
ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

BRYAN W. BURKLIN, CPA, CGFM
Audit Manager

AMY MOORE, CGFM
ANGIE COLLINS, CPA, CFE
ANDREW WAY, CPA
AMY HEMBREE, CPA
MARK FAWVER
ROBERT ANDERSON
DOUG SANDIDGE, CISA, CFE
State Auditors

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, 2011

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2011.

Results

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

Our audit resulted in three 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 COUNTY EXECUTIVE AND DIRECTOR OF FINANCE

- ◆ Expenditures exceeded total appropriations.
-

OFFICE OF SHERIFF

- ◆ The office circumvented the county's budgetary and purchasing processes.
-

OFFICES OF DIRECTOR OF FINANCE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER AND SHERIFF

- ◆ Duties were not segregated adequately.
-

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, 2011

Officials

Don Edwards, County Executive
C. Roy Smith, Road Superintendent
Dr. Edward Diden, Director of Schools
Cindi Jones, Trustee
Gilford Wilson, Assessor of Property
Cheryl Collins, County Clerk
Pamela Keck, Circuit and General Sessions Courts Clerk
Angela Anderson, Clerk and Master
Sandy Leach-Dalton, Register
Glendon Freytag, Sheriff
Gary Howard, Director of Finance

Board of County Commissioners

Don Edwards, County Executive, Chairperson
Allen Brown
Sue Duncan
Tommy Francis
Lucy Freytag
David Hennessee
Terry Jackson
Kay Johnson
Ken Jones
Vernon Justes

Susie Kries
Carla Larue
Randy Roberts
Teresa Ryon
Paul Scarbrough
Fred Snow
Perry Spurling
Mickey Tucker
Steve Walls

Board of Education

Terry Armes, Chairman
Wendell Collins
Randy Harlan

Paul Hudson
Glen Moore
Richard Spurling

Financial Management Committee

Don Edwards, County Executive, Chairperson
Dr. Edward Diden, Director of Schools
C. Roy Smith, Road Superintendent
Carla Larue

Perry Spurling
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 28, 2012

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, 2011, 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 5.5 percent and one 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, 2011, 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 28, 2012, on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

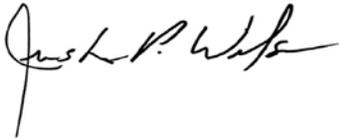
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 74 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance 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 long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 37,872	\$ 1,315	\$ 241,911
Equity in Pooled Cash and Investments	6,531,720	3,306,418	0
Deferred Outflow - Interest Rate Swap	1,854,238	0	0
Accounts Receivable	346,515	9,950	1,153
Allowance for Uncollectible Accounts Receivable	(76,392)	0	0
Due from Other Governments	501,109	1,474,532	8,569
Property Taxes Receivable	5,914,784	2,972,253	0
Allowance for Uncollectible Property Taxes	(347,325)	(174,535)	0
Prepaid Items	77,125	56,364	22,864
Deferred Charges - Debt Issuance Costs	225,748	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	534,352	1,112,193	90,000
Construction in Progress	800,719	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,205,623	22,779,271	1,444,186
Infrastructure	1,225,276	0	0
Other Capital Assets	411,138	6,100,146	394,725
Total Assets	<u>\$ 21,242,502</u>	<u>\$ 37,637,907</u>	<u>\$ 2,203,408</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 42,992	\$ 26,033	\$ 51,426
Accrued Payroll	159,524	0	0
Accrued Interest Payable	78,775	20,374	0
Payroll Deductions Payable	60,440	199,526	0
Due to the State of Tennessee	17,332	6,826	0
Derivative - Interest Rate Swap	1,854,238	0	0
Unearned Revenue - Current Property Taxes	5,247,099	2,636,733	0
Noncurrent Liabilities:			
Due Within One Year	1,203,154	90,676	17,625
Due in More Than One Year (net of unamortized premium on debt)	22,914,941	758,399	1,451,915
Total Liabilities	<u>\$ 31,578,495</u>	<u>\$ 3,738,567</u>	<u>\$ 1,520,966</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	\$ 3,022,466	\$ 29,553,210	\$ 459,370
Restricted for:			
General Government	35,817	0	0
Administration of Justice	19,671	0	0
Public Safety	89,354	0	0
Public, Health, and Welfare	168,838	0	0
Debt Service	316,287	0	0
Highway/Public Works	3,253,469	0	0
Capital Projects	306,486	0	0
Education	0	1,650,676	0
Unrestricted	<u>(17,548,381)</u>	<u>2,695,454</u>	<u>223,072</u>
Total Net Assets (Deficit)	<u>\$ (10,335,993)</u>	<u>\$ 33,899,340</u>	<u>\$ 682,442</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, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Primary Government			Component Units			
	Expenses	Charges for Services	Program Revenues	Total Governmental Activities	Morgan County School Department	Emergency Communications District	
		Operating Grants and Contributions	Capital Grants and Contributions				
Primary Government:							
Governmental Activities:							
General Government	\$ 932,300	\$ 139,424	\$ 15,468	\$ 0	\$ (777,408)	\$ 0	\$ 0
Finance	722,552	389,444	0	0	(333,108)	0	0
Administration of Justice	746,153	441,795	23,447	0	(280,911)	0	0
Public Safety	2,981,861	310,324	69,850	36,237	(2,565,450)	0	0
Public Health and Welfare	3,070,349	1,199,637	102,912	592,862	(1,174,938)	0	0
Social, Cultural, and Recreational Services	14,139	0	32,770	0	18,631	0	0
Agriculture and Natural Resources	69,133	0	0	0	(69,133)	0	0
Other Operations	216,042	0	0	0	(216,042)	0	0
Highways	2,058,283	0	1,744,832	256,382	(57,069)	0	0
Education	6,523,236	0	0	0	(6,523,236)	0	0
Interest on Long-term Debt	882,804	0	0	0	(882,804)	0	0
Debt Service	105,587	0	0	0	(105,587)	0	0
Total Primary Government	\$ 18,322,439	\$ 2,480,624	\$ 1,989,279	\$ 885,481	\$ (12,967,055)	\$ 0	\$ 0
Component Units:							
Morgan County School Department	\$ 28,467,596	\$ 504,836	\$ 4,745,249	\$ 0	\$ 0	\$ (23,217,511)	\$ 0
Emergency Communications District	474,515	180,106	142,994	0	0	0	(151,415)
Total Component Units	\$ 28,942,111	\$ 684,942	\$ 4,888,243	\$ 0	\$ 0	\$ (23,217,511)	\$ (151,415)

(Continued)

Exhibit B

Morgan County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government	Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Morgan County School Department	Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,757,737	\$ 2,483,740	\$	0
Property Taxes Levied for Solid Waste/Sanitation				825,019	0		0
Property Taxes Levied for Highway/Public Works				57,125	0		0
Property Taxes Levied for General Debt Service				334,903	0		0
Local Option Sales Taxes				877,645	0		0
Mineral Severance Tax				110,771	0		0
Other Local Taxes				72,811	64,359		0
Grants and Contributions Not Restricted to Specific Programs				1,098,858	25,824,514		27,925
Unrestricted Investment Income				19,418	54,857		643
Miscellaneous				36,187	7,696		2,775
Total General Revenues				<u>\$ 7,190,474</u>	<u>\$ 28,435,166</u>	<u>\$</u>	<u>31,343</u>
Change in Net Assets				\$ (5,776,581)	\$ 5,217,655	\$	(120,072)
Net Assets (Deficit), July 1, 2010				<u>(4,559,412)</u>	<u>28,681,685</u>		<u>802,514</u>
Net Assets (Deficit), June 30, 2011				<u><u>\$ (10,335,993)</u></u>	<u><u>\$ 33,899,340</u></u>	<u><u>\$</u></u>	<u><u>682,442</u></u>

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

Exhibit C-1

Morgan County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2011

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
Cash	\$ 0	\$ 0	262	\$ 0	\$ 0	\$ 37,610	\$ 37,872	
Equity in Pooled Cash and Investments	1,052,432	193,079	2,987,799	1,842,363	408,306	47,741	6,531,720	
Accounts Receivable	331,516	12,510	0	0	0	2,489	346,515	
Allowance for Uncollectibles	(76,392)	0	0	0	0	0	(76,392)	
Due from Other Governments	25,680	3,538	308,958	141,325	21,608	0	501,109	
Due from Other Funds	41,217	0	0	0	0	0	41,217	
Property Taxes Receivable	4,458,380	986,788	68,361	401,255	0	0	5,914,784	
Allowance for Uncollectible Property Taxes	(261,801)	(57,946)	(4,015)	(23,563)	0	0	(347,325)	
Prepaid Items	62,964	4,837	9,324	0	0	0	77,125	
Total Assets	\$ 5,633,996	\$ 1,142,806	\$ 3,370,689	\$ 2,361,380	\$ 429,914	\$ 87,840	\$ 13,026,625	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Allowance for Uncollectibles
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Prepaid Items

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities	\$ 0	\$ 37,825	\$ 0	\$ 0	\$ 5,167	\$ 0	\$ 42,992	
Accounts Payable	119,601	12,117	27,806	0	0	0	159,524	
Accrued Payroll	60,440	0	0	0	0	0	60,440	
Payroll Deductions Payable	0	0	0	0	0	0	0	
Due to Other Funds	0	0	0	1,118	0	40,099	41,217	
Due to State of Tennessee	15,047	1,459	826	0	0	0	17,332	
Deferred Revenue - Current Property Taxes	3,955,101	875,395	60,644	355,959	0	0	5,247,099	
Deferred Revenue - Delinquent Property Taxes	228,513	50,577	3,503	20,566	0	0	303,159	
Other Deferred Revenues	186,905	0	151,322	70,746	0	0	408,973	
Total Liabilities	\$ 4,565,607	\$ 977,373	\$ 244,101	\$ 448,389	\$ 5,167	\$ 40,099	\$ 6,280,736	

(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	Governmental Funds	
\$	62,964	4,837	9,324	0	0	0	0	77,125
Restricted for General Government	35,817	0	0	0	0	0	0	35,817
Restricted for Administration of Justice	13,664	0	0	0	0	0	0	13,664
Restricted for Public Safety	41,613	0	0	0	0	47,741	0	89,354
Restricted for Public Health and Welfare	0	0	0	0	118,261	0	0	118,261
Restricted for Highways/Public Works	0	0	3,117,264	0	0	0	0	3,117,264
Restricted for Debt Service	0	0	0	374,496	0	0	0	374,496
Restricted for Capital Projects	0	0	0	0	306,486	0	0	306,486
Committed:								
Committed for Public Safety	5,773	0	0	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	160,596	0	0	0	0	0	161,646
Committed for Social, Cultural, and Recreational Services	41,189	0	0	0	0	0	0	41,189
Committed for Debt Service	0	0	0	1,538,495	0	0	0	1,538,495
Assigned:								
Assigned for General Government	6,907	0	0	0	0	0	0	6,907
Assigned for Finance	6,036	0	0	0	0	0	0	6,036
Assigned for Administration of Justice	3,639	0	0	0	0	0	0	3,639
Assigned for Public Safety	6,294	0	0	0	0	0	0	6,294
Assigned for Public Health and Welfare	13,809	0	0	0	0	0	0	13,809
Assigned for Social, Cultural, and Recreational Services	989	0	0	0	0	0	0	989
Assigned for Agriculture and Natural Resources	183	0	0	0	0	0	0	183
Unassigned	828,462	0	0	0	0	0	0	828,462
Total Fund Balances	\$ 1,068,389	\$ 165,433	\$ 3,126,588	\$ 1,912,991	\$ 424,747	\$ 47,741	\$ 0	\$ 6,745,889
Total Liabilities and Fund Balances	\$ 5,633,996	\$ 1,142,806	\$ 3,370,689	\$ 2,361,380	\$ 429,914	\$ 87,840	\$ 0	\$ 13,026,625

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, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	6,745,889
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	534,352	
Add: construction in progress		800,719	
Add: infrastructure net of accumulated depreciation		1,225,276	
Add: buildings and improvements net of accumulated depreciation		3,205,623	
Add: other capital assets net of accumulated depreciation		<u>411,138</u>	6,177,108
(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	\$	(8,460,000)	
Less: notes payable		(523,927)	
Less: other loans payable		(14,530,000)	
Less: capital leases payable		(21,661)	
Add: deferred charges - debt issuance costs		225,748	
Less: compensated absences payable		(134,966)	
Less: landfill closure/postclosure care costs		(315,973)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(78,775)	
Less: other deferred revenue - premium on debt		<u>(131,568)</u>	(23,971,122)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>712,132</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u>(10,335,993)</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, 2011

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 3,828,219	\$ 820,230	\$ 167,880	\$ 1,214,018	\$ 0	\$ 0	\$ 48,316	\$ 6,078,663
Licenses and Permits	38,910	0	0	0	0	0	0	38,910
Fines, Forfeitures, and Penalties	77,896	0	0	0	0	0	29,074	106,970
Charges for Current Services	954,626	187,904	0	0	0	0	1,600	1,144,130
Other Local Revenues	25,803	33,833	14,053	0	24,404	0	2,962	101,055
Fees Received from County Officials	801,385	0	0	0	0	0	0	801,385
State of Tennessee	578,837	25,960	1,999,395	0	0	0	0	2,604,192
Federal Government	23,848	0	0	0	467,099	0	0	490,947
Other Governments and Citizens Groups	223,660	0	0	662,314	175,000	0	0	1,060,974
Total Revenues	\$ 6,553,184	\$ 1,067,927	\$ 2,181,328	\$ 1,876,332	\$ 666,503	\$ 0	\$ 81,952	\$ 12,427,226
<u>Expenditures</u>								
Current:								
General Government	\$ 1,068,072	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,068,072
Finance	722,157	0	0	0	0	0	0	722,157
Administration of Justice	692,582	0	0	0	0	0	49,916	742,498
Public Safety	2,909,026	0	0	0	0	0	26,613	2,935,639
Public Health and Welfare	1,527,453	1,036,826	0	0	0	0	0	2,564,279
Social, Cultural, and Recreational Services	76,937	0	0	0	0	0	0	76,937
Agriculture and Natural Resources	69,133	0	0	0	0	0	0	69,133
Other Operations	196,500	19,542	0	0	0	0	0	216,042
Highways	0	0	1,997,866	0	0	0	0	1,997,866
Debt Service:								
Principal on Debt	20,445	0	0	1,175,074	0	0	0	1,195,519
Interest on Debt	2,505	0	0	852,083	0	0	0	854,588
Other Debt Service	0	0	0	40,881	118,206	0	0	159,087
Capital Projects	0	0	0	0	8,018,669	0	0	8,018,669
Total Expenditures	\$ 7,284,810	\$ 1,056,368	\$ 1,997,866	\$ 2,068,038	\$ 8,136,875	\$ 0	\$ 76,529	\$ 20,620,486

(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	
Excess (Deficiency) of Revenues Over Expenditures	\$ (731,626)	\$ 11,559	\$ 183,462	\$ (191,706)	\$ (7,470,372)	\$ 5,423	\$ (8,193,260)	
Other Financing Sources (Uses)								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,400,000	\$ 0	\$ 6,400,000	
Notes Issued	0	0	0	0	180,000	0	180,000	
Premiums on Debt Issued	0	0	0	0	61,443	0	61,443	
Insurance Recovery	70,695	1,411	0	0	0	0	72,106	
Transfers In	0	0	0	0	315,340	0	315,340	
Transfers Out	(15,340)	0	0	(300,000)	0	0	(315,340)	
Total Other Financing Sources (Uses)	\$ 55,355	\$ 1,411	\$ 0	\$ (300,000)	\$ 6,956,783	\$ 0	\$ 6,713,549	
Net Change in Fund Balances	\$ (676,271)	\$ 12,970	\$ 183,462	\$ (491,706)	\$ (513,589)	\$ 5,423	\$ (1,479,711)	
Fund Balance, July 1, 2010	1,744,660	152,463	2,943,126	2,404,697	938,336	42,318	8,225,600	
Fund Balance, June 30, 2011	\$ 1,068,389	\$ 165,433	\$ 3,126,588	\$ 1,912,991	\$ 424,747	\$ 47,741	\$ 6,745,889	

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, 2011

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (1,479,711)
(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	\$ 1,444,652	
Less: current-year depreciation expense	<u>(412,924)</u>	1,031,728
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: net book value of assets disposed		(7,182)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 712,132	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(601,991)</u>	110,141
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: bond proceeds	\$ (6,400,000)	
Less: note proceeds	(180,000)	
Less: change in premium on debt issuances	(52,952)	
Add: change in deferred debt issuance costs	53,500	
Add: principal payments on bonds	935,000	
Add: principal payments on notes	175,074	
Add: principal payments on other loans	65,000	
Add: principal payments on capital leases	<u>20,445</u>	(5,383,933)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (28,216)	
Change in compensated absences payable	(16,280)	
Change in landfill closure/postclosure care costs	<u>(3,128)</u>	<u>(47,624)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (5,776,581)</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 390,727
Due from Other Governments	54,517
Property Taxes Receivable	<u>57,563</u>
Total Assets	<u>\$ 502,807</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 112,080
Due to Litigants, Heirs, and Others	<u>390,727</u>
Total Liabilities	<u>\$ 502,807</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, 2011

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 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 special revenue fund accounts for transactions related to the county’s garbage collection service. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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.

