
ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

BRYAN W. BURKLIN, CPA, CGFM
Audit Manager

AMY SOSVILLE, CPA
Auditor 4

ASHLEY ROOKARD
MARK FAWVER
DOUG SANDIDGE, CISA, CFE
State Auditors

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

MORGAN COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Morgan County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	26-28
Solid Waste/Sanitation Fund	C-6	29-30
Highway/Public Works Fund	C-7	31
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	32
Index and Notes to the Financial Statements		33-71
REQUIRED SUPPLEMENTARY INFORMATION:		72
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Morgan County School Department	E-1	73
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Morgan County School Department	E-2	74
Notes to the Required Supplementary Information		75

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		76
Nonmajor Governmental Funds:		77
Combining Balance Sheet	F-1	78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	80
Major Governmental Fund:		81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	82
Fiduciary Funds:		83
Combining Statement of Fiduciary Assets and Liabilities	H-1	84
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	85-86
Component Unit:		
Discretely Presented Morgan County School Department:		87
Statement of Activities	I-1	88
Balance Sheet – Governmental Funds	I-2	89
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	90
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	91
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	92
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-6	93-94
School Federal Projects Fund	I-7	95
Central Cafeteria Fund	I-8	96

	Exhibit	Page(s)
Miscellaneous Schedules:		97
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases	J-1	98-99
Schedule of Long-term Debt Requirements by Year	J-2	100-101
Schedule of Transfers	J-3	102
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Morgan County School Department	J-4	103
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	104-108
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Morgan County School Department	J-6	109-110
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	111-126
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Morgan County School Department	J-8	127-136
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-9	137
 <u>SINGLE AUDIT SECTION</u>		 138
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>		139-140
Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		141-143
Schedule of Expenditures of Federal Awards and State Grants		144
Schedule of Audit Findings Not Corrected		145
Schedule of Findings and Questioned Costs		146-149
Auditee Reporting Responsibilities		150

Audit Highlights
Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2013.

Results

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

Our audit resulted in three findings and recommendations, which we have reviewed with Morgan County management. Details of the 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 MAYOR AND DIRECTOR OF FINANCE

- ◆ Deficiencies were noted in the purchase of two used vehicles.

OFFICE OF TRUSTEE

- ◆ Some bank statements were not reconciled with general ledger accounts currently.

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

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Morgan County does not have an Audit Committee. The Division of Local Government 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, 2013

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 of Deeds
Glendon Freytag, Sheriff
Gary Howard, Director of Finance

Board of County Commissioners

Susie Kries, Chairperson
Allen Brown
Sue Duncan
Tommy Francis
Lucy Freytag
David Hennessee
Terry Jackson
Kay Johnson
Ken Jones
Vernon Justes

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

Board of Education

Randy Harlan, Chairman
Wade Summers
Tony Dagley

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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

Independent Auditor's Report

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Morgan County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

We draw attention to Note I.D.9. to the financial statements, which describes a restatement to the beginning net position of the governmental activities of the primary government for \$210,014. This restatement was necessary due to the implementation of GASB Statement No. 65.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plan and other postemployment benefits plan on pages 73-75 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morgan County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

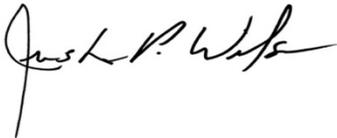
in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of Morgan County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 31, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Position
June 30, 2013

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Morgan County School Department</u>
<u>ASSETS</u>		
Cash	\$ 844	\$ 1,360
Equity in Pooled Cash and Investments	7,042,672	3,698,669
Accounts Receivable	304,582	66,994
Allowance for Uncollectible Accounts Receivable	(112,166)	0
Due from Other Governments	495,273	423,528
Due from Component Unit	328,247	0
Property Taxes Receivable	6,573,538	2,904,587
Allowance for Uncollectible Property Taxes	(381,026)	(168,361)
Prepaid Items	80,247	2,510
Capital Assets:		
Assets Not Depreciated:		
Land	534,352	1,112,193
Construction in Progress	663,599	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	3,819,888	21,003,761
Infrastructure	1,133,341	0
Other Capital Assets	619,501	4,585,984
Total Assets	<u>\$ 21,102,892</u>	<u>\$ 33,631,225</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Accumulated Decrease in Fair Value of Hedging Derivatives	<u>\$ 2,025,954</u>	<u>\$ 0</u>
Total Deferred Outflow of Resources	<u>\$ 2,025,954</u>	<u>\$ 0</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 28,322	\$ 23,760
Accrued Payroll	69,500	0
Accrued Interest Payable	111,997	0
Payroll Deductions Payable	0	217,975
Derivative - Interest Rate Swap	2,025,954	0
Due to the State of Tennessee	19,905	6,498
Due to Primary Government	0	328,247
Noncurrent Liabilities:		
Due Within One Year	1,428,149	38,746
Due in More Than One Year (net of unamortized premium on debt)	21,102,650	576,589
Total Liabilities	<u>\$ 24,786,477</u>	<u>\$ 1,191,815</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Morgan County School Department
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 5,818,506	\$ 2,570,968
Total Deferred Inflows of Resources	<u>\$ 5,818,506</u>	<u>\$ 2,570,968</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 4,027,960	\$ 26,701,938
Restricted for:		
General Government	37,758	0
Administration of Justice	15,404	0
Public Safety	89,911	0
Public Health and Welfare	201,676	
Highway/Public Works	3,366,914	0
Capital Projects	303,970	0
Education	0	1,530,191
Unrestricted	<u>(15,519,730)</u>	<u>1,636,313</u>
Total Net Position	<u>\$ (7,476,137)</u>	<u>\$ 29,868,442</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, 2013

