u>123,978</u>	<u>123,978</u>	<u>(10,236)</u>
<u>Fund Balance, June 30, 2010</u>	<u>\$ 152,463</u>	<u>\$ 0</u>	<u>\$ (52,107)</u>	<u>\$ 100,356</u>	<u>\$ 68,349</u>	<u>\$ 19,140</u>	<u>\$ 81,216</u>

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 141,952	\$ 0	\$ 0	\$ 141,952	\$ 127,037	\$ 127,037	\$ 14,915
Charges for Current Services	1,707	0	0	1,707	0	0	1,707
Other Local Revenues	0	0	0	0	5,500	5,500	(5,500)
State of Tennessee	2,142,190	0	0	2,142,190	1,989,492	1,989,492	152,698
Total Revenues	\$ 2,285,849	\$ 0	\$ 0	\$ 2,285,849	\$ 2,122,029	\$ 2,122,029	\$ 163,820
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 97,387	\$ 0	\$ 0	\$ 97,387	\$ 123,602	\$ 123,602	\$ 26,215
Highway and Bridge Maintenance	1,544,638	(235,280)	392,090	1,701,448	2,530,998	2,530,998	829,550
Operation and Maintenance of Equipment	236,452	(6,715)	19,087	248,824	331,696	331,696	82,872
Other Charges	66,857	0	0	66,857	68,700	68,700	1,843
Employee Benefits	29,030	0	0	29,030	42,000	42,000	12,970
Capital Outlay	3,410	0	0	3,410	589,200	589,200	585,790
Total Expenditures	\$ 1,977,774	\$ (241,995)	\$ 411,177	\$ 2,146,956	\$ 3,686,196	\$ 3,686,196	\$ 1,539,240
Excess (Deficiency) of Revenues Over Expenditures	\$ 308,075	\$ 241,995	\$ (411,177)	\$ 138,893	\$ (1,564,167)	\$ (1,564,167)	\$ 1,703,060
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 308,075	\$ 241,995	\$ (411,177)	\$ 138,893	\$ (1,564,167)	\$ (1,564,167)	\$ 1,703,060
	2,635,051	(241,995)	0	2,393,056	2,515,817	2,515,817	(122,761)
Fund Balance, June 30, 2010	\$ 2,943,126	\$ 0	\$ (411,177)	\$ 2,531,949	\$ 951,650	\$ 951,650	\$ 1,580,299

Exhibit E-4

Morgan County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Morgan County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 10,759	\$ 12,778	\$ 2,019	84.19 %	\$ 6,328	31.92 %
7-1-07	10,119	11,375	1,256	88.96	5,582	22.5

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent actuarial valuations are presented.

Exhibit E-5

Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Morgan County School Department
June 30, 2010

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-07	\$ 0	\$ 1,989	\$ 1,989	0 %	\$ 12,055	16.5 %
7-1-09	0	1,715	1,715	0	12,231	14.02

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit F-1

Morgan County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Special Revenue Funds</u>		
	Drug	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
	Control		
<u>ASSETS</u>			
Cash	\$ 0	\$ 850	\$ 850
Equity in Pooled Cash and Investments	42,318	0	42,318
Accounts Receivable	0	10,717	10,717
Total Assets	<u>\$ 42,318</u>	<u>\$ 11,567</u>	<u>\$ 53,885</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 11,567	\$ 11,567
Total Liabilities	<u>\$ 0</u>	<u>\$ 11,567</u>	<u>\$ 11,567</u>
<u>Fund Balances</u>			
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 36,638	\$ 0	\$ 36,638
Unreserved	5,680	0	5,680
Total Fund Balances	<u>\$ 42,318</u>	<u>\$ 0</u>	<u>\$ 42,318</u>
Total Liabilities and Fund Balances	<u>\$ 42,318</u>	<u>\$ 11,567</u>	<u>\$ 53,885</u>

Exhibit F-2

Morgan County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	<u>Special Revenue Funds</u>		Total
	Drug	Constitu- tional	Nonmajor
	Control	Officers - Fees	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 33,316	\$ 33,316
Fines, Forfeitures, and Penalties	25,509	0	25,509
Charges for Current Services	0	108,077	108,077
Total Revenues	<u>\$ 25,509</u>	<u>\$ 141,393</u>	<u>\$ 166,902</u>
<u>Expenditures</u>			
Current:			
Finance	\$ 0	\$ 127,400	\$ 127,400
Administration of Justice	0	37,075	37,075
Public Safety	49,978	0	49,978
Total Expenditures	<u>\$ 49,978</u>	<u>\$ 164,475</u>	<u>\$ 214,453</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,469)</u>	<u>\$ (23,082)</u>	<u>\$ (47,551)</u>
Net Change in Fund Balances	\$ (24,469)	\$ (23,082)	\$ (47,551)
Fund Balance, July 1, 2009	66,787	23,082	89,869
Fund Balance, June 30, 2010	<u>\$ 42,318</u>	<u>\$ 0</u>	<u>\$ 42,318</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 25,509 \$	0 \$	25,509 \$	37,500 \$	37,500 \$	(11,991)
Total Revenues	\$ 25,509 \$	0 \$	25,509 \$	37,500 \$	37,500 \$	(11,991)
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 49,978 \$	(634) \$	49,344 \$	53,910 \$	53,910 \$	4,566
Total Expenditures	\$ 49,978 \$	(634) \$	49,344 \$	53,910 \$	53,910 \$	4,566
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,469) \$	634 \$	(23,835) \$	(16,410) \$	(16,410) \$	(7,425)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (24,469) \$	634 \$	(23,835) \$	(16,410) \$	(16,410) \$	(7,425)
	66,787	(634)	66,153	66,153	66,153	0
Fund Balance, June 30, 2010	\$ 42,318 \$	0 \$	42,318 \$	49,743 \$	49,743 \$	(7,425)

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,223,077	\$ 1,221,947	\$ 1,221,947	\$ 1,130
Other Local Revenues	35,000	0	0	35,000
Total Revenues	<u>\$ 1,258,077</u>	<u>\$ 1,221,947</u>	<u>\$ 1,221,947</u>	<u>\$ 36,130</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 407,816	\$ 0	\$ 407,816	\$ 0
Education	367,500	0	367,500	0
<u>Interest on Debt</u>				
General Government	157,013	0	157,013	0
Education	583,924	0	583,924	0
<u>Other Debt Service</u>				
General Government	35,703	1,525,800	125,359	89,656
Education	51,000	51,000	51,000	0
Total Expenditures	<u>\$ 1,602,956</u>	<u>\$ 1,576,800</u>	<u>\$ 1,692,612</u>	<u>\$ 89,656</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (344,879)</u>	<u>\$ (354,853)</u>	<u>\$ (470,665)</u>	<u>\$ 125,786</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (344,879)	\$ (154,853)	\$ (470,665)	\$ 125,786
Fund Balance, July 1, 2009	<u>2,749,576</u>	<u>2,749,576</u>	<u>2,749,576</u>	<u>0</u>
Fund Balance, June 30, 2010	<u>\$ 2,404,697</u>	<u>\$ 2,594,723</u>	<u>\$ 2,278,911</u>	<u>\$ 125,786</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Morgan County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 403,332	\$ 403,332
Accounts Receivable	0	0	18,323	18,323
Due from Other Governments	54,354	0	0	54,354
Property Taxes Receivable	0	56,347	0	56,347
Total Assets	<u>\$ 54,354</u>	<u>\$ 56,347</u>	<u>\$ 421,655</u>	<u>\$ 532,356</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 54,354	\$ 56,347	\$ 0	\$ 110,701
Due to Litigants, Heirs, and Others	0	0	421,655	421,655
Total Liabilities	<u>\$ 54,354</u>	<u>\$ 56,347</u>	<u>\$ 421,655</u>	<u>\$ 532,356</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 386,785	\$ 386,785	\$ 0
Due from Other Governments	56,875	54,354	56,875	54,354
Total Assets	<u>\$ 56,875</u>	<u>\$ 441,139</u>	<u>\$ 443,660</u>	<u>\$ 54,354</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 56,875	\$ 441,139	\$ 443,660	\$ 54,354
Total Liabilities	<u>\$ 56,875</u>	<u>\$ 441,139</u>	<u>\$ 443,660</u>	<u>\$ 54,354</u>
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 41,760	\$ 41,760	\$ 0
Property Taxes Receivable	45,320	56,347	45,320	56,347
Total Assets	<u>\$ 45,320</u>	<u>\$ 98,107</u>	<u>\$ 87,080</u>	<u>\$ 56,347</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,320	\$ 98,107	\$ 87,080	\$ 56,347
Total Liabilities	<u>\$ 45,320</u>	<u>\$ 98,107</u>	<u>\$ 87,080</u>	<u>\$ 56,347</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 582,975	\$ 2,551,986	\$ 2,731,629	\$ 403,332
Accounts Receivable	7,592	18,323	7,592	18,323
Total Assets	<u>\$ 590,567</u>	<u>\$ 2,570,309</u>	<u>\$ 2,739,221</u>	<u>\$ 421,655</u>
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 590,567	\$ 2,570,309	\$ 2,739,221	\$ 421,655
Total Liabilities	<u>\$ 590,567</u>	<u>\$ 2,570,309</u>	<u>\$ 2,739,221</u>	<u>\$ 421,655</u>

(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	\$ 582,975	\$ 2,551,986	\$ 2,731,629	\$ 403,332
Equity in Pooled Cash and Investments	0	428,545	428,545	0
Account Receivable	7,592	18,323	7,592	18,323
Due from Other Governments	56,875	54,354	56,875	54,354
Property Taxes Receivable	45,320	56,347	45,320	56,347
Total Assets	<u>\$ 692,762</u>	<u>\$ 3,109,555</u>	<u>\$ 3,269,961</u>	<u>\$ 532,356</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 102,195	\$ 539,246	\$ 530,740	\$ 110,701
Due to Litigants, Heirs, and Others	590,567	2,570,309	2,739,221	421,655
Total Liabilities	<u>\$ 692,762</u>	<u>\$ 3,109,555</u>	<u>\$ 3,269,961</u>	<u>\$ 532,356</u>