General Capital Projects Fund – This fund is used to account for general construction projects of the county and for the receipt of debt issued by Morgan County and contributed to the School Department 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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Service charges and federal grants are the foundational revenues of this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 3.3 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. Prepaids are offset in the nonspendable fund balance account in governmental funds.

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, 2011, Morgan County had \$17,894,640 in outstanding debt for capital purposes for the discretely presented Morgan County School Department and \$2,500,000 in outstanding debt that benefits a joint venture industrial development board. The debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the other entities. 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission and the Board of Education are authorized to make assignments.

Assigned fund balance in the General Fund consists of amounts assigned for encumbrances. Assigned fund balance in the School Department's General Purpose School Fund consists of amounts assigned for encumbrances (\$268,896) and amounts appropriated for use in the 2011-12 budget (\$224,879).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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 General Capital Projects Fund, which adopts 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.

At June 30, 2011, the Morgan County and the Morgan County School Department reported the following significant encumbrances:

<u>Funds</u>	<u>Description</u>	<u>Amount</u>
Primary Government:		
Highway/Public Works	Asphalt	\$ 82,000
"	Stone	75,924
School Department:		
General Purpose School	Building Purchase	55,000

B. Cash Shortage – Prior Year

Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 at December 14, 2010. The state Comptroller's Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk, deposited \$47,200.71, leaving an unpaid cash shortage of \$7,410.62 at December 22, 2010. 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. Ms. Hamby was ordered to pay the remaining cash shortage, the cost of the extended audit (\$11,562), and court costs. Also, on February 18, 2011, Ms. Hamby resigned as Morgan County Clerk and submitted payment of \$6,500 to be applied toward the agreed obligations. On March 17, 2011, Ms. Hamby paid the remaining cash shortage balance of \$910.90 and \$610.50 in court costs. However, there have been no payments toward the extended audit cost of \$11,562 as of the date of this report.

C. 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 \$475. Also, expenditures exceeded total appropriations in the Drug Control Fund by \$3,903. 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, 2011.

B. Derivative Instrument

At June 30, 2011, Morgan County had the following derivative instrument 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 the derivative instrument outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2011 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2011</u>		6-30-11
	Classification	Amount	Classification	Amount	Notional Amount
Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$ 240,485	Debt	\$ (1,854,238)	\$10,000,000
Totals		\$ 240,485		\$ (1,854,238)	\$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, 2011, 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>-0.17</u>
Net interest rate swap payments		4.16 %
Variable-rate bond coupon payments		<u>0.10</u>
Synthetic interest rate on bonds		<u><u>4.26 %</u></u>

Fair Value. As of June 30, 2011, the swap had a negative fair value of \$1,854,238. 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, 2011, 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, 2011, 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, 2011, 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			
2012	\$ 0	\$ 10,000		\$ 415,798	\$ 425,798
2013	0	10,000		415,798	425,798
2014	0	10,000		415,798	425,798
2015	0	10,000		415,798	425,798
2016	660,000	10,000		415,798	1,085,798
2017-2021	3,995,000	39,175		1,628,887	5,663,062
2022-2026	5,345,000	16,650		692,303	6,053,953
Total	\$ 10,000,000	\$ 105,825		\$ 4,400,180	\$ 14,506,005

C. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 459,534	\$ 82,000	\$ (7,182)	\$ 534,352
Construction in Progress	1,184,396	884,042	(1,267,719)	800,719
Total Capital Assets Not Depreciated	\$ 1,643,930	\$ 966,042	\$ (1,274,901)	\$ 1,335,071
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,764,779	\$ 1,504,964	\$ (8,535)	\$ 4,261,208
Infrastructure	1,435,825	0	0	1,435,825
Other Capital Assets	4,126,893	241,365	0	4,368,258
Total Capital Assets Depreciated	\$ 8,327,497	\$ 1,746,329	\$ (8,535)	\$ 10,065,291

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 984,523	\$ 79,597	\$ (8,535)	\$ 1,055,585
Infrastructure	164,581	45,968	0	210,549
Other Capital Assets	3,669,761	287,359	0	3,957,120
Total Accumulated Depreciation	<u>\$ 4,818,865</u>	<u>\$ 412,924</u>	<u>\$ (8,535)</u>	<u>\$ 5,223,254</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,508,632</u>	<u>\$ 1,333,405</u>	<u>\$ 0</u>	<u>\$ 4,842,037</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,152,562</u>	<u>\$ 2,299,447</u>	<u>\$ (1,274,901)</u>	<u>\$ 6,177,108</u>

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

Governmental Activities:

General Government	\$ 77,647
Administration of Justice	1,265
Public Safety	60,435
Public Health and Welfare	146,845
Social, Cultrual, and Recreational	4,767
Highway/Public Works	<u>121,965</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 412,924</u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 1,104,029	\$ 8,164	\$ 1,112,193
Total Capital Assets Not Depreciated	<u>\$ 1,104,029</u>	<u>\$ 8,164</u>	<u>\$ 1,112,193</u>

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Buildings and Improvements	\$ 47,566,641	\$ 293,786	\$ 47,860,427
Other Capital Assets	11,846,090	152,359	11,998,449
Total Capital Assets Depreciated	<u>\$ 59,412,731</u>	<u>\$ 446,145</u>	<u>\$ 59,858,876</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 23,953,121	\$ 1,128,035	\$ 25,081,156
Other Capital Assets	4,861,134	1,037,169	5,898,303
Total Accumulated Depreciation	<u>\$ 28,814,255</u>	<u>\$ 2,165,204</u>	<u>\$ 30,979,459</u>
Total Capital Assets Depreciated, Net	<u>\$ 30,598,476</u>	<u>\$ (1,719,059)</u>	<u>\$ 28,879,417</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,702,505</u>	<u>\$ (1,710,895)</u>	<u>\$ 29,991,610</u>

There were no decreases in capital assets during the year ended June 30, 2011. Depreciation expense was charged to functions of the discretely presented Morgan County School Department as follows:

Governmental Activities:

Instruction	\$ 50,387
Support Services	2,078,879
Operation of Non-Instructional Services	<u>35,938</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,165,204</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 40,099
"	General Debt Service	1,118
Discretely Presented School Department:		
General Purpose School	School Federal Projects	20,566

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, 2011, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In
	General Capital Projects Fund
General Fund	\$ 15,340
General Debt Service Fund	300,000
Total	<u>\$ 315,340</u>

Discretely Presented Morgan County School Department

Transfers Out	Transfers In		
	General Purpose School Fund	School Federal Projects Fund	Central Cafeteria Fund
General Purpose School Fund	\$ 0	\$ 300,000	\$ 31,000
School Federal Projects Fund	6,889	0	0
Total	<u>\$ 6,889</u>	<u>\$ 300,000</u>	<u>\$ 31,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend

them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Capital Leases

On August 25, 2009, Morgan County entered into a three-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.

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.

The assets acquired through capital leases outstanding as of June 30, 2011, are as follows:

	<u>Governmental Funds</u>	
	<u>Primary Government</u>	<u>School Department</u>
Machinery and Equipment	\$ 91,800	\$ 684,414
Less: Accumulated Depreciation	(58,650)	(199,620)
Total Book Value	<u>\$ 33,150</u>	<u>\$ 484,794</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	<u>Governmental Funds</u>	
	<u>Primary Government</u>	<u>School Department</u>
2012	\$ 22,950	\$ 75,986
2013	0	75,986
2014	0	75,986
2015	0	75,987
2016	0	75,986
2017-2018	0	151,971
Total Minimum Lease Payments	<u>\$ 22,950</u>	<u>\$ 531,902</u>
Less: Amount Representing Interest	(1,289)	(93,502)
Present Value of Minimum Lease Payments	<u>\$ 21,661</u>	<u>\$ 438,400</u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities and to refund other debt. 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 15 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, 2011, 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, 2011, for governmental activities are as follows:

Type	Interest Rate		Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	2 to 3	%	\$ 6,900,000	\$ 6,180,000
General Obligation Bonds - Refunding	3 to 4		3,740,000	2,280,000
Capital Outlay Notes	0 to 4.25		678,478	523,927
Other Loans - Fixed Rate	4.25 to 6		2,500,000	2,500,000
Other Loans - Variable Rate	Variable		12,095,000	12,030,000
Capital Lease	5.95		61,403	21,661

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, 2011:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-11	Interest Type	Interest Rates as of 6-30-11	Approximate
					Fee Rates as of 6-30-11
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	1,935,000	Variable	.41	.99
Sevier County PBA:					
Series VII-A-3	10,095,000	10,095,000	Variable	4.26 (1)	.77

(1) This is the synthetic interest rate under a swap agreement that was entered into in connection with the debt. See Note IV.B., Derivative Instrument.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 920,000	\$ 237,750	\$ 1,157,750
2013	955,000	211,000	1,166,000
2014	995,000	183,175	1,178,175
2015	970,000	151,135	1,121,135
2016	365,000	119,535	484,535
2017-2021	1,980,000	476,413	2,456,413
2022-2026	2,275,000	204,850	2,479,850
Total	\$ 8,460,000	\$ 1,583,858	\$ 10,043,858

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 94,133	\$ 6,913	\$ 101,046
2013	95,135	5,910	101,045
2014	96,163	4,882	101,045
2015	97,236	3,810	101,046
2016	98,347	2,699	101,046
2017-2018	42,913	1,838	44,751
Total	\$ 523,927	\$ 26,052	\$ 549,979

Year Ending June 30	Other Loans			
	Principal	Interest (1)	Other Fees	Total
2012	\$ 69,000	\$ 575,718	\$ 96,888	\$ 741,606
2013	72,000	575,435	96,205	743,640
2014	76,000	575,140	95,492	746,632
2015	205,000	574,828	94,740	874,568
2016	903,000	567,563	93,948	1,564,511
2017-2021	5,380,000	2,231,745	371,985	7,983,730
2022-2026	7,024,000	971,105	170,201	8,165,306
2027-2029	801,000	18,635	9,078	828,713
Total	\$ 14,530,000	\$ 6,090,169	\$ 1,028,537	\$ 21,648,706

(1) Includes payments under swap agreement discussed in Note IV.B., Derivative Instrument.

There is \$1,912,991 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$385, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,070, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2010	\$ 2,995,000	\$ 519,001	\$ 14,595,000
Additions	6,400,000	180,000	0
Deductions	(935,000)	(175,074)	(65,000)
Balance, June 30, 2011	\$ 8,460,000	\$ 523,927	\$ 14,530,000
Balance Due Within One Year	\$ 920,000	\$ 94,133	\$ 69,000

Governmental Activities (Cont.):

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2010	\$ 42,106	\$ 118,686	\$ 312,845
Additions	0	112,449	3,128
Deductions	(20,445)	(96,169)	0
Balance, June 30, 2011	<u>\$ 21,661</u>	<u>\$ 134,966</u>	<u>\$ 315,973</u>
Balance Due Within One Year	<u>\$ 21,661</u>	<u>\$ 80,980</u>	<u>\$ 17,380</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 23,986,527
Add: Unamortized Premium on Debt	131,568
Less: Balance Due Within One Year	<u>(1,203,154)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 22,914,941</u>

Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works 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, 2011, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Capital Leases	Compensated Absences
Balance July 1, 2010	\$ 267,259	\$ 6,441,322	\$ 85,565
Additions	200,635	0	59,526
Deductions	(149,628)	(6,002,922)	(52,682)
Balance June 30, 2011	<u>\$ 318,266</u>	<u>\$ 438,400</u>	<u>\$ 92,409</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 53,712</u>	<u>\$ 36,964</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 849,075
Less: Balance Due Within One Year	<u>(90,676)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 758,399</u>

During the year, the primary government issued general obligation bonds of \$6,400,000 and contributed the net proceeds to the discretely presented School Department to retire an outstanding energy efficiency capital lease. Also, during the year, the School Department contributed \$662,314 to the primary government's General Debt Service Fund to be applied toward the retirement of school debt.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$38,796 and \$15,982, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Internal Financing

In-lieu-of issuing debt with financial institutions, Morgan County often chooses to internally finance various projects with idle county funds. These debt issues that will be repaid from the same fund in which the loan was obtained are reflected as transfers (not notes receivable) in the financial statements of this report. During the year, Morgan County issued an internal financing agreement of \$300,000 to loan idle funds from the General Debt Service Fund to the General Capital Projects Fund to provide funds for several capital projects. Internally reported notes receivable from idle funds loaned from the General Debt Service Fund that will subsequently be paid by the General Debt Service Fund are reflected below:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
General Capital Projects Fund	\$ 300,000	0%	9-10-10	9-10-13

	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
General Capital Projects	\$ 0	\$ 300,000	\$ 0	\$ 300,000
Total	\$ 0	\$ 300,000	\$ 0	\$ 300,000

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, 2011, was as follows:

Tax Anticipation Notes:

Fund	Balance 7-1-10	Issued	Paid	Balance 6-30-11
Solid Waste/Sanitation (Borrowed from General Debt Service)	\$ 0	\$ 300,000	\$ (300,000)	\$ 0
General Fund (Borrowed from General Debt Service)	0	300,000	(300,000)	0

Revenue Anticipation Notes:

Fund	Balance 7-1-10	Issued	Paid	Balance 6-30-11
School Federal Projects (Borrowed from General Debt Service)	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. Pre-65 age retirees are not allowed to participate in the health plan.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Morgan County School Department

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

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

B. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Morgan County and the Morgan County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Events

Subsequent to June 30, 2011, certain county funds issued tax anticipation notes to provide temporary operating funds as noted in the following table:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
8-24-11	Solid Waste/Sanitation	\$ 200,000
8-24-11	General	1,000,000

D. Contingent Liabilities

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

E. Changes in Administration

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 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. On March 3, 2011, the County Commission appointed Cheryl Collins as county clerk.

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 \$315,973 reported as postclosure care liability at June 30, 2011, represents amounts based on what it would cost to perform all postclosure care in 2011. 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, 2011, 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. Morgan County made no contributions to the board for the year ended June 30, 2011.

H. Retirement Commitments

Plan Description

Employees of Morgan County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Morgan County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan.

Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Morgan County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 7.46 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county’s annual pension cost of \$528,315 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the 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 2.5 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 ten-year period. The 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, 2009, was six 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
6-30-11	\$528,315	100%	\$0
6-30-10	457,286	100	0
6-30-09	438,980	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 \$13 million, and the actuarial value of assets was \$11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

SCHOOL TEACHERS

Plan Description

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

granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$1,119,592, \$805,034, and \$818,113, 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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	\$ 200,000
Interest on the NPO	12,027
Adjustment to the ARC	(11,392)
Annual OPEB cost	<hr/> \$ 200,635
Amount of contribution	(149,628)
Increase/decrease in NPO	<hr/> \$ 51,007
Net OPEB obligation, 7-1-10	<hr/> 267,259
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 318,266

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 190,700	47 %	\$ 215,380
6-30-10	"	192,512	73	267,259
6-30-11	"	200,635	75	318,266

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 1,782,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,782,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,039,350
UAAL as a % of covered payroll	15%

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, 2010, actuarial valuation for the Local Education Group Plan, the projected unit credit 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 ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes 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. Termination Benefits

In May 2011, the Morgan County Board of Education made available a one-time incentive for employees eligible to retire. During the 2010-11 year, 11 employees took the \$5,000 early retirement offer. The financial statements of this report reflect expenditures of \$55,000 in the School Federal Projects Fund for the retirement incentive payments, and there is no further liability under the incentive plan.

K. Office of Central Accounting, Budgeting, and Purchasing

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.

L. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Morgan County. All purchase orders are issued by the Finance Department. Purchases exceeding \$10,000 are required to be competitively bid.

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

A. Summary of Significant Accounting Policies

The Morgan County 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 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:

Assets	Method	Estimated Useful Life (Years)	2011 Depreciation
Building and Improvements	S/L	3 - 40	\$ 38,579
Communications Equipment	S/L	5, 7 and 10	60,170
Furniture and Fixtures	S/L	3, 5 and 10	8,887
Office Equipment	S/L	5, 7 and 10	5,914
Vehicle	S/L	5	0
Total			\$ 113,550

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, 2011:

<u>Account</u>	<u>Depository</u>	<u>Amount</u>
Checking	Citizen's First Bank	\$ 128,491
Certificate of Deposit - 3 Months	"	57,525
Certificate of Deposit - 5 Months	"	<u>55,895</u>
Total		<u>\$ 241,911</u>

At June 30, 2011, the carrying amount of the district's cash deposits was \$241,911. 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, 2011. 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, 2011:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings and Improvements	\$ 1,487,156	\$ 42,969	\$ 1,444,187
Communications Equipment	516,153	202,590	313,563
Furniture and Fixtures	77,760	16,029	61,731
Office Equipment	36,648	17,218	19,430
Vehicles	21,888	21,888	0
Land	90,000	0	90,000
Total	<u>\$ 2,229,605</u>	<u>\$ 300,694</u>	<u>\$ 1,928,911</u>

Assets	Balance			Balance
	6-30-10	Additions	Retirements	
Buildings and Improvements	\$ 1,487,156	\$ 0	\$ 0	\$ 1,487,156
Communications Equipment	516,153	0	0	516,153
Furniture and Fixtures	74,136	3,624	0	77,760
Office Equipment	36,648	0	0	36,648
Vehicles	21,888	0	0	21,888
Land	90,000	0	0	90,000
Total	<u>\$ 2,225,981</u>	<u>\$ 3,624</u>	<u>\$ 0</u>	<u>\$ 2,229,605</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	\$ 1,021
Due from State ECB	State ECB	<u>8,569</u>
Total		<u>\$ 9,590</u>

G. Compensated Absences

There were no employees at June 30, 2011.

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

Net Book Value	\$ 1,928,910
Current and Noncurrent Debt	<u>(1,469,540)</u>
Invested in Capital Assets	<u>\$ 459,370</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, 2009, 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 \$17,625. Current-year activity is as follows:

Balance 6-30-10	New Loans	Principal Payments	Balance 6-30-11
\$1,486,433	\$0	(\$16,893)	\$1,469,540

**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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,828,219	\$ 0	\$ 0	\$ 3,828,219	\$ 3,962,150	\$ 3,962,150	\$ (133,931)
Licenses and Permits	38,910	0	0	38,910	37,600	37,600	1,310
Fines, Forfeitures, and Penalties	77,896	0	0	77,896	95,000	95,000	(17,104)
Charges for Current Services	954,626	0	0	954,626	1,089,000	1,090,400	(135,774)
Other Local Revenues	25,803	0	0	25,803	63,000	68,187	(42,384)
Fees Received from County Officials	801,385	0	0	801,385	829,000	829,000	(27,615)
State of Tennessee	578,837	0	0	578,837	678,066	725,320	(146,483)
Federal Government	23,848	0	0	23,848	45,500	43,052	(19,204)
Other Governments and Citizens Groups	223,660	0	0	223,660	140,000	184,470	39,190
Total Revenues	\$ 6,553,184	\$ 0	\$ 0	\$ 6,553,184	\$ 6,939,316	\$ 7,035,179	\$ (481,995)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 101,306	\$ (1,066)	\$ 0	\$ 100,240	\$ 87,644	\$ 103,743	\$ 3,503
County Mayor/Executive	159,822	0	0	159,822	156,757	160,567	745
County Attorney	10,500	0	0	10,500	10,500	10,500	0
Election Commission	136,498	(610)	0	135,888	133,232	136,428	540
Register of Deeds	109,566	(1,943)	4,840	112,463	116,385	116,178	3,715
Planning	4,612	0	0	4,612	0	9,089	4,477
County Buildings	545,768	(13,835)	2,067	534,000	505,089	535,636	1,636
<u>Finance</u>							
Accounting and Budgeting	205,856	0	2,368	208,224	208,627	208,230	6
Property Assessor's Office	173,722	0	3,167	176,889	184,318	184,396	7,507
Reappraisal Program	23,016	0	0	23,016	33,150	32,341	9,325
County Trustee's Office	156,684	0	0	156,684	168,421	165,776	9,092

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)	
					Original	Final		
	\$	162,879	\$	163,229	\$	172,997	\$	9,768
<u>Expenditures (Cont.)</u>								
<u>Finance (Cont.)</u>								
County Clerk's Office	218,959	0	328	219,287	226,856	223,627	4,340	
<u>Administration of Justice</u>								
Circuit Court	8,318	0	0	8,318	13,000	13,000	4,682	
Criminal Court	37,860	(1,066)	1,643	38,437	46,390	39,996	1,559	
General Sessions Court	132,081	0	0	132,081	132,916	132,392	311	
General Sessions Judge	52,587	(2,484)	439	50,542	101,809	101,809	51,267	
Drug Court	154,450	(81)	649	155,018	157,217	157,046	2,028	
Chancery Court	24,759	(624)	580	24,715	25,025	25,025	310	
Juvenile Court	63,568	0	0	63,568	57,076	64,114	546	
Courtroom Security								
<u>Public Safety</u>								
Sheriff's Department	1,070,549	(5,922)	4,291	1,068,918	986,315	1,070,123	1,205	
Jail	1,310,489	(977)	1,803	1,311,315	1,112,045	1,316,674	5,359	
Juvenile Services	1,625	0	0	1,625	3,500	3,750	2,125	
Fire Prevention and Control	119,991	(1,000)	0	118,991	118,525	118,991	0	
Civil Defense	16,043	0	200	16,243	17,146	17,946	1,703	
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0	
Other Emergency Management	343,416	0	0	343,416	340,284	347,000	3,584	
County Coroner/Medical Examiner	36,784	(4,500)	0	32,284	25,861	32,361	77	
Other Public Safety	7,129	(1,000)	0	6,129	6,800	6,334	205	
<u>Public Health and Welfare</u>								
Local Health Center	38,780	0	7,009	45,789	48,140	48,140	2,351	
Ambulance/Emergency Medical Services	1,395,929	(11,794)	6,800	1,390,935	1,346,319	1,393,679	2,744	
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577	

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Local Health Services	\$ 87,384	\$ (7,795)	\$ 0	\$ 79,589	\$ 152,267	\$ 152,267	\$ 72,678
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	4,200	0	0	4,200	4,200	4,200	0
Libraries	69,809	(1,408)	989	69,390	61,744	71,520	2,130
Parks and Fair Boards	2,928	(1,658)	0	1,270	2,500	2,500	1,230
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	64,133	(3,066)	183	61,250	61,279	61,279	29
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0
<u>Other Operations</u>							
Tourism	5,000	0	0	5,000	5,000	5,000	0
Industrial Development	59,674	(792)	0	58,882	59,275	59,275	393
Other Economic and Community Development	20,000	0	0	20,000	21,000	21,000	1,000
Veterans' Services	397	(125)	0	272	1,000	1,000	728
Miscellaneous	111,429	0	0	111,429	121,600	121,600	10,171
<u>Principal on Debt</u>							
General Government	20,445	0	0	20,445	0	20,445	0
<u>Interest on Debt</u>							
General Government	2,505	0	0	2,505	0	2,505	0
Total Expenditures	\$ 7,284,810	\$ (61,897)	\$ 37,857	\$ 7,260,770	\$ 7,051,816	\$ 7,484,416	\$ 223,646
Excess (Deficiency) of Revenues Over Expenditures	\$ (731,626)	\$ 61,897	\$ (37,857)	\$ (707,586)	\$ (112,500)	\$ (449,237)	\$ (258,349)

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	113,000 \$	113,000 \$	(113,000)
Insurance Recovery	70,695	0	0	70,695	0	69,235	1,460
Transfers Out	(15,340)	0	0	(15,340)	0	(15,340)	0
Discounts on Debt Issued	0	0	0	0	(500)	(1,108)	1,108
Total Other Financing Sources (Uses)	\$ 55,355 \$	0 \$	0 \$	55,355 \$	112,500 \$	165,787 \$	(110,432)
Net Change in Fund Balance	\$ (676,271) \$	61,897 \$	(37,857) \$	(652,231) \$	0 \$	(283,450) \$	(368,781)
Fund Balance, July 1, 2010	1,744,660	(61,897)	0	1,682,763	1,714,301	1,714,301	(31,538)
Fund Balance, June 30, 2011	\$ 1,068,389 \$	0 \$	(37,857) \$	1,030,532 \$	1,714,301 \$	1,430,851 \$	(400,319)

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 820,230	\$ 0	\$ 0	\$ 820,230	\$ 843,634	\$ 843,634	\$ (23,404)
Charges for Current Services	187,904	0	0	187,904	165,000	165,000	22,904
Other Local Revenues	33,833	0	0	33,833	40,000	40,000	(6,167)
State of Tennessee	25,960	0	0	25,960	35,000	35,000	(9,040)
Total Revenues	\$ 1,067,927	\$ 0	\$ 0	\$ 1,067,927	\$ 1,083,634	\$ 1,083,634	\$ (15,707)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 100,115	\$ 0	\$ 0	\$ 100,115	\$ 101,033	\$ 103,757	\$ 3,642
Sanitation Education/Information	29,482	(1,612)	236	28,106	29,781	29,781	1,675
Waste Pickup	490,654	(15,941)	6,575	481,288	514,954	514,954	33,666
Convenience Centers	241,110	(5,729)	6,750	242,131	283,430	280,706	38,575
Recycling Center	72,543	(3,548)	0	68,995	70,229	70,748	1,753
Landfill Operation and Maintenance	102,922	(25,277)	20,775	98,420	122,548	122,548	24,128
<u>Other Operations</u>							
Other Charges	18,333	0	0	18,333	17,000	19,000	667
Miscellaneous	1,209	0	0	1,209	1,850	1,850	641
Total Expenditures	\$ 1,056,368	\$ (52,107)	\$ 34,336	\$ 1,038,597	\$ 1,140,825	\$ 1,143,344	\$ 104,747
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,559	\$ 52,107	\$ (34,336)	\$ 29,330	\$ (57,191)	\$ (59,710)	\$ 89,040
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 1,411	\$ 0	\$ 0	\$ 1,411	\$ 0	\$ 520	\$ 891
Total Other Financing Sources (Uses)	\$ 1,411	\$ 0	\$ 0	\$ 1,411	\$ 0	\$ 520	\$ 891
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 12,970	\$ 52,107	\$ (34,336)	\$ 30,741	\$ (57,191)	\$ (59,190)	\$ 89,931
Fund Balance, July 1, 2010	152,463	(52,107)	0	100,356	119,631	119,631	(19,275)
Fund Balance, June 30, 2011	\$ 165,433	\$ 0	\$ (34,336)	\$ 131,097	\$ 62,440	\$ 60,441	\$ 70,656

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 167,880	\$ 0	\$ 0	\$ 167,880	\$ 132,814	\$ 132,814	\$ 35,066
Other Local Revenues	14,053	0	0	14,053	5,500	5,500	8,553
State of Tennessee	1,999,395	0	0	1,999,395	1,989,492	1,989,492	9,903
<u>Total Revenues</u>	<u>\$ 2,181,328</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,181,328</u>	<u>\$ 2,127,806</u>	<u>\$ 2,127,806</u>	<u>\$ 53,522</u>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 108,414	\$ 0	\$ 0	\$ 108,414	\$ 124,739	\$ 124,739	\$ 16,325
Highway and Bridge Maintenance	1,385,550	(392,090)	180,194	1,173,654	2,649,986	2,649,986	1,476,332
Operation and Maintenance of Equipment	249,077	(19,087)	16,717	246,707	337,717	337,717	91,010
Other Charges	63,515	0	213	63,728	69,700	69,700	5,972
Employee Benefits	36,468	0	0	36,468	43,200	43,200	6,732
Capital Outlay	154,842	0	0	154,842	590,200	590,200	435,358
<u>Total Expenditures</u>	<u>\$ 1,997,866</u>	<u>\$ (411,177)</u>	<u>\$ 197,124</u>	<u>\$ 1,783,813</u>	<u>\$ 3,815,542</u>	<u>\$ 3,815,542</u>	<u>\$ 2,031,729</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ 183,462</u>	<u>\$ 411,177</u>	<u>\$ (197,124)</u>	<u>\$ 397,515</u>	<u>\$ (1,687,736)</u>	<u>\$ (1,687,736)</u>	<u>\$ 2,085,251</u>
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2010</u>	<u>\$ 183,462</u>	<u>\$ 411,177</u>	<u>\$ (197,124)</u>	<u>\$ 397,515</u>	<u>\$ (1,687,736)</u>	<u>\$ (1,687,736)</u>	<u>\$ 2,085,251</u>
	<u>2,943,126</u>	<u>(411,177)</u>	<u>0</u>	<u>2,531,949</u>	<u>2,552,251</u>	<u>2,552,251</u>	<u>(20,302)</u>
<u>Fund Balance, June 30, 2011</u>	<u>\$ 3,126,588</u>	<u>\$ 0</u>	<u>\$ (197,124)</u>	<u>\$ 2,929,464</u>	<u>\$ 864,515</u>	<u>\$ 864,515</u>	<u>\$ 2,064,949</u>

Exhibit E-4

Morgan County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Morgan County School Department
June 30, 2011

(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 entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the 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, 2011

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
7-1-10	0	1,782	1,782	0	12,039	14.8

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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 difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2011, Morgan County reported the following significant encumbrances in the Highway/Public Works Fund:

<u>Description</u>	<u>Amount</u>
Asphalt	\$ 82,000
Stone	75,924

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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, 2011

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>			
Cash	\$ 0	\$ 37,610	\$ 37,610
Equity in Pooled Cash and Investments	47,741	0	47,741
Accounts Receivable	0	2,489	2,489
Total Assets	<u>\$ 47,741</u>	<u>\$ 40,099</u>	<u>\$ 87,840</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 40,099	\$ 40,099
Total Liabilities	<u>\$ 0</u>	<u>\$ 40,099</u>	<u>\$ 40,099</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Public Safety	\$ 47,741	\$ 0	\$ 47,741
Total Fund Balances	<u>\$ 47,741</u>	<u>\$ 0</u>	<u>\$ 47,741</u>
Total Liabilities and Fund Balances	<u>\$ 47,741</u>	<u>\$ 40,099</u>	<u>\$ 87,840</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, 2011