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Primary Government	Component Unit
					Total Governmental Activities	Morgan County School Department		
Primary Government:								
Governmental Activities:								
General Government	\$ 910,894	\$ 132,190	\$ 15,259	\$ 0	\$ 0	\$ (763,445)	\$ 0	0
Finance	720,424	396,386	0	0	0	(324,038)	0	0
Administration of Justice	844,467	443,477	9,090	0	0	(391,900)	0	0
Public Safety	2,943,678	271,901	53,186	48,867	0	(2,569,724)	0	0
Public Health and Welfare	2,960,044	1,046,923	62,094	525,989	0	(1,325,038)	0	0
Social, Cultural, and Recreational Services	140,105	7,137	10,874	0	0	(122,094)	0	0
Agriculture and Natural Resources	68,528	0	0	0	0	(68,528)	0	0
Other Operations	181,122	0	0	0	0	(181,122)	0	0
Highways	1,961,054	97,679	1,722,093	110,045	0	(31,237)	0	0
Interest on Long-term Debt	1,007,603	0	0	0	0	(1,007,603)	0	0
Debt Service	41,950	0	0	0	0	(41,950)	0	0
Total Primary Government	\$ 11,779,869	\$ 2,395,693	\$ 1,872,596	\$ 684,901	\$ 0	\$ (6,826,679)	\$ 0	0
Component Unit:								
Morgan County School Department	\$ (28,575,515)	\$ 526,574	\$ 4,378,408	\$ 0	\$ 0	\$ 0	\$ (23,670,533)	0
Total Component Unit	\$ (28,575,515)	\$ 526,574	\$ 4,378,408	\$ 0	\$ 0	\$ 0	\$ (23,670,533)	0

(Continued)

Exhibit B

Morgan County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
	Expenses			Total Governmental Activities	Morgan County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 4,517,388	\$ 2,699,225
Property Taxes Levied for Solid Waste/Sanitation				843,876	0
Property Taxes Levied for Highway/Public Works				65,343	0
Property Taxes Levied for General Debt Service				681,726	0
Local Option Sales Taxes				879,563	0
Mineral Severance Tax				90,795	0
Other Local Taxes				124,391	56,592
Grants and Contributions Not Restricted to Specific Programs				1,126,495	18,891,702
Interest Income				17,890	18,952
Miscellaneous				20,958	112,872
Total General Revenues				\$ 8,368,425	\$ 21,779,343
Change in Net Position				\$ 1,541,746	\$ (1,891,190)
Net Position, July 1, 2012				(8,807,869)	31,759,632
Restatement - See Note I.D.9.				(210,014)	0
Net Position, June 30, 2013				\$ (7,476,137)	\$ 29,868,442

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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0	0	168	0	676	844	
Cash	1,388,474	197,043	3,106,865	1,998,922	351,368	7,042,672	
Equity in Pooled Cash and Investments	279,055	21,366	4,161	0	0	304,582	
Accounts Receivable	(112,166)	0	0	0	0	(112,166)	
Allowance for Uncollectibles	42,467	12,601	301,293	138,912	0	495,273	
Due from Other Governments	676	0	0	0	0	676	
Due from Other Funds	4,861,362	908,065	70,321	733,790	0	6,573,538	
Property Taxes Receivable	(281,782)	(52,635)	(4,076)	(42,533)	0	(381,026)	
Allowance for Uncollectible Property Taxes	65,054	7,224	7,969	0	0	80,247	
Prepaid Items							
Total Assets	\$ 6,243,140	\$ 1,093,664	\$ 3,486,701	\$ 2,829,091	\$ 352,044	\$ 14,004,640	

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

LIABILITIES

Accounts Payable
 Accrued Payroll
 Due to Other Funds
 Due to State of Tennessee
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

\$	3,287	25,035	0	0	0	28,322
	48,024	13,318	8,158	0	0	69,500
	0	0	0	0	676	676
	19,905	0	0	0	0	19,905
\$	71,216	38,353	8,158	0	676	118,403
\$	4,302,989	803,765	62,244	649,508	0	5,818,506
	257,392	48,079	3,723	38,851	0	348,045
	71,580	0	149,322	69,293	0	290,195
\$	4,631,961	851,844	215,289	757,652	0	6,456,746

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Nonspendable:							
Prepaid Items	\$ 65,054	\$ 7,224	\$ 7,969	\$ 0	\$ 0	\$ 0	\$ 80,247
Restricted:							
Restricted for General Government	37,758	0	0	0	0	0	37,758
Restricted for Administration of Justice	15,404	0	0	0	0	0	15,404
Restricted for Public Safety	42,513	0	0	0	47,398	0	89,911
Restricted for Public Health and Welfare	0	196,243	0	0	0	0	196,243
Restricted for Highways/Public Works	0	0	3,229,317	0	0	0	3,229,317
Restricted for Capital Projects	0	0	0	0	303,970	0	303,970
Committed:							
Committed for Public Safety	5,772	0	0	0	0	0	5,772
Committed for Public Health and Welfare	1,050	0	0	0	0	0	1,050
Committed for Social, Cultural, and Recreational Services	18,903	0	0	0	0	0	18,903
Committed for Highways/Public Works	0	0	25,968	0	0	0	25,968
Committed for Debt Service	0	0	0	2,071,439	0	0	2,071,439
Assigned:							
Assigned for General Government	4,362	0	0	0	0	0	4,362
Assigned for Finance	8,580	0	0	0	0	0	8,580
Assigned for Administration of Justice	1,663	0	0	0	0	0	1,663
Assigned for Public Safety	10,291	0	0	0	0	0	10,291
Assigned for Public Health and Welfare	9,893	0	0	0	0	0	9,893
Assigned for Social, Cultural, and Recreational Services	1,408	0	0	0	0	0	1,408
Assigned for Agriculture and Natural Resources	284	0	0	0	0	0	284
Unassigned	1,317,028	0	0	0	0	0	1,317,028
Total Fund Balances	\$ 1,539,963	\$ 203,467	\$ 3,263,254	\$ 2,071,439	\$ 351,368	\$ 7,429,491	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,243,140	\$ 1,093,664	\$ 3,486,701	\$ 2,829,091	\$ 352,044	\$ 14,004,640	