Morgan County School Department

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

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

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

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

Exhibit I-1

Morgan County, Tennessee
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,130,659	\$ 51,768	\$ 2,454,721	\$ (12,624,170)
Support Services	9,566,993	0	271,869	(9,295,124)
Operation of Non-Instructional Services	2,633,331	529,610	2,150,659	46,938
Other Debt Service	327,587	0	0	(327,587)
Total Governmental Activities	\$ 27,658,570	\$ 581,378	\$ 4,877,249	\$ (22,199,943)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,522,948
Other Local Taxes				73,611
Grants and Contributions Not Restricted to Specific Programs				19,127,790
Unrestricted Investment Income				71,043
Miscellaneous				52,359
Total General Revenues				\$ 21,847,751
Change in Net Assets				\$ (352,192)
Net Assets, July 1, 2009				29,033,877
Net Assets, June 30, 2010				<u>\$ 28,681,685</u>

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2010

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 9,454	\$ 861	\$ 392	\$ 10,707
Equity in Pooled Cash and Investments	2,355,496	110,004	1,269,252	3,734,752
Accounts Receivable	12,497	0	0	12,497
Due from Other Governments	108,969	131,398	67,564	307,931
Due from Other Funds	0	0	50,000	50,000
Property Taxes Receivable	2,733,975	0	0	2,733,975
Allowance for Uncollectible Property Taxes	(148,216)	0	0	(148,216)
Total Assets	\$ 5,072,175	\$ 242,263	\$ 1,387,208	\$ 6,701,646
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 0	\$ 23,945	\$ 23,945
Payroll Deductions Payable	189,959	0	0	189,959
Due to Other Funds	0	50,000	0	50,000
Due to State of Tennessee	3,313	3,320	0	6,633
Deferred Revenue - Current Property Taxes	2,424,239	0	0	2,424,239
Deferred Revenue - Delinquent Property Taxes	151,617	0	0	151,617
Total Liabilities	\$ 2,769,128	\$ 53,320	\$ 23,945	\$ 2,846,393
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 381,777	\$ 9,597	\$ 74,832	\$ 466,206
Reserved for Career Ladder Program	469	0	0	469
Reserved for Basic Education Program	485,360	0	0	485,360
Reserved for Title I Grants to Local Education Agencies	0	42,990	0	42,990
Reserved for Special Education - Grants to States	0	1,208	0	1,208
Other Federal Reserves	0	135,148	0	135,148
Unreserved, Reported In:				
General Fund	1,435,441	0	0	1,435,441
Special Revenue Funds	0	0	1,288,431	1,288,431
Total Fund Balances	\$ 2,303,047	\$ 188,943	\$ 1,363,263	\$ 3,855,253
Total Liabilities and Fund Balances	\$ 5,072,175	\$ 242,263	\$ 1,387,208	\$ 6,701,646

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, 2010

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$ 3,855,253
(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	23,613,520	
Add: other capital assets net of accumulated depreciation	<u>6,984,956</u>	31,702,505
(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	\$ (6,441,322)	
Less: accrued interest on debt	(233,544)	
Less: other postemployment benefits liability	(267,259)	
Less: compensated absences payable	<u>(85,565)</u>	(7,027,690)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>151,617</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 28,681,685</u>

Exhibit I-4

Morgan County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,602,285	\$ 0	\$ 0	\$ 2,602,285
Licenses and Permits	560	0	0	560
Charges for Current Services	51,099	0	530,279	581,378
Other Local Revenues	136,359	0	23,693	160,052
State of Tennessee	19,101,063	0	18,986	19,120,049
Federal Government	169,736	3,219,096	1,258,591	4,647,423
Other Governments and Citizens Groups	79,188	0	0	79,188
Total Revenues	<u>\$ 22,140,290</u>	<u>\$ 3,219,096</u>	<u>\$ 1,831,549</u>	<u>\$ 27,190,935</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,738,781	\$ 2,480,495	\$ 0	\$ 15,219,276
Support Services	6,722,385	708,995	0	7,431,380
Operation of Non-Instructional Services	872,466	0	1,598,253	2,470,719
Capital Outlay	13,026	0	0	13,026
Debt Service:				
Principal on Debt	401,144	0	0	401,144
Interest on Debt	342,613	0	0	342,613
Total Expenditures	<u>\$ 21,090,415</u>	<u>\$ 3,189,490</u>	<u>\$ 1,598,253</u>	<u>\$ 25,878,158</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,049,875</u>	<u>\$ 29,606</u>	<u>\$ 233,296</u>	<u>\$ 1,312,777</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 37,088	\$ 0	\$ 0	\$ 37,088
Transfers In	5,373	0	31,000	36,373
Transfers Out	(31,000)	(5,373)	0	(36,373)
Total Other Financing Sources (Uses)	<u>\$ 11,461</u>	<u>\$ (5,373)</u>	<u>\$ 31,000</u>	<u>\$ 37,088</u>
Net Change in Fund Balances	\$ 1,061,336	\$ 24,233	\$ 264,296	\$ 1,349,865
Fund Balance, July 1, 2009	<u>1,241,711</u>	<u>164,710</u>	<u>1,098,967</u>	<u>2,505,388</u>
Fund Balance, June 30, 2010	<u>\$ 2,303,047</u>	<u>\$ 188,943</u>	<u>\$ 1,363,263</u>	<u>\$ 3,855,253</u>

Exhibit I-5

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

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)		\$ 1,349,865
(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	\$ 187,437	
Less: current-year depreciation expense	<u>(2,162,494)</u>	(1,975,057)
(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, 2009	\$ (157,343)	
Add: deferred delinquent property taxes and other deferred June 30, 2010	<u>151,617</u>	(5,726)
(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.		
Add: capital lease principal payments		401,144
(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	\$ 15,026	
Change in other postemployment benefits liability	(51,879)	
Change in compensated absences payable	<u>(85,565)</u>	<u>(122,418)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (352,192)</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,602,285	\$ 0	\$ 0	\$ 2,602,285	\$ 2,585,900	\$ 2,631,300	\$ (29,015)
Licenses and Permits	560	0	0	560	750	750	(190)
Charges for Current Services	51,099	0	0	51,099	39,500	39,500	11,599
Other Local Revenues	136,359	0	0	136,359	140,000	206,669	(70,310)
State of Tennessee	19,101,063	0	0	19,101,063	19,056,340	19,880,484	(779,421)
Federal Government	169,736	0	0	169,736	27,500	27,500	142,236
Other Governments and Citizens Groups	79,188	0	0	79,188	51,000	79,000	188
Total Revenues	\$ 22,140,290	\$ 0	\$ 0	\$ 22,140,290	\$ 21,900,990	\$ 22,865,203	\$ (724,913)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,316,131	\$ 0	\$ 307	\$ 10,316,438	\$ 10,580,852	\$ 11,015,098	\$ 698,660
Special Education Program	1,512,170	0	230	1,512,400	1,472,120	1,512,400	0
Vocational Education Program	910,480	(20)	0	910,460	945,100	946,350	35,890
<u>Support Services</u>							
Attendance	163,297	0	0	163,297	153,240	167,352	4,055
Health Services	229,896	0	151	230,047	239,170	239,170	9,123
Other Student Support	531,522	(1,745)	0	529,777	500,480	535,630	5,853
Regular Instruction Program	835,081	(3,377)	56,382	888,086	813,710	985,064	96,978
Special Education Program	144,430	0	0	144,430	151,590	151,590	7,160
Vocational Education Program	75,442	0	0	75,442	81,590	80,340	4,898
Other Programs	68,933	0	0	68,933	0	68,933	0
Board of Education	404,434	0	10,310	414,744	539,490	570,590	155,846
Director of Schools	282,617	(414)	0	282,203	275,060	285,060	2,857
Office of the Principal	1,166,685	0	0	1,166,685	1,227,850	1,228,850	62,165

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,458,430	\$ (3,839)	0	\$ 1,454,591	\$ 1,532,019	\$ 1,532,019	\$ 77,428
Maintenance of Plant	461,006	(24,826)	179,438	615,618	616,750	663,716	48,098
Transportation	900,612	(1,928)	10,808	909,492	939,360	987,908	78,416
<u>Operation of Non-Instructional Services</u>							
Food Service	4,031	(4,031)	0	0	31,000	0	0
Early Childhood Education	868,435	(13,950)	22,201	876,686	1,057,940	1,070,148	193,462
<u>Capital Outlay</u>							
Regular Capital Outlay	13,026	0	101,950	114,976	0	121,950	6,974
Principal on Debt	401,144	0	0	401,144	333,124	401,144	0
Interest on Debt	342,613	0	0	342,613	413,000	344,980	2,367
<u>Other Debt Service</u>							
Education	0	0	0	0	200,000	0	0
Total Expenditures	\$ 21,090,415	\$ (54,130)	\$ 381,777	\$ 21,418,062	\$ 22,103,445	\$ 22,908,292	\$ 1,490,230
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 1,049,875	\$ 54,130	\$ (381,777)	\$ 722,228	\$ (202,455)	\$ (43,089)	\$ 765,317
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 37,088	0	0	\$ 37,088	0	\$ 37,088	0
Transfers In	5,373	0	0	5,373	0	0	5,373
Transfers Out	(31,000)	0	0	(31,000)	0	(31,000)	0
Total Other Financing Sources (Uses)	\$ 11,461	0	0	\$ 11,461	0	\$ 6,088	\$ 5,373
Net Change in Fund Balance	\$ 1,061,336	\$ 54,130	\$ (381,777)	\$ 733,689	\$ (202,455)	\$ (37,001)	\$ 770,690
Fund Balance, July 1, 2009	1,241,711	(54,130)	0	1,187,581	1,626,671	1,626,671	(439,090)
Fund Balance, June 30, 2010	\$ 2,303,047	0	\$ (381,777)	\$ 1,921,270	\$ 1,424,216	\$ 1,589,670	\$ 331,600

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 3,219,096	\$ 0	\$ 0	\$ 3,219,096	\$ 2,732,637	\$ 3,607,985	\$ (388,889)
Total Revenues	\$ 3,219,096	\$ 0	\$ 0	\$ 3,219,096	\$ 2,732,637	\$ 3,607,985	\$ (388,889)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,084,388	\$ (614)	\$ 2,410	\$ 1,086,184	\$ 1,034,785	\$ 1,192,176	\$ 105,992
Special Education Program	1,257,278	0	2,033	1,259,311	829,283	1,247,858	(11,453)
Vocational Education Program	138,829	(577)	4,574	142,826	51,196	142,826	0
<u>Support Services</u>							
Health Services	0	0	0	0	365,094	0	0
Other Student Support	97,297	(3,108)	410	94,599	31,500	418,100	323,501
Regular Instruction Program	376,871	(303)	170	376,738	385,875	478,517	101,779
Special Education Program	130,921	0	0	130,921	24,931	140,698	9,777
Vocational Education Program	1,937	0	0	1,937	2,000	1,937	0
Transportation	101,969	0	0	101,969	0	140,293	38,324
Total Expenditures	\$ 3,189,490	\$ (4,602)	\$ 9,597	\$ 3,194,485	\$ 2,724,664	\$ 3,762,405	\$ 567,920
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,606	\$ 4,602	\$ (9,597)	\$ 24,611	\$ 7,973	\$ (154,420)	\$ 179,031
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (5,373)	\$ 0	\$ 0	\$ (5,373)	\$ (7,973)	\$ (5,373)	\$ 0
Total Other Financing Sources (Uses)	\$ (5,373)	\$ 0	\$ 0	\$ (5,373)	\$ (7,973)	\$ (5,373)	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 24,233	\$ 4,602	\$ (9,597)	\$ 19,238	\$ 0	\$ (159,793)	\$ 179,031
Fund Balance, July 1, 2009	164,710	(4,602)	0	160,108	576,190	576,190	(416,082)
Fund Balance, June 30, 2010	\$ 188,943	\$ 0	\$ (9,597)	\$ 179,346	\$ 576,190	\$ 416,397	\$ (237,051)