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 48,316	\$ 48,316
Fines, Forfeitures, and Penalties	29,074	0	29,074
Charges for Current Services	0	1,600	1,600
Other Local Revenues	2,962	0	2,962
Total Revenues	<u>\$ 32,036</u>	<u>\$ 49,916</u>	<u>\$ 81,952</u>
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0	\$ 49,916	\$ 49,916
Public Safety	26,613	0	26,613
Total Expenditures	<u>\$ 26,613</u>	<u>\$ 49,916</u>	<u>\$ 76,529</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,423</u>	<u>\$ 0</u>	<u>\$ 5,423</u>
Net Change in Fund Balances	\$ 5,423	\$ 0	\$ 5,423
Fund Balance, July 1, 2010	42,318	0	42,318
Fund Balance, June 30, 2011	<u>\$ 47,741</u>	<u>\$ 0</u>	<u>\$ 47,741</u>

Exhibit F-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 29,074	\$ 20,000	\$ 20,000	\$ 9,074
Other Local Revenues	2,962	0	0	2,962
Total Revenues	<u>\$ 32,036</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 12,036</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 26,613	\$ 22,710	\$ 22,710	\$ (3,903)
Total Expenditures	<u>\$ 26,613</u>	<u>\$ 22,710</u>	<u>\$ 22,710</u>	<u>\$ (3,903)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,423</u>	<u>\$ (2,710)</u>	<u>\$ (2,710)</u>	<u>\$ 8,133</u>
Net Change in Fund Balance	\$ 5,423	\$ (2,710)	\$ (2,710)	\$ 8,133
Fund Balance, July 1, 2010	<u>42,318</u>	<u>37,582</u>	<u>37,582</u>	<u>4,736</u>
Fund Balance, June 30, 2011	<u><u>\$ 47,741</u></u>	<u><u>\$ 34,872</u></u>	<u><u>\$ 34,872</u></u>	<u><u>\$ 12,869</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,214,018	\$ 1,178,158	\$ 1,178,158	\$ 35,860
Other Governments and Citizens Groups	662,314	0	662,315	(1)
Total Revenues	<u>\$ 1,876,332</u>	<u>\$ 1,178,158</u>	<u>\$ 1,840,473</u>	<u>\$ 35,859</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 405,444	\$ 0	\$ 405,444	\$ 0
Education	769,630	0	769,630	0
<u>Interest on Debt</u>				
General Government	184,339	0	184,340	1
Education	667,744	0	667,745	1
<u>Other Debt Service</u>				
General Government	40,881	1,688,078	123,234	82,353
Total Expenditures	<u>\$ 2,068,038</u>	<u>\$ 1,688,078</u>	<u>\$ 2,150,393</u>	<u>\$ 82,355</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (191,706)</u>	<u>\$ (509,920)</u>	<u>\$ (309,920)</u>	<u>\$ 118,214</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Transfers Out	(300,000)	0	(300,000)	0
Total Other Financing Sources (Uses)	<u>\$ (300,000)</u>	<u>\$ 200,000</u>	<u>\$ (300,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (491,706)	\$ (309,920)	\$ (609,920)	\$ 118,214
Fund Balance, July 1, 2010	<u>2,404,697</u>	<u>2,403,658</u>	<u>2,403,658</u>	<u>1,039</u>
Fund Balance, June 30, 2011	<u>\$ 1,912,991</u>	<u>\$ 2,093,738</u>	<u>\$ 1,793,738</u>	<u>\$ 119,253</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, 2011

	<u>Agency Funds</u>			Total
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 390,727	\$ 390,727
Due from Other Governments	54,517	0	0	54,517
Property Taxes Receivable	0	57,563	0	57,563
Total Assets	<u>\$ 54,517</u>	<u>\$ 57,563</u>	<u>\$ 390,727</u>	<u>\$ 502,807</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 54,517	\$ 57,563	\$ 0	\$ 112,080
Due to Litigants, Heirs, and Others	0	0	390,727	390,727
Total Liabilities	<u>\$ 54,517</u>	<u>\$ 57,563</u>	<u>\$ 390,727</u>	<u>\$ 502,807</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 405,077	\$ 405,077	\$ 0
Due from Other Governments	54,354	54,517	54,354	54,517
Total Assets	\$ 54,354	\$ 459,594	\$ 459,431	\$ 54,517
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 54,354	\$ 459,594	\$ 459,431	\$ 54,517
Total Liabilities	\$ 54,354	\$ 459,594	\$ 459,431	\$ 54,517
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 49,985	\$ 49,985	\$ 0
Property Taxes Receivable	56,347	57,563	56,347	57,563
Total Assets	\$ 56,347	\$ 107,548	\$ 106,332	\$ 57,563
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 56,347	\$ 107,548	\$ 106,332	\$ 57,563
Total Liabilities	\$ 56,347	\$ 107,548	\$ 106,332	\$ 57,563
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 403,332	\$ 2,410,934	\$ 2,423,539	\$ 390,727
Accounts Receivable	18,323	0	18,323	0
Cash Shortage	0	54,611	54,611	0
Total Assets	\$ 421,655	\$ 2,465,545	\$ 2,496,473	\$ 390,727
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 421,655	\$ 2,465,545	\$ 2,496,473	\$ 390,727
Total Liabilities	\$ 421,655	\$ 2,465,545	\$ 2,496,473	\$ 390,727

(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	\$ 403,332	\$ 2,410,934	\$ 2,423,539	\$ 390,727
Equity in Pooled Cash and Investments	0	455,062	455,062	0
Account Receivable	18,323	0	18,323	0
Due from Other Governments	54,354	54,517	54,354	54,517
Property Taxes Receivable	56,347	57,563	56,347	57,563
Cash Shortage	0	54,611	54,611	0
Total Assets	<u>\$ 532,356</u>	<u>\$ 3,032,687</u>	<u>\$ 3,062,236</u>	<u>\$ 502,807</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 110,701	\$ 567,142	\$ 565,763	\$ 112,080
Due to Litigants, Heirs, and Others	421,655	2,465,545	2,496,473	390,727
Total Liabilities	<u>\$ 532,356</u>	<u>\$ 3,032,687</u>	<u>\$ 3,062,236</u>	<u>\$ 502,807</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, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,037,438	\$ 29,649	\$ 2,232,031	\$ (12,775,758)
Support Services	9,824,882	0	268,037	(9,556,845)
Operation of Non-Instructional Services	2,702,185	475,187	2,245,181	18,183
Interest on Long-term Debt	240,777	0	0	(240,777)
Debt Service	662,314	0	0	(662,314)
Total Governmental Activities	\$ 28,467,596	\$ 504,836	\$ 4,745,249	\$ (23,217,511)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,483,740
Other Local Taxes				64,359
Grants and Contributions Not Restricted to Specific Programs				25,824,514
Unrestricted Investment Income				54,857
Miscellaneous				7,696
Total General Revenues				\$ 28,435,166
Change in Net Assets				\$ 5,217,655
Net Assets, July 1, 2010				28,681,685
Net Assets, June 30, 2011				\$ 33,899,340

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2011

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 155	\$ 104	\$ 1,056	\$ 1,315
Equity in Pooled Cash and Investments	1,676,922	281,500	1,347,996	3,306,418
Accounts Receivable	9,950	0	0	9,950
Due from Other Governments	1,117,918	158,681	197,933	1,474,532
Due from Other Funds	20,566	0	0	20,566
Property Taxes Receivable	2,972,253	0	0	2,972,253
Allowance for Uncollectible Property Taxes	(174,535)	0	0	(174,535)
Prepaid Items	56,364	0	0	56,364
Total Assets	\$ 5,679,593	\$ 440,285	\$ 1,546,985	\$ 7,666,863
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 14,287	\$ 0	\$ 11,746	\$ 26,033
Payroll Deductions Payable	198,023	1,503	0	199,526
Due to Other Funds	0	20,566	0	20,566
Due to State of Tennessee	3,525	3,301	0	6,826
Deferred Revenue - Current Property Taxes	2,636,733	0	0	2,636,733
Deferred Revenue - Delinquent Property Taxes	152,342	0	0	152,342
Other Deferred Revenues	4,251	0	0	4,251
Total Liabilities	\$ 3,009,161	\$ 25,370	\$ 11,746	\$ 3,046,277
<u>Fund Balances</u>				
Nonspendable:				
Prepaid Items	\$ 56,364	\$ 0	\$ 0	\$ 56,364
Restricted:				
Restricted for Education	522	114,915	1,535,239	1,650,676
Committed:				
Committed for Education	1,549,203	300,000	0	1,849,203
Assigned:				
Assigned for Education	493,775	0	0	493,775
Unassigned	570,568	0	0	570,568
Total Fund Balances	\$ 2,670,432	\$ 414,915	\$ 1,535,239	\$ 4,620,586
Total Liabilities and Fund Balances	\$ 5,679,593	\$ 440,285	\$ 1,546,985	\$ 7,666,863

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, 2011

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)		\$ 4,620,586	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 1,112,193		
Add: buildings and improvements net of accumulated depreciation	22,779,271		
Add: other capital assets net of accumulated depreciation	<u>6,100,146</u>	29,991,610	
(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	\$ (438,400)		
Less: accrued interest on debt	(20,374)		
Less: other postemployment benefits liability	(318,266)		
Less: compensated absences payable	<u>(92,409)</u>	(869,449)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>156,593</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 33,899,340</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, 2011

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,547,374	\$ 0	\$ 0	\$ 2,547,374
Licenses and Permits	505	0	0	505
Charges for Current Services	28,406	0	476,430	504,836
Other Local Revenues	247,776	0	21,366	269,142
State of Tennessee	19,184,109	0	19,119	19,203,228
Federal Government	112,568	3,025,051	1,320,194	4,457,813
Other Governments and Citizens Groups	6,565,236	0	0	6,565,236
Total Revenues	<u>\$ 28,685,974</u>	<u>\$ 3,025,051</u>	<u>\$ 1,837,109</u>	<u>\$ 33,548,134</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,507,773	\$ 2,456,100	\$ 0	\$ 14,963,873
Support Services	7,455,348	636,090	0	8,091,438
Operation of Non-Instructional Services	854,068	0	1,696,133	2,550,201
Capital Outlay	108,360	0	0	108,360
Debt Service:				
Principal on Debt	6,002,922	0	0	6,002,922
Interest on Debt	453,947	0	0	453,947
Other Debt Service	662,314	0	0	662,314
Total Expenditures	<u>\$ 28,044,732</u>	<u>\$ 3,092,190</u>	<u>\$ 1,696,133</u>	<u>\$ 32,833,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 641,242</u>	<u>\$ (67,139)</u>	<u>\$ 140,976</u>	<u>\$ 715,079</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 50,254	\$ 0	\$ 0	\$ 50,254
Transfers In	6,889	300,000	31,000	337,889
Transfers Out	(331,000)	(6,889)	0	(337,889)
Total Other Financing Sources (Uses)	<u>\$ (273,857)</u>	<u>\$ 293,111</u>	<u>\$ 31,000</u>	<u>\$ 50,254</u>
Net Change in Fund Balances	\$ 367,385	\$ 225,972	\$ 171,976	\$ 765,333
Fund Balance, July 1, 2010	<u>2,303,047</u>	<u>188,943</u>	<u>1,363,263</u>	<u>3,855,253</u>
Fund Balance, June 30, 2011	<u>\$ 2,670,432</u>	<u>\$ 414,915</u>	<u>\$ 1,535,239</u>	<u>\$ 4,620,586</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, 2011

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)		\$	765,333
(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	\$	454,309	
Less: current-year depreciation expense		<u>(2,165,204)</u>	(1,710,895)
(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, 2010	\$	(151,617)	
Add: deferred delinquent property taxes and other deferred June 30, 2011		<u>156,593</u>	4,976
(3) The issuance of long-term debt (e.g., capital 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.			
Add: principal payments on capital leases			6,002,922
(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	\$	213,170	
Change in other postemployment benefits liability		(51,007)	
Change in compensated absences payable		<u>(6,844)</u>	155,319
Change in net assets of governmental activities (Exhibit B)			<u>\$ 5,217,655</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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,547,374	\$ 0	\$ 0	\$ 2,547,374	\$ 2,639,500	\$ 2,639,500	\$ (92,126)
Licenses and Permits	505	0	0	505	700	700	(195)
Charges for Current Services	28,406	0	0	28,406	14,600	21,175	7,231
Other Local Revenues	247,776	0	0	247,776	134,000	366,176	(118,400)
State of Tennessee	19,184,109	0	0	19,184,109	19,857,329	19,862,267	(678,158)
Federal Government	112,568	0	0	112,568	0	12,568	100,000
Other Governments and Citizens Groups	6,565,236	0	0	6,565,236	0	6,565,236	0
Total Revenues	\$ 28,685,974	\$ 0	\$ 0	\$ 28,685,974	\$ 22,646,129	\$ 29,467,622	\$ (781,648)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,034,488	(307)	1,214	\$ 10,035,395	\$ 10,792,777	\$ 10,650,161	\$ 614,766
Special Education Program	1,534,974	(230)	0	1,534,744	1,521,663	1,535,168	424
Vocational Education Program	938,311	0	1,092	939,403	961,627	1,009,627	70,224
<u>Support Services</u>							
Attendance	240,064	0	7,800	247,864	170,616	304,646	56,782
Health Services	246,645	(151)	0	246,494	267,378	271,178	24,684
Other Student Support	499,123	0	0	499,123	544,189	572,730	73,607
Regular Instruction Program	1,029,120	(56,382)	11,428	984,166	933,524	1,034,610	50,444
Special Education Program	150,823	0	0	150,823	154,462	150,823	0
Vocational Education Program	80,034	0	0	80,034	80,380	81,380	1,346
Other Programs	54,778	0	0	54,778	0	54,778	0
Board of Education	428,464	(10,310)	172	418,326	552,877	561,248	142,922
Director of Schools	303,151	0	1,160	304,311	285,651	318,955	14,644

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,246,915	\$ 0	\$ 0	\$ 1,246,915	\$ 1,259,109	\$ 1,257,909	\$ 10,994
Operation of Plant	1,515,493	0	1,550	1,517,043	1,601,930	1,598,580	81,537
Maintenance of Plant	586,944	(179,438)	117,383	524,889	597,225	642,265	117,376
Transportation	1,073,794	(10,808)	81,839	1,144,825	1,032,920	1,240,140	95,315
<u>Operation of Non-Instructional Services</u>							
Food Service	0	0	0	0	31,000	0	0
Early Childhood Education	854,068	(22,201)	28,633	860,500	1,007,203	1,136,992	276,492
<u>Capital Outlay</u>							
Regular Capital Outlay	108,360	(101,950)	16,625	23,035	65,000	30,083	7,048
<u>Principal on Debt</u>							
Education	6,002,922	0	0	6,002,922	462,234	6,002,922	0
<u>Interest on Debt</u>							
Education	453,947	0	0	453,947	116,589	453,947	0
<u>Other Debt Service</u>							
Education	662,314	0	0	662,314	200,000	662,315	1
Total Expenditures	\$ 28,044,732	\$ (381,777)	\$ 268,896	\$ 27,931,851	\$ 22,638,354	\$ 29,570,457	\$ 1,638,606
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 641,242	\$ 381,777	\$ (268,896)	\$ 754,123	\$ 7,775	\$ (102,835)	\$ 856,958
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 50,254	\$ 0	\$ 0	\$ 50,254	\$ 0	\$ 22,256	\$ 27,998
Transfers In	6,889	0	0	6,889	0	0	6,889

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ (331,000)	\$ 0	\$ 0	\$ (331,000)	\$ 0	\$ (331,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (273,857)	\$ 0	\$ 0	\$ (273,857)	\$ 0	\$ (308,744)	\$ 34,887
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 367,385	\$ 381,777	\$ (268,896)	\$ 480,266	\$ 7,775	\$ (411,579)	\$ 891,845
	2,303,047	(381,777)	0	1,921,270	1,724,966	1,724,966	196,304
Fund Balance, June 30, 2011	\$ 2,670,432	\$ 0	\$ (268,896)	\$ 2,401,536	\$ 1,732,741	\$ 1,313,387	\$ 1,088,149