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 Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	7,429,491
(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		663,599	
Add: infrastructure net of accumulated depreciation		1,133,341	
Add: buildings and improvements net of accumulated depreciation		3,819,888	
Add: other capital assets net of accumulated depreciation		619,501	6,770,681
(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	\$	(6,585,000)	
Less: notes payable		(334,659)	
Less: other loans payable		(14,389,000)	
Less: capital leases payable		(595,989)	
Add: capital lease to be paid by School Department contributions		328,247	
Less: compensated absences payable		(184,320)	
Less: landfill closure/postclosure care costs		(329,704)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(111,997)	
Less: unamortized premium on debt		(112,127)	(22,314,549)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			638,240
Net position of governmental activities (Exhibit A)		\$	<u>(7,476,137)</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, 2013

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General		Other Governmental Funds		
				Debt	Service			
Revenues								
Local Taxes	\$ 4,689,383	\$ 845,959	\$ 156,299	\$ 1,565,712	\$ 0	\$ 0	\$ 0	\$ 7,257,353
Licenses and Permits	38,961	0	0	0	0	0	0	38,961
Fines, Forfeitures, and Penalties	79,616	0	0	0	0	43,896	0	123,512
Charges for Current Services	928,382	188,702	720	0	0	67,296	0	1,185,100
Other Local Revenues	83,074	33,173	102,294	0	0	0	0	218,541
Fees Received from County Officials	725,023	0	0	0	0	0	0	725,023
State of Tennessee	569,999	35,012	1,832,138	0	0	4,170	0	2,441,319
Federal Government	8,000	0	0	0	0	542,236	0	550,236
Other Governments and Citizens Groups	169,496	350	0	721,655	0	20,450	0	911,951
Total Revenues	\$ 7,291,934	\$ 1,103,196	\$ 2,091,451	\$ 2,287,367	\$ 0	\$ 678,048	\$ 0	\$ 13,451,996
Expenditures								
Current:								
General Government	\$ 815,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75	\$ 0	\$ 815,239
Finance	725,188	0	0	0	0	1,246	0	726,434
Administration of Justice	724,357	0	0	0	0	65,788	0	790,145
Public Safety	2,891,740	0	0	0	0	33,962	0	2,925,702
Public Health and Welfare	1,511,953	1,283,713	0	0	0	0	0	2,795,666
Social, Cultural, and Recreational Services	82,959	0	0	0	0	0	0	82,959
Agriculture and Natural Resources	68,528	0	0	0	0	0	0	68,528
Other Operations	162,496	18,626	0	0	0	0	0	181,122
Highways	0	0	1,899,899	0	0	0	0	1,899,899
Debt Service:								
Principal on Debt	0	0	0	1,178,576	0	0	0	1,178,576
Interest on Debt	0	0	0	992,581	0	0	0	992,581
Other Debt Service	0	0	0	41,950	0	0	0	41,950
Capital Projects	0	0	0	0	0	670,373	0	670,373
Total Expenditures	\$ 6,982,385	\$ 1,302,339	\$ 1,899,899	\$ 2,213,107	\$ 0	\$ 771,444	\$ 0	\$ 13,169,174

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ 309,549	\$ (199,143)	\$ 191,552	\$ 74,260	\$ (93,396)	\$	282,822
Other Financing Sources (Uses)							
Capital Leases Issued	\$ 74,400	\$ 193,342	\$ 0	\$ 0	\$ 0	\$	267,742
Insurance Recovery	22,646	31,967	0	0	0	0	54,613
Transfers In	13,886	0	0	0	101,675	115,561	115,561
Transfers Out	(101,675)	0	0	0	(13,886)	(115,561)	(115,561)
Total Other Financing Sources (Uses)	\$ 9,257	\$ 225,309	\$ 0	\$ 0	\$ 87,789	\$	322,355
Net Change in Fund Balances	\$ 318,806	\$ 26,166	\$ 191,552	\$ 74,260	\$ (5,607)	\$	605,177
Fund Balance, July 1, 2012	1,221,157	177,301	3,071,702	1,997,179	356,975	6,824,314	6,824,314
Fund Balance, June 30, 2013	\$ 1,539,963	\$ 203,467	\$ 3,263,254	\$ 2,071,439	\$ 351,368	\$	7,429,491

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, 2013

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)		\$	605,177
(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	\$	610,377	
Less: current-year depreciation expense		<u>(394,603)</u>	215,774
(2) 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, 2013	\$	638,240	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(720,829)</u>	(82,589)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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: capital lease proceeds	\$	<u>(267,742)</u>	
Add: change in unamortized premium on debt issuances		9,721	
Add: principal payments on bonds		955,000	
Add: principal payments on notes		95,135	
Add: principal payments on other loans		72,000	
Add: principal payments on capital leases		56,441	
Less: contributions from School Department for capital lease payments		<u>(56,441)</u>	864,114
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(15,022)	
Change in compensated absences payable		(39,560)	
Change in landfill closure/postclosure care costs		<u>(6,148)</u>	<u>(60,730)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,541,746</u>