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 530,279	\$ 0	\$ 0	\$ 530,279	\$ 670,876	\$ 670,876	\$ (140,597)
Other Local Revenues	23,693	0	0	23,693	27,000	27,000	(3,307)
State of Tennessee	18,986	0	0	18,986	0	4,464	14,522
Federal Government	1,258,591	0	0	1,258,591	1,091,697	1,087,233	171,358
Total Revenues	\$ 1,831,549	\$ 0	\$ 0	\$ 1,831,549	\$ 1,789,573	\$ 1,789,573	\$ 41,976
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,526,054	(225)	\$ 45,732	\$ 1,571,561	\$ 1,729,723	\$ 1,755,113	\$ 183,552
Community Services	72,199	(25,100)	29,100	76,199	90,850	124,800	48,601
Total Expenditures	\$ 1,598,253	\$ (25,325)	\$ 74,832	\$ 1,647,760	\$ 1,820,573	\$ 1,879,913	\$ 232,153
Excess (Deficiency) of Revenues Over Expenditures	\$ 233,296	\$ 25,325	\$ (74,832)	\$ 183,789	\$ (31,000)	\$ (90,340)	\$ 274,129
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 31,000	\$ 0	\$ 0	\$ 31,000	\$ 31,000	\$ 31,000	\$ 0
Total Other Financing Sources (Uses)	\$ 31,000	\$ 0	\$ 0	\$ 31,000	\$ 31,000	\$ 31,000	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 264,296	\$ 25,325	\$ (74,832)	\$ 214,789	\$ 0	\$ (59,340)	\$ 274,129
	1,098,967	(25,325)	0	1,073,642	964,170	964,170	109,472
Fund Balance, June 30, 2010	\$ 1,363,263	\$ 0	\$ (74,832)	\$ 1,288,431	\$ 964,170	\$ 904,830	\$ 383,601

MISCELLANEOUS SCHEDULES

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>BONDS PAYABLE</u>								
Payable through General Debt Service Fund								
General Obligation	\$ 500,000	2.8 %	4-22-03	6-1-14	\$ 250,000	\$ 0	\$ 45,000	\$ 205,000
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	3,280,000	0	490,000	2,790,000
Total Bonds Payable					\$ 3,530,000	\$ 0	\$ 535,000	\$ 2,995,000
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund								
Ambulance-Heart Monitors-Patrol Cars	156,250	3.85	10-5-07	10-5-09	\$ 79,609	\$ 0	\$ 79,609	\$ 0
Ambulance-Patrol Cars	181,230	2.5	10-10-08	10-10-10	181,230	0	89,496	91,734
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	498,478	0	71,211	427,267
Total Notes Payable					\$ 759,317	\$ 0	\$ 240,316	\$ 519,001
<u>OTHER LOANS PAYABLE</u>								
Payable through General Debt Service Fund								
Public Building Authority of Blount County								
Public Improvement - Series B-13-A	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,750,000	\$ 0	\$ 0	\$ 1,750,000
Public Building Authority of Blount County								
Public Improvement - Series B-20-A	750,000	4.25 to 5	6-15-10	6-1-27	0	750,000	0	750,000
Public Building Authority of the City of Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	0	2,000,000	0	2,000,000
Public Building Authority of Sevier County - Series VII-A-3	10,095,000	Variable	8-28-08	6-1-26	10,095,000	0	0	10,095,000
Total Other Loans Payable					\$ 11,845,000	\$ 2,750,000	\$ 0	\$ 14,595,000

(Continued)

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, 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 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Fund								
Patrol Cars	\$ 61,403	5.95 %	8-25-09	8-25-11	0 \$	61,403 \$	19,297 \$	42,106
Total Capital Leases Payable	\$				0 \$	61,403 \$	19,297 \$	42,106
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
Energy Efficiency Project	6,448,282	3.105	7-9-07	10-15-22	\$ 6,233,535	\$ 0	\$ 317,847	\$ 5,915,688
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	538,160	0	48,644	489,516
School Bus	75,771	4.23	9-10-08	9-10-10	70,771	0	34,653	36,118
Total Capital Leases Payable	\$				6,842,466 \$	0 \$	401,144 \$	6,441,322

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	Bonds		
	Principal	Interest	Total
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	\$ 2,995,000	\$ 343,385	\$ 3,338,385

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 519,001	\$ 2,293	\$ 521,294

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 65,000	\$ 661,304	\$ 93,131	\$ 819,435
2012	69,000	659,839	92,631	821,470
2013	72,000	656,845	92,100	820,945
2014	76,000	653,720	91,545	821,265
2015	205,000	650,422	90,960	946,382
2016	903,000	640,012	90,344	1,633,356
2017	958,000	598,932	84,546	1,641,478
2018	1,002,000	555,390	78,324	1,635,714
2019	1,077,000	509,863	71,764	1,658,627
2020	1,131,000	460,216	64,819	1,656,035
2021	1,212,000	408,226	57,457	1,677,683
2022	1,272,000	352,305	49,665	1,673,970
2023	1,333,000	293,780	41,411	1,668,191
2024	1,418,000	232,608	32,687	1,683,295
2025	1,465,000	167,332	23,500	1,655,832
2026	1,536,000	102,431	13,760	1,652,191
2027	493,000	34,449	3,473	530,922
2028	150,000	13,367	2,372	165,739
2029	158,000	6,857	1,216	166,073
Total	\$ 14,595,000	\$ 7,657,898	\$ 1,075,705	\$ 23,328,603

(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	Capital Leases		
	Principal	Interest	Total
2011	\$ 20,445	\$ 2,505	\$ 22,950
2012	21,661	1,289	22,950
Total	\$ 42,106	\$ 3,794	\$ 45,900

DISCRETELY PRESENTED MORGAN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
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	\$ 6,441,322	\$ 2,395,829	\$ 8,837,151

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

From Fund	To Fund	Purpose	Amount
General Purpose School	Central Cafeteria	Operations	\$ 31,000
School Federal Projects	General Purpose School	Indirect costs	<u>5,373</u>
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 36,373</u>

Exhibit J-4

Morgan County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

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	89,000 (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.
- (2) Does not include special commissioner fees of \$3,759.
- (3) Does not include a law enforcement training salary supplement of \$600.
- (4) Includes \$700 longevity supplement.

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2010

	Special Revenue Funds							Total
	General			Drug Control		Constitutional Officers - Fees	Highway / Public Works	
	General	Waste / Sanitation	Solid Waste / Sanitation	General	Debt Service			
Debt Service Fund	Capital Projects Fund	General Capital Projects	Debt Service Fund	General Capital Projects	Debt Service Fund	Capital Projects Fund	Total	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,410,775	\$ 682,152	\$ 0	\$ 0	\$ 51,953	\$ 350,769	\$ 0	\$ 4,495,649
Trustee's Collections - Prior Year	252,176	48,819	0	0	3,718	16,974	0	321,687
Trustee's Collections - Bankruptcy	225	44	0	0	3	15	0	287
Circuit/Clerk & Master Collections - Prior Years	118,848	23,715	0	33,316	1,806	11,900	0	189,585
Interest and Penalty	44,358	8,623	0	0	658	3,182	0	56,821
Pick-up Taxes	1,540	307	0	0	23	153	0	2,023
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0	0	1
Payments in-Lieu-of Taxes - Local Utilities	21,283	0	0	0	0	0	0	21,283
Payments in-Lieu-of Taxes - Other	5,184	0	0	0	0	0	0	5,184
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	835,826	0	835,826
Litigation Tax - General	47,990	0	0	0	0	0	0	47,990
Litigation Tax - Special Purpose	411	0	0	0	0	0	0	411
Litigation Tax - Jail, Workhouse, or Courthouse	21,000	0	0	0	0	0	0	21,000
Mineral Severance Tax	0	0	0	0	83,791	0	0	83,791
Other County Local Option Taxes	606	0	0	0	0	1,222	0	1,828
<u>Statutory Local Taxes</u>								
Bank Excise Tax	6,893	0	0	0	0	0	0	6,893
Beer Privilege Tax	1,400	0	0	0	0	0	0	1,400
Interstate Telecommunications Tax	606	0	0	0	0	3,036	0	3,642
Total Local Taxes	\$ 3,933,296	\$ 763,660	\$ 0	\$ 33,316	\$ 141,952	\$ 1,223,077	\$ 0	\$ 6,095,301
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 550
Cable TV Franchise	37,200	0	0	0	0	0	0	37,200
<u>Permits</u>								
Beer Permits	1,250	0	0	0	0	0	0	1,250
Total Licenses and Permits	\$ 39,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,000

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects				
<u>Circuit Court</u>									
Fines	\$ 458	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 458	
Officers Costs	3,603	0	0	0	0	0	0	3,603	
Drug Control Fines	0	0	5,959	0	0	0	0	5,959	
Jail Fees	188	0	0	0	0	0	0	188	
Data Entry Fee - Circuit Court	696	0	0	0	0	0	0	696	
<u>General Sessions Court</u>									
Fines	16,088	0	0	0	0	0	0	16,088	
Officers Costs	26,588	0	0	0	0	0	0	26,588	
Game and Fish Fines	1,277	0	0	0	0	0	0	1,277	
Drug Control Fines	6,856	0	17,564	0	0	0	0	24,420	
Jail Fees	4,733	0	0	0	0	0	0	4,733	
DUI Treatment Fines	2,607	0	0	0	0	0	0	2,607	
Data Entry Fee - General Sessions Court	4,142	0	0	0	0	0	0	4,142	
Courtroom Security Fee	24	0	0	0	0	0	0	24	
<u>Juvenile Court</u>									
Fines	190	0	0	0	0	0	0	190	
Officers Costs	3,802	0	0	0	0	0	0	3,802	
Drug Court Fees	3,150	0	0	0	0	0	0	3,150	
Data Entry Fee - Juvenile Court	336	0	0	0	0	0	0	336	
<u>Chancery Court</u>									
Officers Costs	3,459	0	0	0	0	0	0	3,459	
Data Entry Fee - Chancery Court	1,684	0	0	0	0	0	0	1,684	
Courtroom Security Fee	10	0	0	0	0	0	0	10	
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	1,986	0	0	0	0	1,986	
Total Fines, Forfeitures, and Penalties	\$ 79,891	\$ 0	\$ 25,509	\$ 0	\$ 0	\$ 0	\$ 0	\$ 105,400	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Solid Waste Disposal Fees	\$ 0	\$ 173,881	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,881	