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,008	\$ (7,008)
Federal Government	3,025,051	0	0	3,025,051	2,706,023	3,621,249	(596,198)
Total Revenues	\$ 3,025,051	\$ 0	\$ 0	\$ 3,025,051	\$ 2,706,023	\$ 3,628,257	\$ (603,206)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,662,514	(2,410)	27,433	1,687,537	1,312,211	2,103,777	416,240
Special Education Program	748,134	(1,148)	0	746,986	701,554	746,511	(475)
Vocational Education Program	45,452	(4,574)	2,572	43,450	42,988	43,549	99
<u>Support Services</u>							
Other Student Support	77,856	(410)	0	77,446	98,498	88,286	10,840
Regular Instruction Program	517,372	(170)	0	517,202	502,243	698,414	181,212
Special Education Program	38,865	0	0	38,865	39,641	39,641	776
Vocational Education Program	1,997	0	0	1,997	2,000	2,000	3
Total Expenditures	\$ 3,092,190	(8,712)	30,005	\$ 3,113,483	\$ 2,699,135	\$ 3,722,178	\$ 608,695
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,139)	\$ 8,712	(30,005)	(88,432)	\$ 6,888	(93,921)	\$ 5,489
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 300,000	\$ 0	\$ 0	\$ 300,000	\$ 141,960	\$ 300,000	\$ 0
Transfers Out	(6,889)	0	0	(6,889)	(148,849)	(6,889)	0
Total Other Financing Sources (Uses)	\$ 293,111	\$ 0	\$ 0	\$ 293,111	(6,889)	\$ 293,111	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 225,972	\$ 8,712	(30,005)	\$ 204,679	(1)	\$ 199,190	\$ 5,489
Fund Balance, July 1, 2010	188,943	(8,712)	0	180,231	525,821	525,821	(345,590)
Fund Balance, June 30, 2011	\$ 414,915	\$ 0	(30,005)	\$ 384,910	\$ 525,820	\$ 725,011	\$ (340,101)

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 476,430	\$ 0	\$ 0	\$ 476,430	\$ 660,000	\$ 660,000	\$ (183,570)
Other Local Revenues	21,366	0	0	21,366	26,972	26,972	(5,606)
State of Tennessee	19,119	0	0	19,119	0	0	19,119
Federal Government	1,320,194	0	0	1,320,194	1,133,100	1,133,100	187,094
Total Revenues	\$ 1,837,109	\$ 0	\$ 0	\$ 1,837,109	\$ 1,820,072	\$ 1,820,072	\$ 17,037
<u>Expenditures</u>							
Support Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300	\$ 0	\$ 0
Board of Education							
Operation of Non-Instructional Services	1,596,718	(45,732)	3,027	1,554,013	1,754,072	1,762,115	208,102
Food Service	99,415	(29,100)	16,854	87,169	91,100	92,100	4,931
Community Services							
Total Expenditures	\$ 1,696,133	\$ (74,832)	\$ 19,881	\$ 1,641,182	\$ 1,845,472	\$ 1,854,215	\$ 213,033
Excess (Deficiency) of Revenues Over Expenditures	\$ 140,976	\$ 74,832	\$ (19,881)	\$ 195,927	\$ (25,400)	\$ (34,143)	\$ 230,070
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 31,000	\$ 0	\$ 0	\$ 31,000	\$ 25,400	\$ 25,400	\$ 5,600
Total Other Financing Sources (Uses)	\$ 31,000	\$ 0	\$ 0	\$ 31,000	\$ 25,400	\$ 25,400	\$ 5,600
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 171,976	\$ 74,832	\$ (19,881)	\$ 226,927	\$ 0	\$ (8,743)	\$ 235,670
Fund Balance, July 1, 2010	1,363,263	(74,832)	0	1,288,431	1,178,959	1,178,959	109,472
Fund Balance, June 30, 2011	\$ 1,535,239	\$ 0	\$ (19,881)	\$ 1,515,358	\$ 1,178,959	\$ 1,170,216	\$ 345,142

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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation	\$ 500,000	2.8 %	4-22-03	6-1-14	\$ 205,000	\$ 0	\$ 50,000	\$ 155,000
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	2,790,000	0	510,000	2,280,000
General Obligation School Series 2010	6,400,000	2 to 3 (1)	10-13-10	4-1-26	0	6,400,000	375,000	6,025,000
Total Bonds Payable					\$ 2,995,000	\$ 6,400,000	\$ 935,000	\$ 8,460,000
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Ambulance - Patrol Cars	181,230	2.5	10-10-08	10-10-10	\$ 91,734	\$ 0	\$ 91,734	\$ 0
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	427,267	0	71,210	356,057
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	0	180,000	12,130	167,870
Total Notes Payable					\$ 519,001	\$ 180,000	\$ 175,074	\$ 523,927
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
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	750,000	0	0	750,000
Public Building Authority of the City of Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	2,000,000	0	65,000	1,935,000
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					\$ 14,595,000	\$ 0	\$ 65,000	\$ 14,530,000

(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 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<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	\$ 42,106	\$ 0	\$ 20,445	\$ 21,661
Total Capital Leases Payable					\$ 42,106	\$ 0	\$ 20,445	\$ 21,661
<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	(1)	7-9-07	10-15-22	\$ 5,915,688	\$ 0	\$ 5,915,688	\$ 0
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	489,516	0	51,116	438,400
School Bus	75,771	4.23	9-10-08	9-10-10	36,118	0	36,118	0
Total Capital Leases Payable					\$ 6,441,322	\$ 0	\$ 6,002,922	\$ 438,400

(1) During the year, the county issued \$6,400,000 in general obligation bonds and contributed the proceeds to the School Department to retire the emergency efficiency project capital lease.

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
2012	\$ 920,000	\$ 237,750	\$ 1,157,750
2013	955,000	211,000	1,166,000
2014	995,000	183,175	1,178,175
2015	970,000	151,135	1,121,135
2016	365,000	119,535	484,535
2017	375,000	112,235	487,235
2018	385,000	104,735	489,735
2019	390,000	96,073	486,073
2020	410,000	86,810	496,810
2021	420,000	76,560	496,560
2022	425,000	65,640	490,640
2023	440,000	54,165	494,165
2024	455,000	41,845	496,845
2025	470,000	28,650	498,650
2026	485,000	14,550	499,550
Total	\$ 8,460,000	\$ 1,583,858	\$ 10,043,858

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 94,133	\$ 6,913	\$ 101,046
2013	95,135	5,910	101,045
2014	96,163	4,882	101,045
2015	97,236	3,810	101,046
2016	98,347	2,699	101,046
2017	28,307	1,527	29,834
2018	14,606	311	14,917
Total	\$ 523,927	\$ 26,052	\$ 549,979

(Continued)

Exhibit J-2

Morgan County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Morgan County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2012	\$ 69,000	\$ 575,718	\$ 96,888	\$ 741,606
2013	72,000	575,435	96,205	743,640
2014	76,000	575,140	95,492	746,632
2015	205,000	574,828	94,740	874,568
2016	903,000	567,563	93,948	1,564,511
2017	958,000	530,281	87,967	1,576,248
2018	1,002,000	490,773	81,552	1,574,325
2019	1,077,000	449,470	74,789	1,601,259
2020	1,131,000	404,279	67,630	1,602,909
2021	1,212,000	356,942	60,047	1,628,989
2022	1,272,000	305,950	52,019	1,629,969
2023	1,333,000	252,595	43,518	1,629,113
2024	1,418,000	196,872	34,535	1,649,407
2025	1,465,000	137,286	25,078	1,627,364
2026	1,536,000	78,402	15,051	1,629,453
2027	493,000	16,724	4,465	514,189
2028	150,000	1,263	3,049	154,312
2029	158,000	648	1,564	160,212
Total	\$ 14,530,000	\$ 6,090,169	\$ 1,028,537	\$ 21,648,706

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 21,661	\$ 1,289	\$ 22,950
Total	\$ 21,661	\$ 1,289	\$ 22,950

(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.)

DISCRETELY PRESENTED MORGAN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2012	\$ 53,712	\$ 22,274	\$ 75,986
2013	56,441	19,545	75,986
2014	59,309	16,677	75,986
2015	62,323	13,664	75,987
2016	65,488	10,498	75,986
2017	68,815	7,170	75,985
2018	72,312	3,674	75,986
Total	\$ 438,400	\$ 93,502	\$ 531,902

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Visitor center project	\$ 15,340
General Debt Service	"	Capital projects	<u>300,000</u>
Total Transfers Primary Government			<u>\$ 315,340</u>
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Cash flow	\$ 300,000
"	Central Cafeteria	Operations	31,000
School Federal Projects	General Purpose School	Indirect costs	<u>6,889</u>
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 337,889</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Rebecca Ruppe (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 11,117	\$ 50,000	RLI Insurance Company
Don Edwards (9-1-10 through 6-30-11)	Section 8-24-102, TCA	55,585	50,000	"
Road Superintendent	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and County Board of Education	90,760 (1)	50,000	"
Trustee:				
Joyce Northrup (7-1-10 through 8-31-10)	Section 8-24-102, TCA	9,625	700,000	"
Cindi Jones (9-1-10 through 6-30-11)	Section 8-24-102, TCA	48,126	925,000	"
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
County Clerk:				
Carol Hamby (7-1-10 through 2-18-11)	Section 8-24-102, TCA	36,897	50,000	"
Cheryl Collins (3-3-11 through 6-30-11)	Section 8-24-102, TCA	18,813	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	57,751 (2)	50,000	"
Register	and Chancery Court Judge			
Sheriff:	Section 8-24-102, TCA	57,751	25,000	"
Dennis Ledbetter (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,188 (3)	25,000	"
Glendon Freytag (9-1-10 through 6-30-11)	Section 8-24-102, TCA	52,939	25,000	"
Director of Finance	County Commission	50,004 (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 a \$1,000 chief executive officer training supplement.
(2) Does not include special commissioner fees of \$1,600.
(3) Includes a law enforcement training salary supplement of \$600.
(4) Includes an \$800 longevity supplement.

Exhibit J-5

Morgan County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,423,102	\$ 756,493	\$ 0	\$ 0	\$ 52,403	\$ 308,037	\$ 0	\$ 4,540,035
Trustee's Collections - Prior Year	168,382	34,668	0	0	2,640	17,240	0	222,980
Trustee's Collections - Bankruptcy	536	106	0	0	8	49	0	699
Circuit/Clerk & Master Collections - Prior Years	74,193	20,067	0	48,316	1,392	8,158	0	152,126
Interest and Penalty	41,797	8,492	0	0	638	4,188	0	55,115
Pick-up Taxes	1,841	404	0	0	28	165	0	2,438
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0	0	1
Payments in-Lieu-of Taxes - Local Utilities	21,857	0	0	0	0	0	0	21,857
Payments in-Lieu-of Taxes - Other	26,073	0	0	0	0	0	0	26,073
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	873,545	0	873,545
Litigation Tax - General	46,796	0	0	0	0	0	0	46,796
Litigation Tax - Special Purpose	551	0	0	0	0	0	0	551
Litigation Tax - Jail, Workhouse, or Courthouse	20,299	0	0	0	0	0	0	20,299
Mineral Severance Tax	0	0	0	0	110,771	0	0	110,771
Other County Local Option Taxes	1,646	0	0	0	0	0	0	1,646
<u>Statutory Local Taxes</u>								
Beer Privilege Tax	1,145	0	0	0	0	0	0	1,145
Interstate Telecommunications Tax	0	0	0	0	0	2,636	0	2,636
Total Local Taxes	\$ 3,828,219	\$ 820,230	\$ 0	\$ 48,316	\$ 167,880	\$ 1,214,018	\$ 0	\$ 6,078,663
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 565	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 565
Cable TV Franchise	38,345	0	0	0	0	0	0	38,345
Total Licenses and Permits	\$ 38,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,910
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 713	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 713

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Officers Costs	3,725 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	3,725
Drug Control Fines	0	0	7,564	0	0	0	0	7,564
Jail Fees	518	0	0	0	0	0	0	518
Data Entry Fee - Circuit Court	626	0	0	0	0	0	0	626
Victims Assistance Assessments	252	0	0	0	0	0	0	252
<u>General Sessions Court</u>								
Fines	16,688	0	0	0	0	0	0	16,688
Officers Costs	27,107	0	0	0	0	0	0	27,107
Game and Fish Fines	2,845	0	0	0	0	0	0	2,845
Drug Control Fines	5,583	0	11,529	0	0	0	0	17,112
Drug Court Fees	1,026	0	0	0	0	0	0	1,026
Jail Fees	4,023	0	0	0	0	0	0	4,023
DUI Treatment Fines	2,707	0	0	0	0	0	0	2,707
Data Entry Fee - General Sessions Court	4,004	0	0	0	0	0	0	4,004
<u>Juvenile Court</u>								
Fines	598	0	0	0	0	0	0	598
Officers Costs	3,213	0	0	0	0	0	0	3,213
Drug Court Fees	1,026	0	0	0	0	0	0	1,026
Data Entry Fee - Juvenile Court	288	0	0	0	0	0	0	288
<u>Chancery Court</u>								
Officers Costs	1,778	0	0	0	0	0	0	1,778
Data Entry Fee - Chancery Court	1,172	0	0	0	0	0	0	1,172
Courtroom Security Fee	4	0	0	0	0	0	0	4
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	9,981	0	0	0	0	9,981
Total Fines, Forfeitures, and Penalties	\$ 77,896 \$	0 \$	29,074 \$	0 \$	0 \$	0 \$	0 \$	106,970
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Solid Waste Disposal Fees	\$ 0 \$	187,904 \$	0 \$	0 \$	0 \$	0 \$	0 \$	187,904

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
<u>Charges for Current Services (Cont.)</u>								
<u>General Service Charges (Cont.)</u>								
Patient Charges	\$ 929,690	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 929,690
Other General Service Charges	5,215	0	0	0	0	0	0	5,215
<u>Fees</u>								
Copy Fees	8,202	0	0	0	0	0	0	8,202
Library Fees	1,399	0	0	0	0	0	0	1,399
Telephone Commissions	1,299	0	0	0	0	0	0	1,299
Special Commissioner Fees/Special Master Fees	0	0	0	1,600	0	0	0	1,600
Data Processing Fee - Register	6,302	0	0	0	0	0	0	6,302
Data Processing Fee - Sheriff	2,519	0	0	0	0	0	0	2,519
Total Charges for Current Services	\$ 954,826	\$ 187,904	\$ 0	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 1,144,130
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 10,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 779	\$ 10,927
Lease/Rentals	15	0	0	0	0	0	0	15
Commissary Sales	5,133	0	0	0	0	0	0	5,133
Sale of Recycled Materials	0	33,712	0	0	7,659	0	0	41,371
Miscellaneous Refunds	81	121	2,962	0	5,009	0	0	8,173
<u>Nonrecurring Items</u>								
Sale of Property	0	0	0	0	1,385	0	20,500	21,885
Damages Recovered from Individuals	345	0	0	0	0	0	0	345
Contributions and Gifts	2,448	0	0	0	0	0	3,125	5,573
<u>Other Local Revenues</u>								
Other Local Revenues	7,633	0	0	0	0	0	0	7,633
Total Other Local Revenues	\$ 25,803	\$ 33,853	\$ 2,962	\$ 0	\$ 14,053	\$ 0	\$ 24,404	\$ 101,055
<u>Fees Received from County Officials</u>								
Fees in-Lieu-of Salary	\$ 148,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,767
County Clerk								