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

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2012	Encumbrances 6/30/2013			Original	Final	
<u>Revenues</u>								
Local Taxes	\$ 4,689,383	\$ 0	\$ 0	\$ 0	\$ 4,689,383	\$ 4,509,975	\$ 4,509,975	\$ 179,408
Licenses and Permits	38,961	0	0	0	38,961	37,500	37,500	1,461
Fines, Forfeitures, and Penalties	79,616	0	0	0	79,616	66,700	70,632	8,984
Charges for Current Services	928,382	0	0	0	928,382	867,550	877,518	50,864
Other Local Revenues	83,074	0	0	0	83,074	64,604	81,629	1,445
Fees Received from County Officials	725,023	0	0	0	725,023	677,000	677,000	48,023
State of Tennessee	569,999	0	0	0	569,999	639,974	657,074	(87,075)
Federal Government	8,000	0	0	0	8,000	0	0	8,000
Other Governments and Citizens Groups	169,496	0	0	0	169,496	154,837	158,837	10,659
Total Revenues	\$ 7,291,934	\$ 0	\$ 0	\$ 0	\$ 7,291,934	\$ 7,018,140	\$ 7,070,165	\$ 221,769

Expenditures

<u>General Government</u>								
County Commission	\$ 65,288	(48)	\$ 600	\$ 65,840	\$ 74,573	\$ 74,688	\$ 8,848	
County Mayor/Executive	138,953	0	0	138,953	143,433	144,733	5,780	
County Attorney	9,679	0	0	9,679	10,500	10,500	821	
Election Commission	130,281	(1,819)	0	128,462	130,584	130,584	2,122	
Register of Deeds	111,896	(218)	435	112,113	114,966	114,966	2,853	
County Buildings	359,067	(1,660)	3,327	360,734	354,496	361,301	567	
<u>Finance</u>								
Accounting and Budgeting	222,914	0	791	223,705	225,284	225,284	1,579	
Property Assessor's Office	180,049	0	436	180,485	182,287	182,356	1,871	
Reappraisal Program	4,873	0	400	5,273	3,600	5,281	8	
County Trustee's Office	158,581	(301)	311	158,591	159,528	159,528	937	
County Clerk's Office	158,771	(787)	6,642	164,626	179,546	179,546	14,920	
<u>Administration of Justice</u>								
Circuit Court	236,814	0	0	236,814	241,519	247,519	10,705	
Criminal Court	8,036	0	292	8,328	9,300	9,300	972	

(Continued)

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2012 Encumbrances	6/30/2013 Encumbrances			Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Administration of Justice (Cont.)</u>								
General Sessions Court	\$ 44,958	\$ (1,091)	\$ 501	\$ 44,368	\$ 43,879	\$ 45,579	\$ 1,211	
General Sessions Judge	137,526	0	0	137,526	138,151	138,151	625	
Drug Court	43,185	(873)	0	42,312	52,712	52,412	10,100	
Chancery Court	151,524	0	870	152,394	153,989	153,989	1,595	
Juvenile Court	31,117	(468)	0	30,649	26,046	31,266	617	
Courtroom Security	71,197	0	0	71,197	64,557	71,445	248	
<u>Public Safety</u>								
Sheriff's Department	1,228,584	(600)	6,600	1,234,584	1,159,473	1,238,917	4,333	
Jail	1,139,185	(300)	3,641	1,142,526	1,167,960	1,149,628	7,102	
Juvenile Services	500	0	0	500	1,000	1,000	500	
Fire Prevention and Control	132,346	0	0	132,346	132,319	132,354	8	
Civil Defense	18,215	(150)	50	18,115	16,120	18,195	80	
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0	
Other Emergency Management	339,274	0	0	339,274	350,284	354,584	15,310	
County Coroner/Medical Examiner	25,084	0	0	25,084	25,085	25,085	1	
Other Public Safety	5,552	(80)	0	5,472	7,800	7,800	2,328	
<u>Public Health and Welfare</u>								
Local Health Center	38,012	(1,782)	0	36,230	43,347	43,347	7,117	
Ambulance/Emergency Medical Services	1,439,363	(142)	9,893	1,449,114	1,394,647	1,474,267	25,153	
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577	
Other Local Health Services	29,218	0	0	29,218	91,500	96,600	67,382	
<u>Social, Cultural, and Recreational Services</u>								
Senior Citizens Assistance	3,987	0	0	3,987	4,200	4,200	213	
Libraries	76,596	(1,669)	208	75,135	63,165	75,740	605	
Parks and Fair Boards	2,376	(1,600)	1,200	1,976	2,500	2,500	524	
<u>Agriculture and Natural Resources</u>								
Agriculture Extension Service	63,528	(341)	284	63,471	63,503	63,503	32	
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0	

(Continued)

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Other Economic and Community Development	\$ 20,000	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Veterans' Services	9,585	0	0	9,585	10,500	10,500	915
Miscellaneous	132,911	0	0	132,911	125,700	136,900	3,989
Total Expenditures	\$ 6,982,385	\$ (13,929)	\$ 36,481	\$ 7,004,937	\$ 7,001,990	\$ 7,207,485	\$ 202,548
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 309,549	\$ 13,929	\$ (36,481)	\$ 286,997	\$ 16,150	\$ (137,320)	\$ 424,317
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 74,400	\$ 0	\$ 0	\$ 74,400	\$ 0	\$ 74,400	\$ 0
Insurance Recovery	22,646	0	0	22,646	0	22,646	0
Transfers In	13,886	0	0	13,886	0	13,886	0
Transfers Out	(101,675)	0	0	(101,675)	(15,000)	(101,676)	1
Discounts on Debt Issued	0	0	0	0	(1,150)	0	0
Total Other Financing Sources	\$ 9,257	\$ 0	\$ 0	\$ 9,257	\$ (16,150)	\$ 9,256	\$ 1
Net Change in Fund Balance	\$ 318,806	\$ 13,929	\$ (36,481)	\$ 296,254	\$ 0	\$ (128,064)	\$ 424,318
Fund Balance, July 1, 2012	1,221,157	(13,929)	0	1,207,228	1,249,028	1,249,028	(41,800)
Fund Balance, June 30, 2013	\$ 1,539,963	\$ 0	\$ (36,481)	\$ 1,503,482	\$ 1,249,028	\$ 1,120,964	\$ 382,518