(Continued)

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

	Special Revenue Funds					Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
	Debt Service Fund	Capital Projects Fund	General Debt Service	General Capital Projects		
<u>Charges for Current Services (Cont.)</u>						
<u>General Service Charges (Cont.)</u>						
Patient Charges	\$ 980,577	\$ 0	\$ 0	\$ 0	\$ 0	\$ 980,577
Other General Service Charges	7,226	0	0	1,707	0	8,933
<u>Fees</u>						
Copy Fees	10,483	0	0	0	0	10,483
Library Fees	8,057	0	0	0	0	8,057
Telephone Commissions	2,138	0	0	0	0	2,138
Constitutional Officers' Fees and Commissions	0	0	0	104,318	0	104,318
Special Commissioner Fees/Special Master Fees	0	0	0	3,759	0	3,759
Data Processing Fee - Register	7,036	0	0	0	0	7,036
Data Processing Fee - Sheriff	2,718	0	0	0	0	2,718
Total Charges for Current Services	\$ 1,018,235	\$ 173,881	\$ 0	\$ 108,077	\$ 1,707	\$ 1,301,900
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 19,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,299
Lease/Rentals	15	0	0	0	0	15
Commissary Sales	8,509	0	0	0	0	8,509
Sale of Recycled Materials	0	27,872	0	0	0	27,872
Miscellaneous Refunds	3,116	3,379	0	0	0	6,495
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	732	0	0	0	0	732
Contributions and Gifts	66	0	0	0	0	66
<u>Other Local Revenues</u>						
Other Local Revenues	35,460	0	0	0	0	35,460
Total Other Local Revenues	\$ 67,197	\$ 31,251	\$ 0	\$ 0	\$ 0	\$ 98,448
<u>Fees Received from County Officials</u>						
Excess Fees	\$ 147,307	\$ 0	\$ 0	\$ 0	\$ 0	\$ 147,307
Trustee	0	0	0	0	0	0

(Continued)

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

	Special Revenue Funds					Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects				
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 98,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,063
Circuit Court Clerk	23,684	0	0	0	0	0	0	0	23,684
General Sessions Court Clerk	141,939	0	0	0	0	0	0	0	141,939
Clerk and Master	82,513	0	0	0	0	0	0	0	82,513
Juvenile Court Clerk	13,494	0	0	0	0	0	0	0	13,494
Register	84,322	0	0	0	0	0	0	0	84,322
Sheriff	7,030	0	0	0	0	0	0	0	7,030
Other Officials	97,898	0	0	0	0	0	0	0	97,898
Total Fees Received from County Officials	\$ 696,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 696,250
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,090
State Reappraisal Grant	7,317	0	0	0	0	0	0	0	7,317
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	0	7,200
Drug Control Grants	43,352	0	0	0	0	0	0	0	43,352
<u>Health and Welfare Grants</u>									
Health Department Programs	76,782	0	0	0	0	0	0	0	76,782
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	204,804	0	0	0	204,804
State Aid Program	0	0	0	0	231,179	0	0	0	231,179
Litter Program	1,322	19,292	0	0	0	0	0	0	20,614
<u>Other State Revenues</u>									
Income Tax	17,391	0	0	0	0	0	0	0	17,391
Beer Tax	17,778	0	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	43,799	0	0	0	0	0	0	0	43,799
State Revenue Sharing - T.V.A.	305,030	0	0	0	0	0	0	0	305,030
Board of Jurors	44	0	0	0	0	0	0	0	44
Contracted Prisoner Boarding	57,470	0	0	0	0	0	0	0	57,470

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees				
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,690,324	\$ 0	\$ 0	\$ 1,690,324
Petroleum Special Tax	0	0	0	0	15,883	0	0	15,883
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	0	20,554	0	0	0	0	15,177	35,731
Other State Revenues	5,275	1,735	0	0	0	0	3,000	10,010
Total State of Tennessee	\$ 608,230	\$ 41,581	\$ 0	\$ 0	\$ 2,142,190	\$ 0	\$ 18,177	\$ 2,810,178
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,148	\$ 152,148
Other Federal through State	0	0	0	0	0	0	135,258	135,258
Direct Federal Revenue								
Other Direct Federal Revenue	1,600	0	0	0	0	0	191,138	192,738
Total Federal Government	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 478,544	\$ 480,144
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contracted Services	\$ 150,883	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 150,883
<u>Citizens Groups</u>								
Donations	307	0	0	0	0	0	0	307
<u>Other</u>								
Other	3,339	0	0	0	0	0	0	3,339
Total Other Governments and Citizens Groups	\$ 154,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 154,529
Total	\$ 6,598,228	\$ 1,010,373	\$ 25,509	\$ 141,393	\$ 2,285,849	\$ 1,258,077	\$ 499,140	\$ 11,818,569

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,172,800	\$ 0	\$ 0	\$ 2,172,800
Trustee's Collections - Prior Year	247,634	0	0	247,634
Trustee's Collections - Bankruptcy	145	0	0	145
Circuit/Clerk & Master Collections - Prior Years	78,527	0	0	78,527
Interest and Penalty	28,551	0	0	28,551
Pick-up Taxes	1,017	0	0	1,017
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	73,611	0	0	73,611
Total Local Taxes	\$ 2,602,285	\$ 0	\$ 0	\$ 2,602,285
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 560	\$ 0	\$ 0	\$ 560
Total Licenses and Permits	\$ 560	\$ 0	\$ 0	\$ 560
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 15,695	\$ 0	\$ 0	\$ 15,695
Tuition - Other	2,900	0	0	2,900
Lunch Payments - Children	0	0	279,652	279,652
Lunch Payments - Adults	0	0	45,171	45,171
Income from Breakfast	0	0	102,562	102,562
A la carte Sales	0	0	102,225	102,225
Receipts from Individual Schools	32,504	0	0	32,504
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	669	669
Total Charges for Current Services	\$ 51,099	\$ 0	\$ 530,279	\$ 581,378
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 47,350	\$ 0	\$ 23,693	\$ 71,043
Refund of Telecommunication and Internet Fees (E-Rate)	36,650	0	0	36,650
Miscellaneous Refunds	45,301	0	0	45,301
<u>Nonrecurring Items</u>				
Sale of Equipment	66	0	0	66
Contributions and Gifts	6,000	0	0	6,000
<u>Other Local Revenues</u>				
Other Local Revenues	992	0	0	992
Total Other Local Revenues	\$ 136,359	\$ 0	\$ 23,693	\$ 160,052
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 68,933	\$ 0	\$ 0	\$ 68,933
<u>State Education Funds</u>				
Basic Education Program	16,937,635	0	0	16,937,635
Basic Education Program - ARRA	594,700	0	0	594,700
Early Childhood Education	621,539	0	0	621,539
School Food Service	0	0	18,986	18,986

(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>State Education Funds (Cont.)</u>				
Driver Education	\$ 12,969	\$ 0	\$ 0	\$ 12,969
Other State Education Funds	2,207	0	0	2,207
Coordinated School Health - ARRA	100,000	0	0	100,000
Internet Connectivity - ARRA	9,274	0	0	9,274
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	8,112	0	0	8,112
Career Ladder Program	190,028	0	0	190,028
Career Ladder - Extended Contract - ARRA	85,098	0	0	85,098
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	305,030	0	0	305,030
Other State Grants	111,138	0	0	111,138
Safe Schools - ARRA	21,100	0	0	21,100
Total State of Tennessee	\$ 19,101,063	\$ 0	\$ 18,986	\$ 19,120,049
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 872,006	\$ 872,006
Breakfast	0	0	358,352	358,352
USDA - Other	0	0	28,233	28,233
Vocational Education - Basic Grants to States	0	64,187	0	64,187
Other Vocational	0	91,712	0	91,712
Title I Grants to Local Education Agencies	0	1,210,677	0	1,210,677
Special Education - Grants to States	43,236	1,449,694	0	1,492,930
Special Education Preschool Grants	0	46,178	0	46,178
Safe and Drug-free Schools - State Grants	0	12,697	0	12,697
Rural Education	0	99,571	0	99,571
Appalachian Regional Commission	26,500	0	0	26,500
Eisenhower Professional Development State Grants	0	210,408	0	210,408
Other Federal through State	100,000	33,972	0	133,972
Total Federal Government	\$ 169,736	\$ 3,219,096	\$ 1,258,591	\$ 4,647,423
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 79,188	\$ 0	\$ 0	\$ 79,188
Total Other Governments and Citizens Groups	\$ 79,188	\$ 0	\$ 0	\$ 79,188
Total	\$ 22,140,290	\$ 3,219,096	\$ 1,831,549	\$ 27,190,935

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	28,293	
Social Security		1,754	
Employer Medicare		410	
Audit Services		5,927	
Dues and Memberships		14,940	
Legal Services		4,951	
Legal Notices, Recording, and Court Costs		1,914	
Postal Charges		687	
Other Contracted Services		8,988	
Office Supplies		879	
Other Supplies and Materials		1,019	
Premiums on Corporate Surety Bonds		5,440	
Other Charges		8,523	
Total County Commission			\$ 83,725

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Assistant(s)		22,176	
Clerical Personnel		20,704	
Longevity Pay		1,300	
Social Security		6,499	
State Retirement		7,429	
Medical Insurance		21,752	
Employer Medicare		1,520	
Communication		2,176	
Postal Charges		324	
Travel		2,450	
Office Supplies		446	
Total County Mayor/Executive			153,478

County Attorney

Legal Services	\$	8,841	
Total County Attorney			8,841

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		16,695	
Election Commission		4,950	
Social Security		4,249	
State Retirement		4,601	

(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.)