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of Salary (Cont.)</u>								
Circuit Court Clerk	\$ 24,899	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	24,899
General Sessions Court Clerk	136,394	0	0	0	0	0	0	136,394
Clerk and Master	67,272	0	0	0	0	0	0	67,272
Juvenile Court Clerk	13,287	0	0	0	0	0	0	13,287
Register	72,313	0	0	0	0	0	0	72,313
Sheriff	6,968	0	0	0	0	0	0	6,968
Trustee	240,112	0	0	0	0	0	0	240,112
Other Officials	91,373	0	0	0	0	0	0	91,373
Total Fees Received from County Officials	\$ 801,385	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 801,385
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,225
Solid Waste Grants	0	1,609	0	0	0	0	0	1,609
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	7,200
Drug Control Grants	35,417	0	0	0	0	0	0	35,417
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	186,402	0	0	186,402
State Aid Program	0	0	0	0	69,980	0	0	69,980
Litter Program	0	22,556	0	0	0	0	0	22,556
<u>Other State Revenues</u>								
Income Tax	9,464	0	0	0	0	0	0	9,464
Beer Tax	18,724	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	48,276	0	0	0	0	0	0	48,276
State Revenue Sharing - T.V.A.	312,149	0	0	0	0	0	0	312,149
Contracted Prisoner Boarding	21,280	0	0	0	0	0	0	21,280
Gasoline and Motor Fuel Tax	0	0	0	0	1,727,162	0	0	1,727,162
Petroleum Special Tax	0	0	0	0	15,851	0	0	15,851
Registrar's Salary Supplement	15,468	0	0	0	0	0	0	15,468

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects			
<u>State of Tennessee (Cont.)</u>										
<u>Other State Revenues (Cont.)</u>										
Other State Grants	\$ 100,884	\$ 1,795	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,679
Other State Revenues	750	0	0	0	0	0	0	0	0	750
Total State of Tennessee	\$ 578,837	\$ 25,960	\$ 0	\$ 0	\$ 1,999,395	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,604,192
<u>Federal Government</u>										
<u>Federal Through State</u>										
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,375	\$ 0	\$ 3,375
Homeland Security Grants	0	0	0	0	0	0	0	32,862	0	32,862
Law Enforcement Grants	14,233	0	0	0	0	0	0	0	0	14,233
Other Federal through State	0	0	0	0	0	0	0	336,000	0	336,000
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	9,615	0	0	0	0	0	0	94,862	0	104,477
Total Federal Government	\$ 23,848	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 467,039	\$ 0	\$ 490,947
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Prisoner Board	\$ 18,814	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,814
Contributions	8,838	0	0	0	0	662,314	0	175,000	0	846,152
Contracted Services	195,797	0	0	0	0	0	0	0	0	195,797
<u>Citizens Groups</u>										
Donations	64	0	0	0	0	0	0	0	0	64
Other	147	0	0	0	0	0	0	0	0	147
Total Other Governments and Citizens Groups	\$ 223,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 662,314	\$ 0	\$ 175,000	\$ 0	\$ 1,060,974
Total	\$ 6,553,184	\$ 1,067,927	\$ 32,036	\$ 49,916	\$ 2,181,328	\$ 1,876,332	\$ 666,503	\$ 12,427,226	\$ 0	\$ 12,427,226

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,281,667	\$ 0	\$ 0	\$ 2,281,667
Trustee's Collections - Prior Year	111,484	0	0	111,484
Trustee's Collections - Bankruptcy	351	0	0	351
Circuit/Clerk & Master Collections - Prior Years	60,594	0	0	60,594
Interest and Penalty	27,693	0	0	27,693
Pick-up Taxes	1,226	0	0	1,226
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	64,359	0	0	64,359
Total Local Taxes	\$ 2,547,374	\$ 0	\$ 0	\$ 2,547,374
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 505	\$ 0	\$ 0	\$ 505
Total Licenses and Permits	\$ 505	\$ 0	\$ 0	\$ 505
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 15,151	\$ 0	\$ 0	\$ 15,151
Tuition - Other	275	0	0	275
Lunch Payments - Children	0	0	256,701	256,701
Lunch Payments - Adults	0	0	43,002	43,002
Income from Breakfast	0	0	94,955	94,955
A la carte Sales	0	0	80,529	80,529
Receipts from Individual Schools	12,980	0	0	12,980
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	1,243	1,243
Total Charges for Current Services	\$ 28,406	\$ 0	\$ 476,430	\$ 504,836
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 34,236	\$ 0	\$ 20,621	\$ 54,857
Refund of Telecommunication and Internet Fees (E-Rate)	50,887	0	0	50,887
Miscellaneous Refunds	4,839	0	745	5,584
<u>Nonrecurring Items</u>				
Sale of Equipment	1,926	0	0	1,926
Contributions and Gifts	155,702	0	0	155,702
<u>Other Local Revenues</u>				
Other Local Revenues	186	0	0	186
Total Other Local Revenues	\$ 247,776	\$ 0	\$ 21,366	\$ 269,142
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 54,778	\$ 0	\$ 0	\$ 54,778

(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</u>				
Basic Education Program	15,759,843	0	0	15,759,843
Basic Education Program - ARRA	1,957,369	0	0	1,957,369
Early Childhood Education	642,030	0	0	642,030
School Food Service	0	0	19,119	19,119
Driver Education	\$ 9,653	\$ 0	\$ 0	\$ 9,653
Other State Education Funds	1,761	0	0	1,761
Coordinated School Health - ARRA	100,000	0	0	100,000
Internet Connectivity - ARRA	9,597	0	0	9,597
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	8,212	0	0	8,212
Career Ladder Program	185,305	0	0	185,305
Career Ladder - Extended Contract - ARRA	88,012	0	0	88,012
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	312,149	0	0	312,149
Safe Schools - ARRA	22,100	0	0	22,100
Total State of Tennessee	\$ 19,184,109	\$ 0	\$ 19,119	\$ 19,203,228
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 915,073	\$ 915,073
Breakfast	0	0	389,101	389,101
USDA - Other	0	0	16,020	16,020
Vocational Education - Basic Grants to States	0	57,900	0	57,900
Title I Grants to Local Education Agencies	0	1,229,412	0	1,229,412
Special Education - Grants to States	3,513	746,584	0	750,097
Special Education Preschool Grants	0	34,782	0	34,782
Rural Education	0	75,368	0	75,368
Eisenhower Professional Development State Grants	0	99,986	0	99,986
Race-to-the-Top - ARRA	0	160,142	0	160,142
Other Federal through State	109,055	620,877	0	729,932
Total Federal Government	\$ 112,568	\$ 3,025,051	\$ 1,320,194	\$ 4,457,813
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 6,523,236	\$ 0	\$ 0	\$ 6,523,236
Contracted Services	42,000	0	0	42,000
Total Other Governments and Citizens Groups	\$ 6,565,236	\$ 0	\$ 0	\$ 6,565,236
Total	\$ 28,685,974	\$ 3,025,051	\$ 1,837,109	\$ 33,548,134

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	28,398	
Social Security		1,951	
Employer Medicare		452	
Audit Services		17,489	
Dues and Memberships		14,839	
Legal Services		13,179	
Legal Notices, Recording, and Court Costs		2,892	
Pauper Burials		285	
Postal Charges		227	
Other Contracted Services		9,808	
Office Supplies		879	
Other Supplies and Materials		810	
Premiums on Corporate Surety Bonds		6,382	
Other Charges		3,715	
Total County Commission			\$ 101,306

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Assistant(s)		25,559	
Clerical Personnel		20,848	
Longevity Pay		1,500	
Social Security		7,109	
State Retirement		8,443	
Medical Insurance		17,987	
Employer Medicare		1,663	
Communication		3,921	
Postal Charges		400	
Travel		3,207	
Office Supplies		2,483	
Total County Mayor/Executive			159,822

County Attorney

Legal Services	\$	10,500	
Total County Attorney			10,500

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		17,634	
Temporary Personnel		618	
Election Commission		6,500	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	15,665	
Social Security		5,716	
State Retirement		5,193	
Medical Insurance		3,195	
Employer Medicare		1,309	
Advertising		3,472	
Communication		1,978	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		9,454	
Postal Charges		1,838	
Rentals		2,000	
Travel		2,682	
Office Supplies		7,093	
Total Election Commission			\$ 136,498

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		19,870	
Longevity Pay		700	
Social Security		4,803	
State Retirement		5,843	
Medical Insurance		4,763	
Employer Medicare		1,123	
Communication		2,087	
Dues and Memberships		100	
Postal Charges		411	
Printing, Stationery, and Forms		3,060	
Rentals		1,650	
Office Supplies		874	
Office Equipment		6,531	
Total Register of Deeds			109,566

Planning

Supervisor/Director	\$	4,284	
Social Security		266	
Employer Medicare		62	
Total Planning			4,612

County Buildings

Custodial Personnel	\$	25,597	
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(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.)

Longevity Pay	\$	600	
Social Security		1,613	
State Retirement		1,726	
Employer Medicare		377	
Communication		1,977	
Maintenance and Repair Services - Buildings		79,610	
Pest Control		2,940	
Rentals		1,375	
Custodial Supplies		5,173	
Electricity		44,632	
Natural Gas		3,202	
Office Supplies		9,621	
Water and Sewer		8,649	
Other Supplies and Materials		1,264	
Liability Insurance		207,295	
Workers' Compensation Insurance		139,231	
Other Charges		10,886	
Total County Buildings			\$ 545,768

Finance

Accounting and Budgeting

Supervisor/Director	\$	49,204	
Accountants/Bookkeepers		80,736	
Longevity Pay		4,200	
Social Security		7,825	
State Retirement		10,007	
Medical Insurance		26,119	
Employer Medicare		1,830	
Communication		3,491	
Maintenance and Repair Services - Office Equipment		9,956	
Postal Charges		4,076	
Travel		379	
Office Supplies		7,002	
In Service/Staff Development		570	
Data Processing Equipment		461	
Total Accounting and Budgeting			205,856

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		60,735	

(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.)

Part-time Personnel	\$	9,947	
Longevity Pay		2,700	
Board and Committee Members Fees		2,850	
Social Security		7,852	
State Retirement		9,041	
Medical Insurance		16,951	
Employer Medicare		1,836	
Advertising		150	
Communication		957	
Maintenance and Repair Services - Office Equipment		562	
Postal Charges		264	
Travel		580	
Office Supplies		1,546	
Total Property Assessor's Office			\$ 173,722

Reappraisal Program

Communication	\$	1,535	
Data Processing Services		13,055	
Postal Charges		4,107	
Rentals		1,416	
Travel		949	
Office Supplies		1,408	
Other Supplies and Materials		546	
Total Reappraisal Program			23,016

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Accountants/Bookkeepers		17,517	
Secretary(ies)		18,721	
Part-time Personnel		6,382	
Longevity Pay		1,600	
Social Security		6,653	
State Retirement		7,131	
Medical Insurance		18,903	
Employer Medicare		1,542	
Advertising		780	
Communication		1,095	
Data Processing Services		3,840	
Dues and Memberships		507	
Maintenance and Repair Services - Office Equipment		6,198	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Postal Charges	\$	4,850	
Travel		831	
Office Supplies		2,383	
Total County Trustee's Office			\$ 156,684

County Clerk's Office

County Official/Administrative Officer	\$	55,710	
Secretary(ies)		50,081	
Longevity Pay		1,100	
Social Security		6,874	
State Retirement		7,974	
Medical Insurance		28,890	
Employer Medicare		1,616	
Communication		2,281	
Dues and Memberships		100	
Postal Charges		3,804	
Travel		324	
Office Supplies		3,162	
Office Equipment		963	
Total County Clerk's Office			162,879

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		73,979	
Longevity Pay		2,800	
Overtime Pay		3,074	
Social Security		7,913	
State Retirement		10,265	
Medical Insurance		35,107	
Employer Medicare		1,851	
Communication		2,127	
Dues and Memberships		140	
Maintenance and Repair Services - Office Equipment		12,859	
Postal Charges		2,800	
Rentals		1,485	
Travel		379	
Office Supplies		6,429	
Total Circuit Court			218,959

(Continued)

Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Criminal Court

Jury and Witness Expense	\$	7,811	
Postal Charges		507	
Total Criminal Court			\$ 8,318

General Sessions Court

Paraprofessionals	\$	5,736	
Clerical Personnel		18,623	
Longevity Pay		300	
Social Security		1,476	
State Retirement		1,840	
Medical Insurance		2,733	
Employer Medicare		345	
Communication		2,136	
Dues and Memberships		120	
Postal Charges		164	
Travel		1,908	
Office Supplies		2,479	
Total General Sessions Court			37,860

General Sessions Judge

Judge(s)	\$	104,423	
Social Security		6,224	
State Retirement		7,790	
Medical Insurance		12,188	
Employer Medicare		1,456	
Total General Sessions Judge			132,081

Drug Court

Assistant(s)	\$	24,551	
Guards		7,963	
Longevity Pay		300	
Social Security		1,974	
State Retirement		1,854	
Unemployment Compensation		85	
Employer Medicare		462	
Communication		2,898	
Maintenance and Repair Services - Equipment		2,139	
Postal Charges		76	
Travel		3,448	
Other Contracted Services		2,578	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court (Cont.)

Office Supplies	\$ 4,259	
Total Drug Court		\$ 52,587

Chancery Court

County Official/Administrative Officer	\$ 57,751	
Clerical Personnel	42,026	
Longevity Pay	4,800	
Social Security	6,111	
State Retirement	7,801	
Medical Insurance	25,714	
Employer Medicare	1,430	
Communication	2,153	
Dues and Memberships	21	
Maintenance and Repair Services - Office Equipment	90	
Postal Charges	776	
Travel	676	
Office Supplies	5,101	
Total Chancery Court		154,450

Juvenile Court

Social Workers	\$ 19,013	
Longevity Pay	400	
Social Security	1,194	
State Retirement	1,448	
Employer Medicare	279	
Travel	1,155	
Office Supplies	1,270	
Total Juvenile Court		24,759

Courtroom Security

Supervisor/Director	\$ 9,229	
Guards	43,122	
Longevity Pay	300	
Overtime Pay	337	
Social Security	3,192	
State Retirement	1,610	
Medical Insurance	4,758	
Employer Medicare	746	
Law Enforcement Equipment	274	
Total Courtroom Security		63,568

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Assistant(s)		22,223	
Deputy(ies)		448,022	
Salary Supplements		8,400	
Clerical Personnel		16,364	
Longevity Pay		5,900	
Overtime Pay		67,823	
Other Salaries and Wages		18,722	
Board and Committee Members Fees		1,550	
In-Service Training		5,200	
Social Security		38,027	
State Retirement		48,052	
Medical Insurance		138,339	
Employer Medicare		8,893	
Contracts with Other Public Agencies		188	
Dues and Memberships		1,900	
Maintenance and Repair Services - Equipment		592	
Maintenance and Repair Services - Vehicles		5,798	
Postal Charges		2,160	
Travel		470	
Other Contracted Services		4,987	
Gasoline		88,721	
Law Enforcement Supplies		1,126	
Office Supplies		4,587	
Uniforms		4,323	
Vehicle Parts		38,830	
Other Supplies and Materials		2,126	
Communication Equipment		497	
Data Processing Equipment		19,176	
Law Enforcement Equipment		4,026	
Total Sheriff's Department			\$ 1,070,549

Jail

Supervisor/Director	\$	27,302
Guards		441,073
Clerical Personnel		20,509
Cafeteria Personnel		18,195
Temporary Personnel		4,110
Longevity Pay		5,700
Overtime Pay		17,983

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Salaries and Wages	\$	20,641	
In-Service Training		2,616	
Social Security		32,841	
State Retirement		38,519	
Medical Insurance		139,644	
Employer Medicare		7,681	
Communication		24,691	
Maintenance and Repair Services - Buildings		9,881	
Maintenance and Repair Services - Equipment		7,068	
Maintenance and Repair Services - Office Equipment		2,104	
Medical and Dental Services		253,250	
Pest Control		360	
Travel		702	
Other Contracted Services		8,787	
Custodial Supplies		18,376	
Drugs and Medical Supplies		1,273	
Electricity		33,896	
Food Supplies		72,167	
Natural Gas		6,887	
Office Supplies		2,809	
Prisoners Clothing		8,662	
Uniforms		1,850	
Water and Sewer		20,134	
Other Supplies and Materials		6,006	
Other Charges		51,600	
Law Enforcement Equipment		3,172	
Total Jail			\$ 1,310,489