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

Exhibit C-6

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitiation Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 845,959	\$ 0	\$ 0	\$ 845,959	\$ 820,155	\$ 820,155	\$ 25,804
Charges for Current Services	188,702	0	0	188,702	180,000	180,000	8,702
Other Local Revenues	33,173	0	0	33,173	45,000	45,000	(11,827)
State of Tennessee	35,012	0	0	35,012	31,028	39,900	(4,888)
Other Governments and Citizens Groups	350	0	0	350	100	350	0
Total Revenues	\$ 1,103,196	\$ 0	\$ 0	\$ 1,103,196	\$ 1,076,283	\$ 1,085,405	\$ 17,791
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 99,170	\$ 0	\$ 0	\$ 99,170	\$ 79,079	\$ 99,544	\$ 374
Sanitation Education/Information	39,643	0	0	39,643	31,028	40,185	542
Waste Pickup	494,509	(6,373)	22,185	510,321	541,767	542,264	31,943
Convenience Centers	490,155	(836)	9,888	499,207	299,354	525,820	26,613
Recycling Center	72,081	0	1,392	73,473	62,986	73,696	223
Landfill Operation and Maintenance	88,155	(6,649)	10,756	92,262	121,611	123,261	30,999
<u>Other Operations</u>							
Other Charges	18,306	0	0	18,306	19,000	19,000	694
Miscellaneous	320	0	0	320	1,850	1,850	1,530
Total Expenditures	\$ 1,302,339	\$ (13,858)	\$ 44,221	\$ 1,332,702	\$ 1,156,675	\$ 1,425,620	\$ 92,918
Excess (Deficiency) of Revenues Over Expenditures	\$ (199,143)	\$ 13,858	\$ (44,221)	\$ (229,506)	\$ (80,392)	\$ (340,215)	\$ 110,709

(Continued)

Exhibit C-6

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 193,342	\$ 0	\$ 0	193,342	0	193,342	0
Insurance Recovery	31,967	0	0	31,967	0	31,967	0
Total Other Financing Sources	\$ 225,309	\$ 0	\$ 0	225,309	0	225,309	0
Net Change in Fund Balance	\$ 26,166	\$ 13,858	\$ (44,221)	(4,197)	(80,392)	(114,906)	110,709
Fund Balance, July 1, 2012	177,301	(13,858)	0	163,443	200,037	200,037	(36,594)
Fund Balance, June 30, 2013	\$ 203,467	\$ 0	\$ (44,221)	159,246	119,645	85,131	74,115

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

Exhibit C-7

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 156,299	\$ 0	\$ 0	\$ 156,299	\$ 162,642	\$ 162,642	\$ (6,343)
Charges for Current Services	720	0	0	720	1,200	1,200	(480)
Other Local Revenues	102,294	0	0	102,294	6,750	86,750	15,544
State of Tennessee	1,832,138	0	0	1,832,138	2,159,000	2,159,000	(326,862)
Total Revenues	\$ 2,091,451	\$ 0	\$ 0	\$ 2,091,451	\$ 2,329,592	\$ 2,409,592	\$ (318,141)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 108,452	(128)	213	\$ 108,537	\$ 123,064	\$ 128,064	\$ 19,527
Highway and Bridge Maintenance	1,305,468	(3,987)	195,013	1,496,494	2,766,342	2,766,342	1,269,848
Operation and Maintenance of Equipment	363,541	(2,666)	15,805	376,680	363,530	443,530	66,850
Other Charges	61,808	0	0	61,808	70,800	70,800	8,992
Employee Benefits	37,760	0	0	37,760	43,350	43,350	5,590
Capital Outlay	22,870	0	140,000	162,870	595,200	595,200	432,330
Total Expenditures	\$ 1,899,899	\$ (6,781)	\$ 351,031	\$ 2,244,149	\$ 3,962,286	\$ 4,047,286	\$ 1,803,137
Excess (Deficiency) of Revenues Over Expenditures	\$ 191,552	\$ 6,781	\$ (351,031)	\$ (152,698)	\$ (1,632,694)	\$ (1,637,694)	\$ 1,484,996
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 191,552	\$ 6,781	\$ (351,031)	\$ (152,698)	\$ (1,632,694)	\$ (1,637,694)	\$ 1,484,996
	3,071,702	(6,781)	0	3,064,921	2,768,538	2,768,538	296,383
Fund Balance, June 30, 2013	\$ 3,263,254	\$ 0	\$ (351,031)	\$ 2,912,223	\$ 1,135,844	\$ 1,130,844	\$ 1,781,379

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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 439,181
Due from Other Governments	55,260
Property Taxes Receivable	<u>62,856</u>
Total Assets	<u>\$ 557,297</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 118,116
Due to Litigants, Heirs, and Others	<u>439,181</u>
Total Liabilities	<u>\$ 557,297</u>

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

MORGAN COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	35
B. Government-wide and Fund Financial Statements	36
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	37
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	39
2. Receivables and Payables	40
3. Prepaid Items	41
4. Capital Assets	41
5. Deferred Outflows/Inflows of Resources	42
6. Compensated Absences	42
7. Long-term Obligations	43
8. Net Position and Fund Balance	44
9. Restatement	45
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 Position	45
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	46
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	46
B. Cash Shortage - Prior Year	47
IV. Detailed Notes on All Funds	
A. Deposits and Investments	48
B. Derivative Instrument	49
C. Capital Assets	51
D. Construction Commitments	54
E. Interfund Receivables, Payables, and Transfers	54
F. Capital Leases	55
G. Long-term Obligations	56
H. On-Behalf Payments	60
I. Internal Financing	61
J. Short-term Debt	61

MORGAN COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

Note	Page(s)
V. Other Information	
A. Risk Management	62
B. Accounting Changes	62
C. Subsequent Events	64
D. Contingent Liabilities	64
E. Landfill Closure/Postclosure Care Costs	64
F. Joint Ventures	65
G. Retirement Commitments	65
H. Other Postemployment Benefits (OPEB)	68
I. Termination Benefits	70
J. Office of Central Accounting, Budgeting, and Purchasing	70
K. Purchasing Law	71

MORGAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Morgan County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Morgan County, and the Morgan County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Morgan County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

The Morgan County School Department does not issue separate financial statements from those of the county. Although required by GAAP, the financial statements of the Morgan County Emergency Communications

District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Morgan County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Morgan County Emergency
Communications District
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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, where applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Morgan County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Morgan County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Morgan County issues all debt for the discretely presented Morgan County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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.