Employer Medicare	\$	994	
Advertising		703	
Communication		1,851	
Dues and Memberships		120	
Maintenance and Repair Services - Office Equipment		11,625	
Postal Charges		6,776	
Travel		3,233	
Office Supplies		3,641	
Total Election Commission			\$ 111,414

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		19,610	
Longevity Pay		600	
Social Security		4,790	
State Retirement		5,223	
Medical Insurance		4,762	
Employer Medicare		1,120	
Communication		1,910	
Postal Charges		405	
Printing, Stationery, and Forms		1,508	
Rentals		1,650	
Office Supplies		46	
Office Equipment		7,124	
Total Register of Deeds			106,499

County Buildings

Custodial Personnel	\$	22,387	
Longevity Pay		500	
Social Security		1,419	
State Retirement		1,335	
Employer Medicare		332	
Communication		1,380	
Maintenance and Repair Services - Buildings		58,225	
Pest Control		2,940	
Rentals		1,200	
Custodial Supplies		5,984	
Electricity		36,521	
Natural Gas		8,861	
Office Supplies		10,284	

(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.)

Water and Sewer	\$	7,181	
Other Supplies and Materials		4,134	
Liability Insurance		207,587	
Workers' Compensation Insurance		146,914	
Other Charges		4,802	
Motor Vehicles		5,000	
Total County Buildings			\$ 526,986

Finance

Accounting and Budgeting

Supervisor/Director	\$	48,239	
Accountants/Bookkeepers		79,694	
Longevity Pay		3,700	
Social Security		7,651	
State Retirement		8,820	
Medical Insurance		25,112	
Employer Medicare		1,789	
Communication		3,193	
Maintenance and Repair Services - Office Equipment		8,841	
Postal Charges		4,036	
Travel		554	
Office Supplies		5,040	
Data Processing Equipment		6,837	
Total Accounting and Budgeting			203,506

Property Assessor's Office

County Official/Administrative Officer	\$	57,751
Clerical Personnel		39,826
Part-time Personnel		9,182
Longevity Pay		1,600
Board and Committee Members Fees		2,850
Social Security		6,631
State Retirement		6,645
Medical Insurance		4,764
Employer Medicare		1,551
Advertising		144
Audit Services		4,425
Communication		1,176
Data Processing Services		3,896
Maintenance and Repair Services - Office Equipment		757

(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.)

Postal Charges	\$	864	
Travel		1,127	
Office Supplies		1,225	
Motor Vehicles		4,667	
Total Property Assessor's Office			\$ 149,081

Reappraisal Program

Clerical Personnel	\$	20,130	
Longevity Pay		800	
Social Security		1,088	
State Retirement		1,402	
Medical Insurance		12,152	
Employer Medicare		254	
Data Processing Services		2,904	
Travel		109	
Other Supplies and Materials		567	
Total Reappraisal Program			39,406

County Trustee's Office

Social Security	\$	6,139	
State Retirement		6,615	
Medical Insurance		20,659	
Employer Medicare		1,436	
Total County Trustee's Office			34,849

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		55,203	
Longevity Pay		800	
Social Security		6,491	
State Retirement		7,621	
Medical Insurance		32,874	
Employer Medicare		1,518	
Communication		2,070	
Dues and Memberships		497	
Postal Charges		3,381	
Travel		147	
Office Supplies		1,946	
Office Equipment		1,512	
Total County Clerk's Office			171,811

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		77,983	
Longevity Pay		2,400	
Overtime Pay		2,755	
Social Security		8,380	
State Retirement		9,440	
Medical Insurance		32,548	
Employer Medicare		1,960	
Communication		2,069	
Dues and Memberships		140	
Maintenance and Repair Services - Office Equipment		9,535	
Postal Charges		1,728	
Rentals		1,422	
Office Supplies		5,475	
Total Circuit Court	\$		213,586

Criminal Court

Jury and Witness Expense	\$	4,669	
Postal Charges		1,169	
Total Criminal Court			5,838

General Sessions Court

Paraprofessionals	\$	5,736	
Clerical Personnel		18,363	
Longevity Pay		200	
Social Security		1,485	
State Retirement		1,628	
Medical Insurance		8,670	
Employer Medicare		347	
Communication		1,875	
Dues and Memberships		50	
Postal Charges		164	
Travel		2,902	
Office Supplies		2,731	
Total General Sessions Court			44,151

General Sessions Judge

Judge(s)	\$	104,423	
Social Security		6,250	
State Retirement		6,996	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Medical Insurance	\$	12,183	
Employer Medicare		<u>1,462</u>	
Total General Sessions Judge	\$		131,314

Drug Court

Assistant(s)	\$	24,551	
Guards		6,719	
Longevity Pay		200	
Social Security		1,843	
State Retirement		1,660	
Medical Insurance		44	
Unemployment Compensation		190	
Employer Medicare		431	
Communication		2,958	
Maintenance and Repair Services - Equipment		1,104	
Postal Charges		76	
Travel		12,374	
Office Supplies		<u>4,602</u>	
Total Drug Court			56,752

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		43,685	
Longevity Pay		4,600	
Social Security		6,229	
State Retirement		7,106	
Medical Insurance		25,400	
Employer Medicare		1,456	
Communication		1,876	
Dues and Memberships		60	
Maintenance and Repair Services - Office Equipment		139	
Postal Charges		876	
Travel		397	
Office Supplies		<u>3,719</u>	
Total Chancery Court			153,294

Juvenile Court

Social Workers	\$	18,623	
Longevity Pay		300	
Social Security		1,163	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

State Retirement	\$	1,268	
Employer Medicare		272	
Communication		208	
Travel		521	
Office Supplies		1,292	
Total Juvenile Court			\$ 23,647

Courtroom Security

Supervisor/Director	\$	9,048	
Guards		35,455	
Longevity Pay		200	
Social Security		2,715	
State Retirement		1,260	
Medical Insurance		4,778	
Employer Medicare		635	
Law Enforcement Equipment		79	
Office Equipment		1,157	
Total Courtroom Security			55,327

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Assistant(s)		19,533	
Deputy(ies)		384,893	
Salary Supplements		7,200	
Clerical Personnel		11,108	
Longevity Pay		5,100	
Overtime Pay		59,388	
Other Salaries and Wages		16,355	
Board and Committee Members Fees		1,350	
In-Service Training		8,604	
Social Security		33,457	
State Retirement		36,260	
Medical Insurance		124,563	
Employer Medicare		7,825	
Contracts with Other Public Agencies		568	
Dues and Memberships		1,800	
Maintenance and Repair Services - Equipment		577	
Maintenance and Repair Services - Vehicles		13,247	
Postal Charges		2,401	

(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.)

Travel	\$	1,168	
Other Contracted Services		4,757	
Gasoline		66,875	
Law Enforcement Supplies		746	
Office Supplies		4,499	
Uniforms		3,463	
Vehicle Parts		19,504	
Other Supplies and Materials		2,009	
Communication Equipment		182	
Data Processing Equipment		1,152	
Law Enforcement Equipment		4,850	
Motor Vehicles		64,745	
Total Sheriff's Department	\$		971,706

Jail

Supervisor/Director	\$	24,731
Guards		460,170
Clerical Personnel		16,291
Cafeteria Personnel		22,210
Longevity Pay		5,200
Overtime Pay		15,061
Other Salaries and Wages		22,024
In-Service Training		1,159
Social Security		34,520
State Retirement		34,902
Medical Insurance		117,450
Employer Medicare		7,745
Communication		26,493
Maintenance and Repair Services - Buildings		4,768
Maintenance and Repair Services - Equipment		4,953
Maintenance and Repair Services - Office Equipment		2,945
Medical and Dental Services		106,937
Pest Control		360
Travel		895
Other Contracted Services		5,312
Custodial Supplies		20,812
Drugs and Medical Supplies		329
Electricity		32,541
Food Supplies		82,688
Natural Gas		8,604

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Supplies	\$	2,427	
Prisoners Clothing		7,007	
Uniforms		2,076	
Water and Sewer		20,552	
Other Supplies and Materials		3,941	
Law Enforcement Equipment		9,568	
Total Jail			\$ 1,104,671

Juvenile Services

Other Contracted Services	\$	1,000	
Total Juvenile Services			1,000

Fire Prevention and Control

Medical Insurance	\$	10,213	
Contracts with Government Agencies		2,000	
Contributions		38,600	
Vehicle and Equipment Insurance		34,590	
Workers' Compensation Insurance		8,409	
Other Charges		15,000	
Total Fire Prevention and Control			108,812

Civil Defense

Supervisor/Director	\$	6,745	
Social Security		421	
Employer Medicare		98	
Communication		6,033	
Dues and Memberships		250	
Maintenance and Repair Services - Equipment		473	
Travel		1,207	
Food Supplies		449	
Gasoline		797	
Office Supplies		549	
Other Supplies and Materials		1,634	
Total Civil Defense			18,656

Rescue Squad

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Assistant(s)	\$	10,667	
Supervisor/Director		10,136	
Data Processing Personnel		6,667	
Dispatchers/Radio Operators		139,288	
Part-time Personnel		30,862	
Longevity Pay		1,800	
Overtime Pay		44,188	
Other Salaries and Wages		7,112	
Social Security		14,827	
State Retirement		14,628	
Medical Insurance		44,976	
Unemployment Compensation		1,167	
Employer Medicare		3,468	
Total Other Emergency Management			\$ 329,786

County Coroner/Medical Examiner

Supervisor/Director	\$	15,900	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		6,500	
Total County Coroner/Medical Examiner			22,584

Other Public Safety

Contributions	\$	5,800	
Road Signs		1,476	
Total Other Public Safety			7,276

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,320	
Social Security		268	
Employer Medicare		63	
Communication		3,422	
Contributions		17,804	
Maintenance and Repair Services - Buildings		404	
Maintenance and Repair Services - Equipment		266	
Postal Charges		226	
Custodial Supplies		887	
Drugs and Medical Supplies		2,168	
Electricity		5,552	

(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.)

Natural Gas	\$	2,573	
Office Supplies		1,588	
Water and Sewer		2,667	
Other Charges		1,553	
Office Equipment		10	
Total Local Health Center			\$ 43,771

Ambulance/Emergency Medical Services

Supervisor/Director	\$	41,156
Accountants/Bookkeepers		20,455
Medical Personnel		348,313
Temporary Personnel		28,740
Longevity Pay		12,300
Overtime Pay		271,202
Other Salaries and Wages		14,579
In-Service Training		7,132
Social Security		43,581
State Retirement		48,514
Medical Insurance		132,255
Employer Medicare		10,192
Communication		6,929
Dues and Memberships		410
Licenses		2,000
Maintenance and Repair Services - Equipment		9,871
Maintenance and Repair Services - Vehicles		60,094
Postal Charges		2,516
Travel		1,996
Other Contracted Services		6,000
Custodial Supplies		1,431
Drugs and Medical Supplies		52,201
Electricity		5,100
Gasoline		35,749
Natural Gas		3,488
Office Supplies		3,264
Uniforms		4,758
Water and Sewer		965
Liability Insurance		20,760
Other Charges		6,153
Attendance Equipment		3,041
Communication Equipment		4,221

(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.)