Juvenile Services

Other Contracted Services	\$	1,625	
Total Juvenile Services			1,625

Fire Prevention and Control

Medical Insurance	\$	10,080	
Contracts with Government Agencies		2,000	
Contributions		49,000	
Vehicle and Equipment Insurance		38,086	
Workers' Compensation Insurance		5,825	
Other Charges		15,000	
Total Fire Prevention and Control			119,991

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	7,669	
Social Security		476	
Employer Medicare		111	
Communication		4,145	
Dues and Memberships		210	
Maintenance and Repair Services - Equipment		424	
Travel		134	
Food Supplies		151	
Gasoline		1,211	
Office Supplies		354	
Other Supplies and Materials		1,158	
Total Civil Defense			\$ 16,043

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$	16,280	
Supervisor/Director		36,950	
Data Processing Personnel		10,000	
Dispatchers/Radio Operators		131,452	
Part-time Personnel		20,069	
Longevity Pay		4,700	
Overtime Pay		29,345	
Other Salaries and Wages		6,268	
Social Security		14,862	
State Retirement		17,451	
Medical Insurance		51,783	
Unemployment Compensation		780	
Employer Medicare		3,476	
Total Other Emergency Management			343,416

County Coroner/Medical Examiner

Supervisor/Director	\$	24,900	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		11,700	
Total County Coroner/Medical Examiner			36,784

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Contributions	\$	5,800	
Road Signs		<u>1,329</u>	
Total Other Public Safety	\$		7,129

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,320	
Social Security		268	
Employer Medicare		63	
Communication		3,523	
Contributions		13,812	
Maintenance and Repair Services - Buildings		436	
Maintenance and Repair Services - Equipment		314	
Postal Charges		734	
Custodial Supplies		555	
Drugs and Medical Supplies		1,156	
Electricity		7,093	
Natural Gas		2,306	
Office Supplies		1,511	
Water and Sewer		1,900	
Other Charges		727	
Office Equipment		<u>62</u>	
Total Local Health Center			38,780

Ambulance/Emergency Medical Services

Supervisor/Director	\$	41,979	
Accountants/Bookkeepers		20,715	
Medical Personnel		368,757	
Temporary Personnel		40,065	
Longevity Pay		13,800	
Overtime Pay		263,520	
Other Salaries and Wages		12,967	
In-Service Training		11,742	
Social Security		44,859	
State Retirement		50,941	
Medical Insurance		164,197	
Employer Medicare		10,496	
Communication		7,685	
Dues and Memberships		410	
Licenses		2,250	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Equipment	\$	7,962	
Maintenance and Repair Services - Vehicles		42,069	
Postal Charges		2,106	
Travel		1,976	
Other Contracted Services		6,000	
Custodial Supplies		1,958	
Drugs and Medical Supplies		59,685	
Electricity		6,156	
Gasoline		44,845	
Natural Gas		2,784	
Office Supplies		3,876	
Uniforms		3,673	
Water and Sewer		2,111	
Liability Insurance		22,797	
Other Charges		5,325	
Attendance Equipment		11,223	
Communication Equipment		4,016	
Data Processing Equipment		3,738	
Motor Vehicles		<u>109,246</u>	
Total Ambulance/Emergency Medical Services	\$		1,395,929

Crippled Children Services

Contributions	\$	360	
Other Charges		<u>5,000</u>	
Total Crippled Children Services			5,360

Other Local Health Services

Medical Personnel	\$	38,243	
Clerical Personnel		20,825	
Longevity Pay		1,200	
Social Security		3,671	
State Retirement		4,338	
Medical Insurance		9,526	
Employer Medicare		859	
Travel		345	
Other Charges		<u>8,377</u>	
Total Other Local Health Services			87,384

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$ 4,200	
Total Senior Citizens Assistance		\$ 4,200

Libraries

Librarians	\$ 42,635	
Social Security	2,643	
Employer Medicare	618	
Communication	7,435	
Postal Charges	500	
Rentals	1,146	
Travel	170	
Instructional Supplies and Materials	244	
Office Supplies	563	
Periodicals	3,417	
Other Charges	9,375	
Data Processing Equipment	1,063	
Total Libraries		69,809

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$ 1,260	
Other Supplies and Materials	1,668	
Total Parks and Fair Boards		2,928

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 2,587	
Maintenance and Repair Services - Office Equipment	750	
Travel	1,356	
Other Contracted Services	52,307	
Office Supplies	4,216	
Other Supplies and Materials	2,317	
Office Equipment	600	
Total Agriculture Extension Service		64,133

Soil Conservation

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 5,000	
Total Tourism		\$ 5,000

Industrial Development

Board and Committee Members Fees	\$ 3,600	
Communication	306	
Contributions	<u>55,768</u>	
Total Industrial Development		59,674

Other Economic and Community Development

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

Veterans' Services

Contributions	\$ 397	
Total Veterans' Services		397

Miscellaneous

Life Insurance	\$ 2,598	
Unemployment Compensation	18,886	
Trustee's Commission	<u>89,945</u>	
Total Miscellaneous		111,429

Principal on Debt

General Government

Principal on Capital Leases	\$ 20,445	
Total General Government		20,445

Interest on Debt

General Government

Interest on Capital Leases	\$ 2,505	
Total General Government		<u>2,505</u>

Total General Fund		\$ 7,284,810
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 43,594	
Longevity Pay	2,600	

(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 Management (Cont.)

Social Security	\$	2,831	
State Retirement		3,446	
Medical Insurance		4,815	
Employer Medicare		662	
Communication		1,787	
Liability Insurance		8,328	
Workers' Compensation Insurance		32,052	
Total Sanitation Management			\$ 100,115

Sanitation Education/Information

Supervisor/Director	\$	10,378	
Attendants		9,452	
Social Security		865	
State Retirement		171	
Employer Medicare		202	
Advertising		2,695	
Other Contracted Services		2,577	
Gasoline		1,644	
Instructional Supplies and Materials		1,000	
Vehicle Parts		50	
Other Supplies and Materials		448	
Total Sanitation Education/Information			29,482

Waste Pickup

Truck Drivers	\$	47,007	
Part-time Personnel		6,030	
Longevity Pay		1,400	
Overtime Pay		1,875	
Social Security		3,263	
State Retirement		4,121	
Medical Insurance		12,630	
Employer Medicare		778	
Licenses		36	
Other Contracted Services		360,257	
Equipment and Machinery Parts		5,913	
Gasoline		24,812	
Lubricants		1,487	
Tires and Tubes		4,724	
Solid Waste Equipment		16,321	
Total Waste Pickup			490,654

(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.)

Convenience Centers

Attendants	\$	162,885	
Longevity Pay		2,900	
Overtime Pay		324	
Other Salaries and Wages		953	
Social Security		7,761	
State Retirement		8,831	
Medical Insurance		43,983	
Employer Medicare		1,815	
Rentals		3,600	
General Construction Materials		6,607	
Gravel and Chert		370	
Other Supplies and Materials		1,081	
Total Convenience Centers			\$ 241,110

Recycling Center

Supervisor/Director	\$	19,728	
Part-time Personnel		21,579	
Longevity Pay		200	
Social Security		2,517	
State Retirement		2,042	
Medical Insurance		12,830	
Employer Medicare		589	
Communication		1,703	
Electricity		1,586	
Gasoline		3,359	
Vehicle Parts		3,711	
Water and Sewer		295	
Other Supplies and Materials		1,395	
Other Charges		1,009	
Total Recycling Center			72,543

Landfill Operation and Maintenance

Attendants	\$	18,470
Overtime Pay		1,760
Social Security		1,123
State Retirement		1,509
Medical Insurance		4,660
Employer Medicare		263
Communication		5,643
Engineering Services		1,230

(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.)

Landfill Operation and Maintenance (Cont.)

Maintenance and Repair Services - Equipment	\$	20,189	
Rentals		4,372	
Electricity		14,410	
Equipment and Machinery Parts		2,494	
Gasoline		13,875	
General Construction Materials		2,603	
Lubricants		1,864	
Natural Gas		326	
Office Supplies		401	
Water and Sewer		3,601	
Landfill Closure/Postclosure Care Costs		200	
Site Development		3,929	
Total Landfill Operation and Maintenance			\$ 102,922

Other Operations

Other Charges

Trustee's Commission	\$	18,333	
Total Other Charges			18,333

Miscellaneous

Life Insurance	\$	293	
Unemployment Compensation		916	
Total Miscellaneous			1,209

Total Solid Waste/Sanitation Fund \$ 1,056,368

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	230	
Contributions		200	
Confidential Drug Enforcement Payments		2,575	
Rentals		4,200	
Tow-in Services		825	
Veterinary Services		620	
Other Contracted Services		8,777	
Animal Food and Supplies		1,343	
Instructional Supplies and Materials		730	
Uniforms		969	
Other Supplies and Materials		2,104	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Trustee's Commission	\$	372	
Law Enforcement Equipment		<u>3,668</u>	
Total Drug Enforcement			<u>\$ 26,613</u>

Total Drug Control Fund \$ 26,613

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Deputy(ies)	\$	12,907	
Special Commissioner Fees/Special Master Fees		1,600	
Constitutional Officers' Operating Expenses		<u>35,409</u>	
Total Chancery Court			<u>\$ 49,916</u>

Total Constitutional Officers - Fees Fund 49,916

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		15,488	
Social Security		4,689	
State Retirement		5,894	
Employee and Dependent Insurance		12,055	
Employer Medicare		1,097	
Dues and Memberships		2,720	
Legal Notices, Recording, and Court Costs		150	
Office Supplies		2,634	
Other Charges		<u>160</u>	
Total Administration			<u>\$ 108,414</u>

Highway and Bridge Maintenance

Foremen	\$	71,184
Equipment Operators		53,271
Truck Drivers		83,554
Laborers		94,930
Longevity Pay		17,250
Social Security		19,130
State Retirement		22,383
Employee and Dependent Insurance		82,150

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employer Medicare	\$	4,419	
Rentals		1,000	
Other Contracted Services		461,514	
Asphalt - Hot Mix		270,730	
Asphalt - Liquid		45,277	
Crushed Stone		93,489	
Other Road Supplies		385	
Pipe - Metal		60,178	
Road Signs		4,533	
Structural Steel		173	
Total Highway and Bridge Maintenance			\$ 1,385,550

Operation and Maintenance of Equipment

Mechanic(s)	\$	34,305	
Laborers		30,604	
Longevity Pay		5,625	
Social Security		4,135	
State Retirement		5,262	
Employee and Dependent Insurance		16,933	
Employer Medicare		967	
Other Contracted Services		3,325	
Diesel Fuel		57,810	
Equipment and Machinery Parts		43,536	
Garage Supplies		1,303	
Gasoline		19,582	
Lubricants		2,797	
Small Tools		464	
Tires and Tubes		15,431	
Uniforms		6,998	
Total Operation and Maintenance of Equipment			249,077

Other Charges

Communication	\$	3,960	
Electricity		2,850	
Natural Gas		2,943	
Water and Sewer		580	
Liability Insurance		32,158	
Trustee's Commission		19,732	
Other Charges		1,292	
Total Other Charges			63,515

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Life Insurance	\$	298	
Unemployment Compensation		442	
Workers' Compensation Insurance		<u>35,728</u>	
Total Employee Benefits	\$		36,468

Capital Outlay

Bridge Construction	\$	70,180	
Highway Equipment		39,152	
Motor Vehicles		<u>45,510</u>	
Total Capital Outlay			<u>154,842</u>

Total Highway/Public Works Fund \$ 1,997,866

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	177,500	
Principal on Notes		162,944	
Principal on Other Loans		<u>65,000</u>	
Total General Government	\$		405,444

Education

Principal on Bonds	\$	757,500	
Principal on Notes		<u>12,130</u>	
Total Education			769,630

Interest on Debt

General Government

Interest on Bonds	\$	31,646	
Interest on Notes		2,293	
Interest on Other Loans		<u>150,400</u>	
Total General Government			184,339

Education

Interest on Bonds	\$	150,115	
Interest on Notes		2,788	
Interest on Other Loans		<u>514,841</u>	
Total Education			667,744

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Fiscal Agent Charges	\$ 25,414	
Trustee's Commission	<u>15,467</u>	
Total General Government		<u>\$ 40,881</u>

Total General Debt Service Fund \$ 2,068,038

General Capital Projects Fund

Other Debt Service

Education

Underwriter's Discount	\$ 50,329	
Other Debt Issuance Charges	<u>67,877</u>	
Total Education		\$ 118,206

Capital Projects

Administration of Justice Projects

Land	\$ 132,000	
Building Purchases	718,000	
Other Equipment	<u>14,547</u>	
Total Administration of Justice Projects		864,547

Public Safety Projects

Other Charges	<u>\$ 33,725</u>	
Total Public Safety Projects		33,725

Public Health and Welfare Projects

Site Development	\$ 25,000	
Other Construction	<u>468,744</u>	
Total Public Health and Welfare Projects		493,744

Social, Cultural, and Recreation Projects

Building Construction	\$ 749	
Other Construction	<u>16,583</u>	
Total Social, Cultural, and Recreation Projects		17,332

Other General Government Projects

Other Construction	<u>\$ 86,085</u>	
Total Other General Government Projects		86,085

Education Capital Projects

Contributions	<u>\$ 6,523,236</u>	
Total Education Capital Projects		<u>6,523,236</u>

Total General Capital Projects Fund 8,136,875

Total Governmental Funds - Primary Government \$ 20,620,486

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,022,678	
Career Ladder Program		115,792	
Career Ladder Extended Contracts		46,500	
Homebound Teachers		4,830	
Educational Assistants		207,211	
Bonus Payments		10,500	
Certified Substitute Teachers		95,068	
Non-certified Substitute Teachers		71,160	
Social Security		459,297	
State Retirement		669,097	
Life Insurance		4,890	
Medical Insurance		981,702	
Dental Insurance		32,350	
Unemployment Compensation		21,348	
Employer Medicare		106,187	
Instructional Supplies and Materials		55,183	
Textbooks		61,554	
Other Supplies and Materials		585	
Fee Waivers		38,290	
Other Charges		30,266	
Total Regular Instruction Program			\$ 10,034,488

Special Education Program

Teachers	\$	948,935
Career Ladder Program		7,950
Homebound Teachers		1,067
Bus Drivers		124
Educational Assistants		76,226
Certified Substitute Teachers		504
Non-certified Substitute Teachers		3,328
Social Security		64,675
State Retirement		94,911
Life Insurance		752
Medical Insurance		131,210
Dental Insurance		4,805
Unemployment Compensation		7,962
Employer Medicare		15,126
Communication		1,377
Contracts with Private Agencies		89,704

(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.)

Special Education Program (Cont.)