Additionally, Morgan County reports the following fund types:

Capital Projects Fund – The General Capital Projects 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.

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.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 three percent of total taxes levied.

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 inflow of resources 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 as a deferred inflow of resources 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. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the accumulated decrease in fair values of hedging derivatives.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, and receivables for various other revenues which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

6. 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.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, Morgan County had \$16,673,376 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. This 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 position with no corresponding increase in the county's capital assets.

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.

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, and shall remain binding unless removed in the same manner.

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 makes assignments for the general government and the Board of Education makes assignments for the School Department. 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 (\$173,276) and amounts appropriated for use in the 2013-14 budget (\$149,421).

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.

9. Restatement

A restatement of \$210,014 is reflected for governmental activities in the government-wide financial statements. This restatement was recognized due to the implementation of Governmental Accounting Standards Board Statement No. 65.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statements of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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, 2013, Morgan County and the Morgan County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Highway/Public Works	Equipment	\$ 140,000
School Department:		
General Purpose School	Roof Repairs	132,041
Central Cafeteria	Cafeteria Equipment	348,587
Central Cafeteria	Furniture for Central High School	154,517

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 on 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 during the period examined, liquidated the cash shortage. However, Ms. Hamby was also ordered by the Criminal Court of Morgan County, to repay \$8,758 to Morgan County for a portion of the extended audit costs associated with the

cash shortage. Ms. Hamby has paid \$585 toward this amount, leaving a balance owed of \$8,173.

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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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, 2013.

B. Derivative Instrument

At June 30, 2013, 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	6-7-13	6-1-26	Pay 4.33% receive 70% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2013, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2013 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2013</u>		6-30-13
	Classification	Amount	Classification	Amount	Notional Amount

Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$ 738,577	Debt	\$ (2,025,954)	\$10,000,000

Derivative Swap Agreement Detail

Under its loan agreement, the Public Building Authority of Blount County, TN (the “authority”), at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-D.

Objective of the Interest Rate Swap. In order to 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 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 (the "SIFMA"). The bonds and the related swap agreement both mature on June 1, 2026. As of June 30, 2013, 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>-0.19</u>
Net interest rate swap payments		4.14 %
Variable-rate bond coupon payments		<u>1.25</u>
Synthetic interest rate on bonds		<u><u>5.39 %</u></u>

Fair Value. As of June 30, 2013, the swap had a negative fair value of \$2,025,954. 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, 2013, 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 swap agreement's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ 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 swap agreement 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, 2013, 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.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2014	\$ 0	\$ 124,557	\$ 414,100	\$ 538,657
2015	0	124,557	414,100	538,657
2016	660,000	124,557	414,100	1,198,657
2017	710,000	116,336	386,769	1,213,105
2018	750,000	107,492	357,368	1,214,860
2019-2023	4,490,000	385,441	1,281,432	6,156,873
2024-2026	3,390,000	86,069	286,143	3,762,212
Total	\$ 10,000,000	\$ 1,069,009	\$ 3,554,012	\$ 14,623,021

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 534,352	\$ 0	\$ 0	\$ 534,352
Construction in Progress	1,493,557	92,391	(922,349)	663,599
Total Capital Assets Not Depreciated	<u>\$ 2,027,909</u>	<u>\$ 92,391</u>	<u>\$ (922,349)</u>	<u>\$ 1,197,951</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,223,670	\$ 922,349	\$ 0	\$ 5,146,019
Infrastructure	1,435,826	0	0	1,435,826
Other Capital Assets	4,407,281	517,986	(347,250)	4,578,017
Total Capital Assets Depreciated	<u>\$ 10,066,777</u>	<u>\$ 1,440,335</u>	<u>\$ (347,250)</u>	<u>\$ 11,159,862</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,170,908	\$ 155,223	\$ 0	\$ 1,326,131
Infrastructure	256,517	45,968	0	302,485
Other Capital Assets	4,112,354	193,412	(347,250)	3,958,516
Total Accumulated Depreciation	<u>\$ 5,539,779</u>	<u>\$ 394,603</u>	<u>\$ (347,250)</u>	<u>\$ 5,587,132</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,526,998</u>	<u>\$ 1,045,732</u>	<u>\$ 0</u>	<u>\$ 5,572,730</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,554,907</u>	<u>\$ 1,138,123</u>	<u>\$ (922,349)</u>	<u>\$ 6,770,681</u>

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

Governmental Activities:

General Government	\$ 103,948
Administration of Justice	40,929
Public Safety	42,283
Public Health and Welfare	121,405
Highway/Public Works	<u>86,038</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 394,603</u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,112,193	\$ 0	\$ 0	\$ 1,112,193
Construction in Progress	14,591	0	(14,591)	0
Total Capital Assets Not Depreciated	\$ 1,126,784	\$ 0	\$ (14,591)	\$ 1,112,193
Capital Assets Depreciated:				
Buildings and Improvements	\$ 47,915,427	\$ 462,224	\$ (31,125)	\$ 48,346,526
Other Capital Assets	12,340,875	164,182	0	12,505,057
Total Capital Assets Depreciated	\$ 60,256,302	\$ 626,406	\$ (31,125)	\$ 60,851,583
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 26,216,530	\$ 1,157,360	\$ (31,125)	\$ 27,342,765
Other Capital Assets	6,914,007	1,005,066	0	7,919,073
Total Accumulated Depreciation	\$ 33,130,537	\$ 2,162,426	\$ (31,125)	\$ 35,261,838
Total Capital Assets Depreciated, Net	\$ 27,125,765	\$ (1,536,020)	\$ 0	\$ 25,589,745
Governmental Activities Capital Assets, Net	\$ 28,252,549	\$ (1,536,020)	\$ (14,591)	\$ 26,701,938