Data Processing Equipment	\$ 3,440	
Motor Vehicles	8,146	
Total Ambulance/Emergency Medical Services		\$ 1,220,952

Crippled Children Services

Contributions	\$ 765	
Other Charges	5,000	
Total Crippled Children Services		5,765

Other Local Health Services

Medical Personnel	\$ 40,494	
Clerical Personnel	21,016	
Longevity Pay	1,000	
Social Security	3,846	
State Retirement	3,917	
Medical Insurance	7,161	
Employer Medicare	899	
Travel	938	
Drugs and Medical Supplies	1,000	
Office Supplies	420	
Other Charges	220	
Total Other Local Health Services		80,911

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$ 3,593	
Total Senior Citizens Assistance		3,593

Libraries

Librarians	\$ 43,125	
Social Security	2,674	
Employer Medicare	625	
Communication	7,192	
Postal Charges	682	
Rentals	1,057	
Travel	545	
Office Supplies	407	
Periodicals	1,844	
Other Charges	5,809	
Data Processing Equipment	1,331	
Total Libraries		65,291

(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	\$	917	
Other Supplies and Materials		<u>1,187</u>	
Total Parks and Fair Boards	\$		2,104

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	2,256	
Maintenance and Repair Services - Office Equipment		750	
Travel		998	
Other Contracted Services		50,241	
Office Supplies		2,030	
Other Supplies and Materials		<u>2,451</u>	
Total Agriculture Extension Service			58,726

Soil Conservation

Contributions	\$	<u>5,000</u>	
Total Soil Conservation			5,000

Other Operations

Tourism

Contributions	\$	<u>5,001</u>	
Total Tourism			5,001

Industrial Development

Board and Committee Members Fees	\$	3,600	
Communication		675	
Contributions		<u>56,193</u>	
Total Industrial Development			60,468

Other Economic and Community Development

Contributions	\$	20,000	
Other Charges		<u>1,000</u>	
Total Other Economic and Community Development			21,000

Veterans' Services

Contributions	\$	<u>552</u>	
Total Veterans' Services			552

Miscellaneous

Life Insurance	\$	1,044	
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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.)

Unemployment Compensation	\$ 20,894	
Trustee's Commission	<u>93,529</u>	
Total Miscellaneous		\$ 115,467

Principal on Debt

General Government

Principal on Capital Leases	\$ 19,297	
Total General Government		19,297

Interest on Debt

General Government

Interest on Capital Leases	\$ 3,653	
Total General Government		<u>3,653</u>

Total General Fund \$ 6,552,547

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 42,739	
Longevity Pay	2,500	
Social Security	2,283	
State Retirement	3,031	
Medical Insurance	4,751	
Employer Medicare	653	
Communication	1,607	
Liability Insurance	9,775	
Workers' Compensation Insurance	<u>42,199</u>	
Total Sanitation Management		\$ 109,538

Sanitation Education/Information

Supervisor/Director	\$ 11,613
Attendants	4,920
Social Security	1,025
Employer Medicare	240
Advertising	550
Travel	76
Other Contracted Services	6,402
Gasoline	1,223
Vehicle Parts	78

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Other Supplies and Materials	\$ 451	
Total Sanitation Education/Information		\$ 26,578

Waste Pickup

Truck Drivers	\$ 42,929	
Part-time Personnel	1,974	
Longevity Pay	1,200	
Overtime Pay	3,057	
Social Security	2,915	
State Retirement	3,172	
Medical Insurance	14,573	
Employer Medicare	682	
Licenses	75	
Other Contracted Services	362,728	
Equipment and Machinery Parts	5,059	
Gasoline	24,206	
Lubricants	2,349	
Tires and Tubes	10,619	
Solid Waste Equipment	38,958	
Total Waste Pickup		514,496

Convenience Centers

Attendants	\$ 159,127	
Longevity Pay	2,800	
Overtime Pay	831	
Social Security	7,865	
State Retirement	8,361	
Medical Insurance	39,166	
Employer Medicare	1,839	
Rentals	3,600	
General Construction Materials	18,446	
Gravel and Chert	721	
Other Supplies and Materials	575	
Total Convenience Centers		243,331

Recycling Center

Supervisor/Director	\$ 20,840
Part-time Personnel	16,475
Longevity Pay	100
Social Security	2,225

(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.)

State Retirement	\$	1,408	
Medical Insurance		12,140	
Employer Medicare		520	
Communication		1,551	
Electricity		1,362	
Gasoline		1,895	
Vehicle Parts		3,673	
Water and Sewer		326	
Other Supplies and Materials		2,059	
Other Charges		111	
Total Recycling Center			\$ 64,685

Landfill Operation and Maintenance

Attendants	\$	19,040	
Overtime Pay		1,065	
Social Security		1,189	
State Retirement		1,159	
Medical Insurance		5,606	
Employer Medicare		278	
Communication		5,103	
Maintenance and Repair Services - Equipment		11,119	
Rentals		3,845	
Electricity		11,734	
Equipment and Machinery Parts		2,132	
Gasoline		2,756	
General Construction Materials		3,671	
Lubricants		705	
Natural Gas		759	
Office Supplies		294	
Water and Sewer		4,244	
Site Development		8,276	
Total Landfill Operation and Maintenance			82,975

Other Operations

Other Charges

Trustee's Commission	\$	16,712	
Total Other Charges			16,712

Miscellaneous

Life Insurance	\$	127	
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Unemployment Compensation	\$ 1,845	
Total Miscellaneous		\$ 1,972

Total Solid Waste/Sanitation Fund \$ 1,060,287

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$ 710	
Contributions	699	
Confidential Drug Enforcement Payments	5,000	
Rentals	4,200	
Tow-in Services	455	
Travel	253	
Veterinary Services	226	
Other Contracted Services	2,176	
Animal Food and Supplies	458	
Instructional Supplies and Materials	792	
Other Supplies and Materials	2,234	
Trustee's Commission	232	
Law Enforcement Equipment	4,973	
Motor Vehicles	27,570	
Total Drug Enforcement		\$ 49,978

Total Drug Control Fund 49,978

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	45,817	
Constitutional Officers' Operating Expenses	17,048	
Total County Trustee's Office		\$ 120,616

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 6,784	
Total County Clerk's Office		6,784

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Other Salaries and Wages	\$	23,183	
Special Commissioner Fees/Special Master Fees		3,759	
Constitutional Officers' Operating Expenses		8,840	
Office Equipment		1,293	
Total Chancery Court			\$ 37,075

Total Constitutional Officers - Fees Fund \$ 164,475

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		8,781	
Longevity Pay		2,625	
Social Security		4,587	
State Retirement		5,020	
Employee and Dependent Insurance		8,429	
Employer Medicare		1,073	
Dues and Memberships		2,720	
Office Supplies		560	
Other Charges		65	
Total Administration			\$ 97,387

Highway and Bridge Maintenance

Foremen	\$	69,570	
Equipment Operators		46,717	
Truck Drivers		62,132	
Laborers		97,854	
Longevity Pay		16,375	
Social Security		17,778	
State Retirement		18,953	
Employee and Dependent Insurance		64,225	
Employer Medicare		4,060	
Other Contracted Services		762,525	
Asphalt - Liquid		216,626	
Crushed Stone		123,732	
Other Road Supplies		5,796	
Pipe - Metal		34,131	
Road Signs		4,004	
Structural Steel		160	
Total Highway and Bridge Maintenance			1,544,638

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	33,588	
Laborers		29,612	
Longevity Pay		5,375	
Social Security		4,010	
State Retirement		4,616	
Employee and Dependent Insurance		16,821	
Employer Medicare		938	
Other Contracted Services		2,007	
Diesel Fuel		48,199	
Equipment and Machinery Parts		31,193	
Garage Supplies		6,593	
Gasoline		32,381	
Lubricants		2,765	
Tires and Tubes		12,689	
Uniforms		5,665	
Total Operation and Maintenance of Equipment	\$		236,452

Other Charges

Communication	\$	3,332	
Electricity		2,804	
Natural Gas		4,246	
Water and Sewer		599	
Liability Insurance		35,608	
Trustee's Commission		18,971	
Other Charges		1,297	
Total Other Charges			66,857

Employee Benefits

Life Insurance	\$	120	
Unemployment Compensation		1,186	
Workers' Compensation Insurance		27,724	
Total Employee Benefits			29,030

Capital Outlay

Bridge Construction	\$	1,193	
Right-of-Way		2,217	
Total Capital Outlay			3,410

Total Highway/Public Works Fund \$ 1,977,774

(Continued)

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 167,500	
Principal on Notes	240,316	
Total General Government		\$ 407,816

Education

Principal on Bonds	\$ 367,500	
Total Education		367,500

Interest on Debt

General Government

Interest on Bonds	\$ 36,581	
Interest on Notes	7,596	
Interest on Other Loans	112,836	
Total General Government		157,013

Education

Interest on Bonds	\$ 88,744	
Interest on Other Loans	495,180	
Total Education		583,924

Other Debt Service

General Government

Fiscal Agent Charges	\$ 19,792	
Trustee's Commission	15,911	
Total General Government		35,703

Education

Other Debt Service	\$ 51,000	
Total Education		51,000

Total General Debt Service Fund \$ 1,602,956

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Other Debt Issuance Charges	\$ 4,480	
Building Purchases	50,000	
Total Administration of Justice Projects		\$ 54,480

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Public Safety Projects

Other Charges	\$ 146,274	
Total Public Safety Projects		\$ 146,274

Public Health and Welfare Projects

Other Debt Issuance Charges	\$ 3,360	
Building Purchases	451,517	
Other Construction	213,946	
Other Capital Outlay	400	
Total Public Health and Welfare Projects		669,223

Social, Cultural, and Recreation Projects

Building Construction	\$ 1,000	
Other Construction	22,981	
Total Social, Cultural, and Recreation Projects		23,981

Other General Government Projects

Contributions	\$ 751,787	
Underwriter's Discount	7,500	
Other Debt Issuance Charges	16,460	
Other Equipment	5,000	
Other Construction	1,200,140	
Total Other General Government Projects		1,980,887