Other Contracted Services	\$ 79,595	
Instructional Supplies and Materials	6,429	
Other Charges	294	
Total Special Education Program	\$ 1,534,974	

Vocational Education Program

Teachers	\$ 652,149	
Career Ladder Program	9,000	
Career Ladder Extended Contracts	600	
Secretary(ies)	13,272	
Educational Assistants	11,479	
Social Security	40,492	
State Retirement	61,553	
Life Insurance	458	
Medical Insurance	92,170	
Dental Insurance	2,885	
Employer Medicare	9,470	
Travel	7,405	
Other Contracted Services	3,700	
Instructional Supplies and Materials	19,914	
Vocational Instruction Equipment	13,764	
Total Vocational Education Program	938,311	

Support Services

Attendance

Supervisor/Director	\$ 63,977	
Career Ladder Program	1,000	
Social Security	3,967	
State Retirement	5,790	
Life Insurance	29	
Medical Insurance	5,581	
Dental Insurance	212	
Employer Medicare	928	
Communication	620	
Travel	1,938	
Other Contracted Services	145,522	
Other Charges	10,500	
Total Attendance	240,064	

(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

Medical Personnel	\$	37,482	
Other Salaries and Wages		142,591	
Social Security		11,019	
State Retirement		16,231	
Life Insurance		200	
Medical Insurance		25,188	
Dental Insurance		1,054	
Employer Medicare		2,577	
Communication		1,102	
Travel		1,695	
Drugs and Medical Supplies		7,506	
Total Health Services			\$ 246,645

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		369,078	
Social Security		22,734	
State Retirement		33,577	
Life Insurance		202	
Medical Insurance		25,345	
Dental Insurance		1,065	
Employer Medicare		5,317	
Contracts with Government Agencies		24,000	
Evaluation and Testing		11,089	
Other Contracted Services		581	
Other Charges		4,135	
Total Other Student Support			499,123

Regular Instruction Program

Supervisor/Director	\$	37,633
Career Ladder Program		6,000
Career Ladder Extended Contracts		8,000
Librarians		296,310
Instructional Computer Personnel		130,791
Secretary(ies)		41,564
Educational Assistants		11,354
Social Security		32,527
State Retirement		46,672
Life Insurance		331

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	53,034	
Dental Insurance		2,028	
Employer Medicare		7,607	
Communication		2,735	
Travel		5,771	
Other Contracted Services		38,079	
Library Books/Media		17,057	
In Service/Staff Development		12,007	
Other Charges		7,445	
Other Equipment		272,175	
Total Regular Instruction Program			\$ 1,029,120

Special Education Program

Supervisor/Director	\$	59,177	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		9,759	
Social Security		4,686	
State Retirement		6,717	
Life Insurance		35	
Medical Insurance		5,648	
Dental Insurance		213	
Employer Medicare		1,096	
Travel		3,877	
Other Contracted Services		52,615	
Total Special Education Program			150,823

Vocational Education Program

Supervisor/Director	\$	61,524	
Career Ladder Program		1,000	
Social Security		3,414	
State Retirement		5,658	
Life Insurance		29	
Medical Insurance		5,372	
Dental Insurance		214	
Employer Medicare		799	
Travel		1,024	
Other Charges		1,000	
Total Vocational Education Program			80,034

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 54,778	
Total Other Programs		\$ 54,778

Board of Education

Board and Committee Members Fees	\$ 17,200	
Social Security	1,066	
Employer Medicare	249	
Audit Services	10,125	
Dues and Memberships	5,444	
Legal Services	763	
Travel	14,608	
Other Contracted Services	11,781	
Liability Insurance	139,639	
Trustee's Commission	92,015	
Workers' Compensation Insurance	131,573	
Other Charges	4,001	
Total Board of Education		428,464

Director of Schools

County Official/Administrative Officer	\$ 90,760	
Assistant(s)	68,452	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	4,000	
Secretary(ies)	23,309	
Social Security	11,682	
State Retirement	16,781	
Life Insurance	74	
Medical Insurance	23,331	
Dental Insurance	214	
Employer Medicare	2,732	
Communication	12,216	
Dues and Memberships	2,216	
Travel	6,196	
Other Contracted Services	10,467	
Office Supplies	1,208	
In Service/Staff Development	13,542	
Other Charges	12,971	
Total Director of Schools		303,151

(Continued)

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

Principals	\$	439,109	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		10,500	
Assistant Principals		317,265	
Secretary(ies)		104,250	
Clerical Personnel		59,010	
Social Security		57,747	
State Retirement		84,284	
Life Insurance		553	
Medical Insurance		82,643	
Dental Insurance		2,117	
Employer Medicare		13,505	
Communication		13,987	
Travel		1,626	
Other Contracted Services		50,319	
Total Office of the Principal			\$ 1,246,915

Operation of Plant

Custodial Personnel	\$	519,958	
Other Salaries and Wages		44,506	
Social Security		34,494	
State Retirement		39,575	
Life Insurance		334	
Unemployment Compensation		3,955	
Employer Medicare		8,071	
Other Contracted Services		19,764	
Electricity		681,740	
Natural Gas		99,615	
Water and Sewer		58,102	
Other Charges		5,379	
Total Operation of Plant			1,515,493

Maintenance of Plant

Supervisor/Director	\$	32,000	
Maintenance Personnel		98,472	
Social Security		8,015	
State Retirement		9,732	
Life Insurance		57	
Unemployment Compensation		1,943	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Employer Medicare	\$	1,874	
Maintenance and Repair Services - Buildings		180,017	
Travel		346	
Other Contracted Services		21,106	
Other Supplies and Materials		109,364	
Other Charges		80,456	
Maintenance Equipment		43,562	
Total Maintenance of Plant			\$ 586,944

Transportation

Supervisor/Director	\$	40,500	
Mechanic(s)		49,122	
Bus Drivers		431,814	
Social Security		31,609	
State Retirement		35,682	
Life Insurance		356	
Unemployment Compensation		7,530	
Employer Medicare		7,714	
Communication		3,283	
Travel		1,070	
Other Contracted Services		6,970	
Diesel Fuel		114,814	
Equipment and Machinery Parts		858	
Gasoline		37,352	
Lubricants		6,572	
Tires and Tubes		9,919	
Vehicle Parts		76,419	
Other Charges		9,603	
Building Improvements		2,607	
Land		8,164	
Building Purchases		191,836	
Total Transportation			1,073,794

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	324,537	
Educational Assistants		136,600	
Non-certified Substitute Teachers		7,606	
Social Security		28,022	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	38,727	
Life Insurance		323	
Medical Insurance		39,336	
Dental Insurance		1,507	
Employer Medicare		6,554	
Travel		15,240	
Other Contracted Services		1,801	
Instructional Supplies and Materials		88,393	
Other Supplies and Materials		61,113	
Other Charges		81,891	
Other Equipment		22,418	
Total Early Childhood Education			\$ 854,068

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	108,360	
Total Regular Capital Outlay			108,360

Principal on Debt

Education

Principal on Capital Leases	\$	6,002,922	
Total Education			6,002,922

Interest on Debt

Education

Interest on Capital Leases	\$	453,947	
Total Education			453,947

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	662,314	
Total Education			662,314

Total General Purpose School Fund \$ 28,044,732

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	702,944	
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(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	104,714	
Bonus Payments		236,000	
Certified Substitute Teachers		2,989	
Social Security		63,577	
State Retirement		90,126	
Life Insurance		477	
Medical Insurance		91,832	
Dental Insurance		3,388	
Unemployment Compensation		2,947	
Employer Medicare		15,453	
Payments to Retirees		55,000	
Travel		63	
Other Contracted Services		55,250	
Instructional Supplies and Materials		123,288	
Other Supplies and Materials		10,193	
Other Charges		10,294	
Regular Instruction Equipment		93,979	
Total Regular Instruction Program			\$ 1,662,514

Special Education Program

Educational Assistants	\$	425,802	
Certified Substitute Teachers		59	
Non-certified Substitute Teachers		4,449	
Social Security		26,345	
State Retirement		30,841	
Life Insurance		466	
Unemployment Compensation		1,910	
Employer Medicare		6,161	
Contracts with Private Agencies		1,106	
Other Contracted Services		238,503	
Instructional Supplies and Materials		12,242	
Other Supplies and Materials		250	
Total Special Education Program			748,134

Vocational Education Program

Educational Assistants	\$	12,392
Social Security		741
State Retirement		924
Life Insurance		16

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	54	
Employer Medicare		167	
Other Contracted Services		1,000	
Instructional Supplies and Materials		6,491	
Vocational Instruction Equipment		23,667	
Total Vocational Education Program			\$ 45,452

Support Services

Other Student Support

Social Workers	\$	16,412	
Bus Drivers		186	
Other Salaries and Wages		16,009	
Social Security		2,004	
State Retirement		2,701	
Life Insurance		28	
Medical Insurance		2,532	
Dental Insurance		107	
Unemployment Compensation		83	
Employer Medicare		469	
Travel		14,683	
Other Supplies and Materials		2,273	
Other Charges		20,369	
Total Other Student Support			77,856

Regular Instruction Program

Supervisor/Director	\$	64,721
Secretary(ies)		20,185
Other Salaries and Wages		162,873
Certified Substitute Teachers		12,132
Social Security		15,745
State Retirement		21,989
Life Insurance		131
Medical Insurance		23,032
Dental Insurance		856
Unemployment Compensation		376
Employer Medicare		3,099
Consultants		11,569
Maintenance and Repair Services - Equipment		1,280
Postal Charges		117

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	68,879	
Other Contracted Services		38,012	
Other Supplies and Materials		14,963	
In Service/Staff Development		33,699	
Other Charges		<u>23,714</u>	
Total Regular Instruction Program			\$ 517,372

Special Education Program

Other Salaries and Wages	\$	16,412	
Social Security		999	
State Retirement		1,485	
Life Insurance		14	
Medical Insurance		2,533	
Dental Insurance		107	
Employer Medicare		234	
Postal Charges		114	
Travel		7,977	
Other Contracted Services		<u>8,990</u>	
Total Special Education Program			38,865

Vocational Education Program

Travel	\$	<u>1,997</u>	
Total Vocational Education Program			<u>1,997</u>

Total School Federal Projects Fund \$ 3,092,190

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,577
Clerical Personnel		19,367
Cafeteria Personnel		515,982
Social Security		33,883
State Retirement		41,704
Life Insurance		558
Medical Insurance		4,695
Dental Insurance		425
Employer Medicare		8,420
Maintenance and Repair Services - Equipment		18,342

(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.)

Travel	\$	2,085	
Other Contracted Services		11,095	
Food Preparation Supplies		50,430	
Food Supplies		810,941	
Office Supplies		945	
Uniforms		3,075	
Other Supplies and Materials		438	
Trustee's Commission		198	
In Service/Staff Development		12,904	
Other Charges		661	
Food Service Equipment		<u>7,993</u>	
Total Food Service	\$		<u>1,596,718</u>

Community Services

Part-time Personnel	\$	32,282	
Social Security		2,002	
State Retirement		2,354	
Employer Medicare		468	
Travel		435	
Food Supplies		<u>61,874</u>	
Total Community Services			<u>99,415</u>

Total Central Cafeteria Fund \$ 1,696,133

Total Governmental Funds - Morgan County School Department \$ 32,833,055

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, 2011

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 47,476	\$ 47,476
Prior Year Property Tax	0	2,036	2,036
Interest and Penalty	0	473	473
Local Option Sales Tax	405,077	0	405,077
Total Cash Receipts	<u>\$ 405,077</u>	<u>\$ 49,985</u>	<u>\$ 455,062</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 401,026	\$ 48,985	\$ 450,011
Trustee's Commission	4,051	1,000	5,051
Total Cash Disbursements	<u>\$ 405,077</u>	<u>\$ 49,985</u>	<u>\$ 455,062</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2010	0	0	0
Cash Balance, June 30, 2011	<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 28, 2012

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, 2011, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated February 28, 2012. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: 11.03. 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.

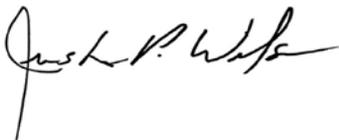
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 11.01 and 11.02.

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, road superintendent, director of schools, director of finance, 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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 28, 2012

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

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, 2011, and have issued our report thereon dated February 28, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county executive, road superintendent, director of schools, director of finance, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

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, 2011

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	\$ 389,101
National School Lunch Program	10.555	N/A	923,757 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	7,336
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	132,141 (3)
Passed-through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	GG-11-32998-00	31,739
Total U.S. Department of Agriculture			<u>\$ 1,484,074</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 3,428
Total U.S. Department of Housing and Urban Development			<u>\$ 3,428</u>
Bureau of Land Management, Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	(2)	\$ 21,281
Passed-through State Department of Environment and Conservation:			
Abandoned Mine Land Reclamation (AMLR) Program	15.252	N/A	173,000
Total Bureau of Land Management, Department of Interior			<u>\$ 194,281</u>
U.S. Department of Justice:			
Direct Program:			
Drug Court Discretionary Grant Program	16.585	N/A	\$ 14,222
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	14,233 (5)
Passed-through State Administrative Office of the Courts:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	13,000 (5)
Total U.S. Department of Justice			<u>\$ 41,455</u>
U.S. Environmental Protection Agency:			
Direct Program:			
Congressionally Mandated Projects	66.202	N/A	\$ 94,862
Total U.S. Environmental Protection Agency			<u>\$ 94,862</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 972,441
Title I Grants to Local Educational Agencies, Recovery Act	84.389	(2)	300,813
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	726,808
Special Education - Grants to States, Recovery Act	84.391	(2)	34,848
Special Education - Preschool Grants	84.173	(2)	31,851
Special Education - Preschool Grants, Recovery Act	84.392	(2)	3,166
Career and Technical Education - Basic Grants to States	84.048	(2)	55,328
Twenty-first Century Community Learning Centers	84.287	(2)	100,000
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	2,070
Education Technology State Grants, Recovery Act	84.386	N/A	1,101
Rural Education	84.358	N/A	71,070
Improving Teacher Quality State Grants	84.367	N/A	145,537

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund (SFSP) - Education State Grants, Recovery Act	84.394	(2)	\$ 1,957,369
State Fiscal Stabilization Fund (SFSP) - Government Services, Recovery Act	84.397	(2)	260,054
State Fiscal Stabilization Funds (SFSP) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	159,093
Education Jobs	84.410	N/A	598,466
Total U.S. Department of Education			<u>\$ 5,420,015</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	N/A	\$ 9,055
Total U.S. Department of Health and Human Services			<u>\$ 9,055</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101	\$ 4,888
Homeland Security Grant Program	97.067	(4)	27,974
Total U.S. Department of Homeland Security			<u>\$ 32,862</u>
Total Expenditures of Federal Awards			<u>\$ 7,280,032</u>
<u>Contract Number</u>			
<u>State Grants</u>			
Health Department Program - State Department of Health	N/A	(2)	\$ 76,952
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	35,417
Youth Services Program - State Commission on Children and Youth	N/A	(2)	4,725
Litter Program - State Department of Transportation	N/A	(2)	20,556
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	3,404
Early Childhood Education - State Department of Education	N/A	(2)	642,030
Drivers Education - State Department of Education	N/A	(2)	9,653
Total State Grants			<u>\$ 792,737</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 \$1,055,898.
- (4) No 34101-0423: \$1,472; No. 34101-2569: \$26,502.
- (5) Total for CFDA No. 16.738 is \$27,233.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Morgan County, Tennessee, for the year ended June 30, 2010, which has not been corrected.

OFFICES OF DIRECTOR OF FINANCE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.04	154	Duties were not segregated adequately

MORGAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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 a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Morgan County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555); the 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); 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); and the Education Jobs Fund (CFDA No. 84.410) 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 responses for inclusion in this report.

OFFICES OF COUNTY EXECUTIVE AND DIRECTOR OF FINANCE

FINDING 11.01 **EXPENDITURES EXCEEDED TOTAL APPROPRIATIONS (Noncompliance Under *Government Auditing Standards*)**

Expenditures exceeded total appropriations in the Drug Control Fund by \$3,903. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission

OFFICE OF SHERIFF

FINDING 11.02 **THE OFFICE CIRCUMVENTED THE COUNTY’S BUDGETARY AND PURCHASING PROCESSES (Noncompliance Under *Government Auditing Standards*)**

During the year, the Sheriff’s Department expended \$8,916 directly from a sex offender registry account to pay for communications equipment. These expenditures were not accounted for through the county’s budgetary or purchasing processes. Morgan County operates under the provisions of the County Financial Management System of 1981, which provides for a central system of accounting, budgeting, and purchasing covering all county departments. Also, Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county government shall be appropriated to such use by the county legislative bodies.” This deficiency occurred due to a lack of management understanding and oversight.

RECOMMENDATION

Funds received by the Sheriff's Department from sex offender registry activities should be remitted to the county trustee on a current basis, appropriated through the county's budgetary process, and expended through the county's purchasing process.

OFFICES OF DIRECTOR OF FINANCE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

FINDING 11.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(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 of 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 COMMITTEE

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, FINDINGS AND QUESTIONED
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

MORGAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011

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

Office of Director of Schools – Summary Schedule of Prior-Year's Findings

FINDINGS 10.02 AND 10.05

Morgan County Finance Department established cost centers to recognize the expenditures related to the ARRA Funds. The cost centers used in the current fiscal year were EXTCL, ENA, and SSMS.