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

Governmental Activities:

Instruction	\$ 38,095
Support Services	2,070,121
Operation of Non-Instructional Services	<u>54,210</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,162,426</u>

D. Construction Commitments

At June 30, 2013, Morgan County had uncompleted construction contracts of \$20,683 in the General Capital Projects Fund for a water line in North Morgan County. Funding for these future expenditures is expected to be received from a federal grant.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 676
Discretely Presented School Department: General Purpose School	School Federal Projects	27,517

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

Due to/from Primary Government and Component Units:

On the government-wide Statement of Net Position, Due from Component Units of \$328,247 is reflected in the governmental activities of the primary government. This amount represents capital lease obligations, which are being retired by the School Department. Of that amount, \$268,938 is not expected to be received within one year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 0	\$ 101,675
Nonmajor governmental	13,886	0
Total	<u>\$ 13,886</u>	<u>\$ 101,675</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.

F. Capital Leases

On October 1, 2012, Morgan County entered into a two-year lease-purchase agreement for an ambulance. The terms of the agreement require total lease payments of \$74,400 plus interest of 3.2 percent. Title to the ambulance transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On March 1, 2013, Morgan County entered into a five-year lease-purchase agreement for a garbage truck. The terms of the agreement require total lease payments of \$193,342 plus interest of 2.92 percent. Title to the garbage truck transfers to Morgan County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

On April 7, 2008, Morgan County entered into a ten-year lease-purchase agreement for the School Department 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, 2013, are as follows:

<u>Asset</u>	<u>Governmental Activities</u>	
	<u>Primary Government</u>	<u>School Department</u>
Other Capital Assets	\$ 302,742	\$ 684,414
Less: Accumulated Depreciation	(29,690)	(336,504)
Total Book Value	<u>\$ 273,052</u>	<u>\$ 347,910</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Funds
2014	\$ 157,398
2015	157,398
2016	118,106
2017	118,107
2018	118,107
Total Minimum Lease Payments	\$ 669,116
Less: Amount Representing Interest	(73,127)
Present Value of Minimum Lease Payments	<u>\$ 595,989</u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Morgan County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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, 2013, 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, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	2 to 3 %	4-1-26	\$ 6,900,000	\$ 5,390,000
General Obligation Bonds - Refunding	3 to 4	6-1-15	3,740,000	1,195,000
Capital Outlay Notes	0 to 4.25	12-1-17	678,478	334,659
Other Loans - Fixed Rate	4.25 to 6	6-1-27	2,500,000	2,500,000
Other Loans - Variable Rate	Variable	5-25-29	12,095,000	11,889,000
Capital Leases	2.63 to 3.2	3-1-18	869,156	595,989

Morgan County has entered into loan agreements with the Sevier County Public Building Authority, Blount County Public Building Authority, and the 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 the variable rate loans. The following table summarizes loan agreements outstanding at June 30, 2013:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-13	Interest Type	Interest Rates as of 6-30-13	Approximate Fee Rates as of 6-30-13
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,750,000	Fixed	5.6 to 6 %	N/A
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	N/A
City of Clarksville PBA:					
Series 2009	2,000,000	1,794,000	Variable	0.12	0.73 %
Sevier County PBA:					
Series VII-A-3	10,095,000	<u>10,095,000</u>	Variable	5.39 (1)	1.01
Total		<u>\$ 14,389,000</u>			

(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, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2019-2023	2,085,000	379,248	2,464,248
2024-2026	1,410,000	85,045	1,495,045
Total	<u>\$ 6,585,000</u>	<u>\$ 1,135,108</u>	<u>\$ 7,720,108</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
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	\$ 334,659	\$ 13,229	\$ 347,888

Year Ending June 30	Other Loans			Total
	Principal	Interest (1)	Other Fees	
2014	\$ 76,000	\$ 684,011	\$ 115,056	\$ 875,067
2015	205,000	683,919	114,501	1,003,420
2016	903,000	676,977	114,472	1,694,449
2017	958,000	632,461	107,683	1,698,144
2018	1,002,000	585,172	100,374	1,687,546
2019-2023	6,025,000	2,107,591	376,582	8,509,173
2024-2028	5,062,000	507,050	130,830	5,699,880
2029	158,000	1,973	12,001	171,974
Total	\$ 14,389,000	\$ 5,879,154	\$ 1,071,499	\$ 21,339,653

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

There is \$2,071,439 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$996, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department, however; this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Capital Lease</u>	
<u>Payable through General Purpose School Fund</u>	
Football Field Lighting	\$ 328,247

Also, during the year, the School Department contributed \$721,665 to the primary government's General Debt Service Fund to be applied toward the retirement of other school related debt.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	\$ 7,540,000	\$ 429,794	\$ 14,461,000
Reclassification of School Debt	0	0	0
Additions	0	0	0
Reductions	(955,000)	(95,135)	(72,000)
Balance, June 30, 2013	<u>\$ 6,585,000</u>	<u>\$ 334,659</u>	<u>\$ 14,389,000</u>
Balance Due Within One Year	<u>\$ 995,000</u>	<u>\$ 96,163</u>	<u>\$ 76,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2012	\$ 0	\$ 144,760	\$ 323,556
Reclassification of School Debt	384,688	0	0
Additions	267,742	159,615	6,148
Reductions	(56,441)	(120,055)	0
Balance, June 30, 2013	<u>\$ 595,989</u>	<u>\$ 184,320</u>	<u>\$ 329,704</u>
Balance Due Within One Year	<u>\$ 132,419</u>	<u>\$ 110,592</u>	<u>\$ 17,975</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 22,418,672
Add: Unamortized Premium on Debt	112,127
Less: Balance Due Within One Year	<u>(1,428,149)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 21,102,650</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 Obligations