Total General Capital Projects Fund		<u>\$ 2,874,845</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 14,282,862</u></u>
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Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,405,267	
Career Ladder Program		125,125	
Career Ladder Extended Contracts		54,000	
Educational Assistants		169,736	
Certified Substitute Teachers		103,114	
Non-certified Substitute Teachers		110,372	
Social Security		483,593	
State Retirement		516,329	
Life Insurance		5,348	
Medical Insurance		944,686	
Dental Insurance		34,799	
Unemployment Compensation		22,000	
Employer Medicare		113,342	
Instructional Supplies and Materials		57,416	
Textbooks		123,247	
Fee Waivers		29,687	
Other Charges		18,070	
Total Regular Instruction Program			\$ 10,316,131

Special Education Program

Teachers	\$	955,909	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		4,000	
Educational Assistants		83,185	
Speech Pathologist		76,273	
Social Security		68,741	
State Retirement		72,410	
Life Insurance		789	
Medical Insurance		127,723	
Dental Insurance		5,313	
Unemployment Compensation		4,482	
Employer Medicare		16,077	
Contracts with Private Agencies		37,546	
Other Contracted Services		40,827	
Instructional Supplies and Materials		8,719	
Other Charges		1,406	
Special Education Equipment		770	
Total Special Education Program			1,512,170

(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	\$	666,623	
Career Ladder Program		9,917	
Career Ladder Extended Contracts		600	
Secretary(ies)		12,827	
Educational Assistants		14,679	
Social Security		42,117	
State Retirement		45,277	
Life Insurance		514	
Medical Insurance		89,127	
Dental Insurance		2,711	
Employer Medicare		9,850	
Instructional Supplies and Materials		16,238	
Total Vocational Education Program			\$ 910,480

Support Services

Attendance

Supervisor/Director	\$	63,977	
Career Ladder Program		1,000	
Social Security		3,967	
State Retirement		4,108	
Life Insurance		29	
Medical Insurance		5,378	
Dental Insurance		212	
Employer Medicare		928	
Travel		998	
Other Contracted Services		76,700	
Other Charges		6,000	
Total Attendance			163,297

Health Services

Medical Personnel	\$	37,482	
Other Salaries and Wages		139,089	
Social Security		10,847	
State Retirement		11,304	
Life Insurance		200	
Medical Insurance		21,033	
Dental Insurance		1,051	
Employer Medicare		2,537	
Travel		1,821	

(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.)

Drugs and Medical Supplies	\$ 4,532	
Total Health Services		\$ 229,896

Other Student Support

Career Ladder Program	\$ 4,000	
Guidance Personnel	391,771	
Social Security	24,174	
State Retirement	25,408	
Life Insurance	230	
Medical Insurance	28,974	
Dental Insurance	1,063	
Employer Medicare	5,654	
Evaluation and Testing	20,307	
Other Contracted Services	78	
Other Charges	29,863	
Total Other Student Support		531,522

Regular Instruction Program

Career Ladder Program	\$ 8,667	
Librarians	266,508	
Instructional Computer Personnel	130,089	
Secretary(ies)	29,533	
Educational Assistants	9,812	
Social Security	28,285	
State Retirement	29,369	
Life Insurance	301	
Medical Insurance	44,534	
Dental Insurance	1,756	
Employer Medicare	6,615	
Travel	2,234	
Other Contracted Services	9,035	
Library Books/Media	16,501	
In Service/Staff Development	7,324	
Other Charges	6,220	
Other Equipment	238,298	
Total Regular Instruction Program		835,081

Special Education Program

Supervisor/Director	\$ 58,997	
---------------------	-----------	--

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Psychological Personnel	\$	45,314	
Clerical Personnel		9,908	
Social Security		7,253	
State Retirement		7,569	
Life Insurance		64	
Medical Insurance		11,909	
Dental Insurance		426	
Employer Medicare		1,696	
Travel		498	
In Service/Staff Development		796	
Total Special Education Program			\$ 144,430

Vocational Education Program

Supervisor/Director	\$	61,049	
Career Ladder Program		83	
Social Security		3,281	
State Retirement		3,925	
Life Insurance		28	
Medical Insurance		5,948	
Dental Insurance		211	
Employer Medicare		767	
Travel		150	
Total Vocational Education Program			75,442

Other Programs

On-Behalf Payments to OPEB	\$	68,933	
Total Other Programs			68,933

Board of Education

Board and Committee Members Fees	\$	16,325	
Social Security		1,012	
Employer Medicare		237	
Audit Services		12,075	
Dues and Memberships		19,328	
Legal Services		887	
Postal Charges		6	
Travel		11,064	
Other Contracted Services		11,666	
Liability Insurance		139,931	

(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.)

Trustee's Commission	\$	96,249	
Workers' Compensation Insurance		93,365	
Other Charges		2,289	
Total Board of Education			\$ 404,434

Director of Schools

County Official/Administrative Officer	\$	89,000	
Assistant(s)		68,452	
Career Ladder Program		125	
Secretary(ies)		23,809	
Social Security		11,180	
State Retirement		11,678	
Life Insurance		69	
Medical Insurance		22,186	
Dental Insurance		205	
Employer Medicare		2,615	
Communication		17,389	
Dues and Memberships		373	
Travel		5,726	
Other Contracted Services		9,446	
Office Supplies		3,072	
Other Charges		17,292	
Total Director of Schools			282,617

Office of the Principal

Principals	\$	426,557	
Career Ladder Program		13,000	
Career Ladder Extended Contracts		12,000	
Assistant Principals		309,835	
Secretary(ies)		95,681	
Clerical Personnel		59,803	
Social Security		54,886	
State Retirement		59,158	
Life Insurance		542	
Medical Insurance		69,663	
Dental Insurance		2,190	
Employer Medicare		12,836	
Communication		13,077	
Travel		3,986	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Other Contracted Services	\$ 33,471	
Total Office of the Principal		\$ 1,166,685

Operation of Plant

Custodial Personnel	\$ 510,863	
Other Salaries and Wages	44,456	
Social Security	35,458	
State Retirement	36,419	
Life Insurance	363	
Unemployment Compensation	3,025	
Employer Medicare	8,293	
Other Contracted Services	12,047	
Electricity	633,004	
Natural Gas	110,501	
Water and Sewer	57,384	
Other Supplies and Materials	3,839	
Other Charges	2,778	
Total Operation of Plant		1,458,430

Maintenance of Plant

Supervisor/Director	\$ 32,000	
Maintenance Personnel	97,319	
Social Security	7,999	
State Retirement	8,664	
Life Insurance	64	
Unemployment Compensation	1,337	
Employer Medicare	1,871	
Maintenance and Repair Services - Buildings	120,268	
Travel	553	
Other Contracted Services	34,089	
Other Supplies and Materials	104,878	
Other Charges	50,918	
Administration Equipment	1,046	
Total Maintenance of Plant		461,006

Transportation

Supervisor/Director	\$ 40,500
Mechanic(s)	61,082
Bus Drivers	474,321

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	33,943	
State Retirement		34,068	
Life Insurance		313	
Unemployment Compensation		3,953	
Employer Medicare		7,938	
Communication		2,548	
Travel		642	
Other Contracted Services		23,736	
Diesel Fuel		73,811	
Equipment and Machinery Parts		1	
Gasoline		36,200	
Lubricants		4,443	
Tires and Tubes		14,970	
Vehicle Parts		79,473	
Other Supplies and Materials		144	
Other Charges		8,526	
Total Transportation			\$ 900,612

Operation of Non-Instructional Services

Food Service

Other Charges	\$	4,031	
Total Food Service			4,031

Early Childhood Education

Teachers	\$	289,282	
Educational Assistants		172,584	
Non-certified Substitute Teachers		13,021	
Social Security		27,160	
State Retirement		27,422	
Life Insurance		327	
Medical Insurance		35,613	
Dental Insurance		1,696	
Employer Medicare		6,352	
Travel		7,708	
Instructional Supplies and Materials		52,399	
Other Supplies and Materials		121,997	
Other Charges		112,874	
Total Early Childhood Education			868,435

(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.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 13,026	
Total Regular Capital Outlay		\$ 13,026

Principal on Debt

Education

Principal on Capital Leases	\$ 401,144	
Total Education		401,144

Interest on Debt

Education

Interest on Capital Leases	\$ 342,613	
Total Education		<u>342,613</u>

Total General Purpose School Fund \$ 21,090,415

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 582,499	
Educational Assistants	50,178	
Certified Substitute Teachers	11,778	
Non-certified Substitute Teachers	252	
Social Security	38,974	
State Retirement	41,249	
Life Insurance	409	
Medical Insurance	65,998	
Dental Insurance	2,758	
Unemployment Compensation	2,000	
Employer Medicare	9,067	
Instructional Supplies and Materials	204,721	
Other Supplies and Materials	11,964	
Other Charges	2,252	
Regular Instruction Equipment	<u>60,289</u>	
Total Regular Instruction Program		\$ 1,084,388

Special Education Program

Teachers	\$ 90,225
Educational Assistants	479,614
Certified Substitute Teachers	385

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	23,510	
Social Security		36,483	
State Retirement		37,233	
Life Insurance		610	
Medical Insurance		4,698	
Dental Insurance		181	
Unemployment Compensation		4,233	
Employer Medicare		8,532	
Contracts with Private Agencies		49,699	
Other Contracted Services		358,751	
Instructional Supplies and Materials		89,062	
Other Charges		6,876	
Special Education Equipment		67,186	
Total Special Education Program			\$ 1,257,278

Vocational Education Program

Educational Assistants	\$	12,059	
Social Security		748	
State Retirement		808	
Unemployment Compensation		103	
Employer Medicare		175	
Other Contracted Services		1,000	
Instructional Supplies and Materials		19,252	
Vocational Instruction Equipment		104,684	
Total Vocational Education Program			138,829

Support Services

Other Student Support

Social Workers	\$	23,930	
Bus Drivers		249	
Other Salaries and Wages		16,539	
Social Security		2,488	
State Retirement		2,658	
Life Insurance		45	
Medical Insurance		5,065	
Dental Insurance		214	
Unemployment Compensation		242	
Employer Medicare		582	
Travel		18,486	

(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.)

Other Student Support (Cont.)

Other Supplies and Materials	\$	2,002	
In Service/Staff Development		1,712	
Other Charges		23,085	
Total Other Student Support			\$ 97,297

Regular Instruction Program

Supervisor/Director	\$	64,721	
Secretary(ies)		19,567	
Other Salaries and Wages		20,616	
Certified Substitute Teachers		16,320	
Social Security		7,438	
State Retirement		6,766	
Life Insurance		47	
Medical Insurance		5,987	
Dental Insurance		224	
Unemployment Compensation		580	
Employer Medicare		1,739	
Consultants		11,692	
Maintenance and Repair Services - Equipment		14,241	
Travel		64,065	
Library Books/Media		485	
Other Supplies and Materials		58,955	
In Service/Staff Development		26,498	
Other Charges		47,782	
Other Equipment		9,148	
Total Regular Instruction Program			376,871

Special Education Program

Psychological Personnel	\$	4,531	
Other Salaries and Wages		48,179	
Social Security		3,377	
State Retirement		3,384	
Life Insurance		27	
Medical Insurance		5,234	
Dental Insurance		202	
Unemployment Compensation		81	
Employer Medicare		761	
Communication		817	
Postal Charges		122	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$	18,130	
Other Contracted Services		9,180	
In Service/Staff Development		36,896	
Total Special Education Program			\$ 130,921

Vocational Education Program

Travel	\$	1,937	
Total Vocational Education Program			1,937

Transportation

Bus Drivers	\$	1,440	
Social Security		89	
State Retirement		48	
Unemployment Compensation		9	
Employer Medicare		21	
Contracts with Parents		118	
Vehicle Parts		1,767	
Transportation Equipment		98,477	
Total Transportation			101,969

Total School Federal Projects Fund \$ 3,189,490

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,277	
Clerical Personnel		18,751	
Cafeteria Personnel		488,530	
Social Security		32,626	
State Retirement		34,725	
Life Insurance		579	
Medical Insurance		5,527	
Dental Insurance		425	
Unemployment Compensation		1,147	
Employer Medicare		7,763	
Maintenance and Repair Services - Equipment		13,352	
Travel		2,599	
Other Contracted Services		8,342	
Food Preparation Supplies		55,401	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Supplies	\$ 755,308	
Office Supplies	993	
Uniforms	1,830	
Other Supplies and Materials	531	
Trustee's Commission	244	
In Service/Staff Development	2,888	
Other Charges	405	
Food Service Equipment	41,811	
Total Food Service		\$ 1,526,054

Community Services

Part-time Personnel	\$ 29,216	
Social Security	2,776	
State Retirement	2,941	
Life Insurance	14	
Employer Medicare	649	
Travel	697	
Food Supplies	35,906	
Total Community Services		72,199

Total Central Cafeteria Fund \$ 1,598,253

Total Governmental Funds - Morgan County School Department \$ 25,878,158

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, 2010

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 38,135	\$ 38,135
Prior Year Property Tax	0	3,099	3,099
Interest and Penalty	0	526	526
Local Option Sales Tax	386,785	0	386,785
Total Cash Receipts	<u>\$ 386,785</u>	<u>\$ 41,760</u>	<u>\$ 428,545</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 382,918	\$ 41,042	\$ 423,960
Trustee's Commission	3,867	718	4,585
Total Cash Disbursements	<u>\$ 386,785</u>	<u>\$ 41,760</u>	<u>\$ 428,545</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2009	0	0	0
Cash Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

February 25, 2011

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, 2010, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated February 25, 2011. Our report includes 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 was not designed to identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 10.03.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02 and 10.04.

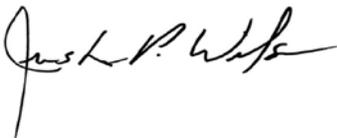
Compliance and Other Matters

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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 10.01.

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

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, finance director, Financial Management Committee, County Commission, Board of Education, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

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

February 25, 2011

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as items 10.02 and 10.05. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

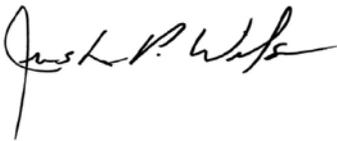
Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated February 25, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Morgan

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

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, finance director, Financial Management Committee, County Commission, Board of Education, 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 written in a cursive style with a large initial "J" and a long, sweeping underline.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

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	\$ 358,352
National School Lunch Program	10.555	N/A	881,081 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	19,158
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	121,169 (3)
Total U.S. Department of Agriculture			\$ 1,379,760
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 135,258
Total U.S. Department of Transportation			\$ 135,258
Appalachian Regional Commission:			
Direct Program:			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	\$ 26,500
Total Appalachian Regional Commission			\$ 26,500
U.S. Environmental Protection Agency:			
Direct Program:			
Congressionally Mandated Projects	66.202	N/A	\$ 191,138
Total U.S. Environmental Protection Agency			\$ 191,138
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 963,837
Title I Grants to Local Educational Agencies, Recovery Act	84.389	(2)	261,194
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	760,131
Special Education - Grants to States, Recovery Act	84.391	(2)	726,992
Special Education - Preschool Grants	84.173	(2)	31,855
Special Education - Preschool Grants, Recovery Act	84.392	(2)	14,322
Career and Technical Education - Basic Grants to States	84.048	(2)	151,244
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	16,244
Twenty-first Century Community Learning Centers	84.287	(2)	100,000
Innovative Education Program Strategies	84.298	(2)	272
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	14,610
Education Technology State Grants, Recovery Act	84.386	N/A	20,991
Rural Education	84.358	N/A	82,024
Improving Teacher Quality State Grants	84.367	N/A	194,381
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	(2)	594,700
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	(2)	256,884
Total U.S. Department of Education			\$ 4,189,681
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 11,612
Homeland Security Grant Program	97.067	(2)	140,536
Total U.S. Department of Homeland Security			\$ 152,148
Total Expenditures of Federal Awards			\$ 6,074,485

(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)	\$ 7,317
Rural Local Health Services - State Department of Health	N/A	(2)	76,782
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	43,352
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,090
Law Enforcement Training - State Department of Safety	N/A	(2)	7,200
Litter Program - State Department of Transportation	N/A	(2)	20,614
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	20,554
Voluntary Lottery Funded Classrooms - State Department of Education	N/A	(5)	621,539
Save the Children - State Department of Education	N/A	(2)	111,138
Drivers Education - State Department of Education	N/A	(2)	<u>12,969</u>
 Total State Grants			 <u>\$ 930,555</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,002,250.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	182	Deficiencies were noted in the maintenance of accounting records

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.04	183	Duties were not segregated adequately in the Offices of Director of Finance, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

MORGAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

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 one instance of noncompliance that is material to the financial statements of Morgan County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title 1 Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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; however, management did not provide written responses for inclusion in this report.

OFFICES OF DIRECTOR OF FINANCE AND DIRECTOR OF SCHOOLS

FINDING 10.01 **A REVENUE ANTICIPATION NOTE WAS NOT RETIRED IN COMPLIANCE WITH STATE STATUTES**
(Material Noncompliance Under Government Auditing Standards)

During the year under audit, the School Federal Projects Fund borrowed a total of \$250,000 from other county funds to provide cash for operating expenditures; however, only \$200,000 was paid back by June 30, 2010. Management was unable to liquidate this note due to lack of cash in the fund at June 30, 2010, resulting from management not requesting grant reimbursements until July 2010. Section 9-21-801, Tennessee Code Annotated, provides that revenue anticipation notes shall mature not later than the close of the fiscal year issued. This note has been reflected in the financial statements of this report as a Due from Other Funds in the Central Cafeteria Fund and as a Due to Other Funds in the School Federal Projects Fund.

RECOMMENDATION

All revenue anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

FINDING 10.02 **MORGAN COUNTY DID NOT ACCOUNT FOR AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS SEPARATELY FROM OTHER COUNTY FUNDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Morgan County comingled ARRA State Fiscal Stabilization Fund payroll and nonpayroll related expenditures with other local, state, and federal funds. U.S. Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement requires grantees to agree to maintain records that identify adequately the source (i.e., revenue) and application (i.e., expenditure) of ARRA awards. Tennessee Office of Recovery Act Management Directive No. 2 requires county governments to account for ARRA grant awards and expenditures separately from the county's other revenues and expenditures in the county's financial accounting system. This comingling of funds violates OMB's compliance requirements and increases the risks of preparing inaccurate reports required by ARRA. When ARRA grant requirements are not followed, the OMB can terminate the grants, suspend or debar the county from receiving grants, or, in serious cases, may apply civil or criminal penalties. County officials stated they did not understand the requirement for the expenditures.

RECOMMENDATION

Morgan County should separate the application (i.e., expenditure) of ARRA grant funds on the county's accounting records.

OFFICE OF COUNTY CLERK

FINDING 10.03 **A CASH SHORTAGE OF \$54,611.33 EXISTED IN THE COUNTY CLERK'S OFFICE ON DECEMBER 14, 2010**

(Internal Control – Material Weakness Under Government Auditing Standards)

On February 10, 2011, our office issued a special report on the Morgan County Clerk's Office for the period July 1, 2009, through December 22, 2010. This report disclosed a cash shortage of \$54,611.33 at December 14, 2010. Subsequently, the county clerk deposited \$47,200.71, leaving an unpaid cash shortage of \$7,410.62 at December 22, 2010. This report is available at www.tn.gov/comptroller.

On January 24, 2011, County Clerk Carol Hamby was arraigned on charges of theft, official misconduct, and failure to follow the three-day deposit law. On February 18, 2011, the Criminal Court of Morgan County accepted a plea of guilty to charges of official misconduct and violation of the three-day deposit law. The charge of theft was dismissed. The court also accepted a memorandum of understanding to defer entry of judgment of guilty if terms and conditions of that memorandum are met. Among the conditions specified was the requirement that Ms. Hamby pay the remaining cash shortage, cost of the extended audit, and court costs. Also, on February 18, 2011, Ms. Hamby resigned as Morgan County Clerk and submitted payment of \$6,500 to apply toward the agreed obligations.

OTHER FINDING

FINDING 10.04 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF DIRECTOR OF FINANCE, 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, 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.

BEST PRACTICE

MORGAN COUNTY SHOULD ESTABLISH AN AUDIT

Morgan County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization (SFSE) - Government Services, Recovery Act	10.05	84.397	<u>Circular A-133, Compliance Supplement</u> Parts 3A., 3B., and 3G.	Significant deficiency in internal control - See Finding 10.02 Morgan County did not account for American Recovery and Reinvestment Act (ARRA) Grants separately from other county funds	\$ 0

MORGAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010

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

Director of Schools – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.02 and 10.05

Contact person: Dr. Edward Diden

Corrective action planned: Morgan County Board of Education will set up a separate cost center for BEP Stimulus Funding to make sure revenues and expenditures related to BEP Stimulus Funding are accounted for separately.

Anticipated completion date: 2010-11