Long-term obligations activity for the discretely presented Morgan County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Capital Leases	Compensated Absences
Balance July 1, 2012	\$ 416,881	\$ 384,688	\$ 83,865
Reclassification of School Debt	0	(384,688)	0
Additions	242,975	0	39,345
Reductions	(141,386)	0	(26,345)
Balance June 30, 2013	<u>\$ 518,470</u>	<u>\$ 0</u>	<u>\$ 96,865</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,746</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 615,335
Less: Balance Due Within One Year	<u>(38,746)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 576,589</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects fund.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were

\$47,226 and \$18,517, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. 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. During the year ended June 30, 2011, 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 which were expected to subsequently be paid by the General Debt Service Fund are reflected below:

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Capital projects	\$ 300,000	0%	9-10-10	9-10-13
	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
Capital projects	\$ 300,000	\$ 0	\$ 0	\$ 300,000

As discussed in Note V.C., the County Commission voted to restore these funds to the General Debt Service Fund from the General Capital Projects Fund by transfer during the 2013-14 budget year.

J. Short-term Debt

Morgan County issued tax anticipation notes in advance of property tax 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, 2013, was as follows:

Tax Anticipation Notes:

<u>Fund</u>	<u>Balance</u> <u>7-1-12</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>6-30-13</u>
Solid Waste/Sanitation (Borrowed from General Debt Service)	\$ 0	\$ 150,000	\$ (150,000)	\$ 0
General Fund (Borrowed from General Debt Service)	0	1,200,000	(1,200,000)	0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

Discretely Presented Morgan County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62,

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Morgan County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the

nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

Subsequent to June 30, 2013, the following tax anticipation note was issued to provide temporary operating funds:

Date	Fund	Amount
9-13-13	Solid Waste/Sanitation	\$ 130,000

In the 2013-14 budget, the County Commission authorized the transfer of \$300,000 from the General Capital Projects Fund to the General Debt Service Fund to repay amounts that were transferred from the General Debt Service Fund to the General Capital Projects Fund in a previous year. This is further discussed in Note IV.I., Internal Financing.

D. Contingent Liabilities

Morgan County is a defendant in a lawsuit filed by a former Sheriff's Department employee alleging wrongful termination and age discrimination. Management believes any potential award may be in excess of \$30,000.

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

E. Landfill 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 \$329,704 reported as postclosure care liability at June 30, 2013, represents

amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District, Meigs and Morgan counties, and various cities within this district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Morgan County made no contributions to the DTF for the year ended June 30, 2013, 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, 2013.

G. 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, 2013, was 7.43 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, 2013, Morgan County's annual pension cost of \$549,178 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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, 2011, was five years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$549,178	100%	\$0
6-30-12	552,474	100	0
6-30-11	528,315	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.04 percent funded. The actuarial accrued liability for benefits was \$14.28 million, and the actuarial value of assets was \$13.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.99 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.68 million, and the ratio of the UAAL to the covered payroll was 14.9 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.

SCHOOL TEACHERS

Plan Description

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

Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$1,067,343, \$1,097,306, and \$1,119,592, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Morgan County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing 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	\$ 244,000
Interest on the NOPEBO	16,675
Adjustment to the ARC	(17,700)
Annual OPEB cost	<hr/> \$ 242,975
Amount of contribution	(141,386)
Increase/decrease in NOPEBO	<hr/> \$ 101,589
Net OPEB obligation, 7-1-12	<hr/> 416,881
Net OPEB obligation, 6-30-13	<hr/> <hr/> \$ 518,470

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 200,635	75 %	\$ 318,266
6-30-12	"	241,217	59	416,881
6-30-13	"	242,975	58	518,470

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 2,046,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,046,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 11,947,656
UAAL as a % of covered payroll	17.12%

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, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 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 July 1, 2007.

I. Termination Benefits

The Morgan County Board of Education offers a one-time payment of \$5,000 to eligible employees as an early retirement bonus. During the 2012-13 year, eight employees accepted the offer. The financial statements of this report reflect expenditures of \$40,000 in the General Purpose School Fund for the retirement incentive payments, and there is no further liability to those retirees under the incentive plan.

J. 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.

K. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Morgan County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Morgan County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
7-1-11	\$ 13,286	\$ 14,280	\$ 994	93.04	% \$ 6,675	14.9 %
7-1-09	10,759	10,759	0	100	6,328	0
7-1-07	10,119	10,119	0	100	5,582	0

Exhibit E-2

Morgan County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Morgan County School Department
June 30, 2013

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	\$ 0	\$ 1,715	\$ 1,715	0	\$ 12,231	14.02 %
7-1-10	0	1,782	1,782	0	12,039	14.8
7-1-11	0	2,046	2,046	0	11,948	17.12

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**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.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Exhibit F-1

Morgan County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 676	\$ 676	\$ 0	\$ 676
Equity in Pooled Cash and Investments	47,398	0	47,398	303,970	351,368
Total Assets	<u>\$ 47,398</u>	<u>\$ 676</u>	<u>\$ 48,074</u>	<u>\$ 303,970</u>	<u>\$ 352,044</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 676	\$ 676	\$ 0	\$ 676
Total Liabilities	<u>\$ 0</u>	<u>\$ 676</u>	<u>\$ 676</u>	<u>\$ 0</u>	<u>\$ 676</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 47,398	\$ 0	\$ 47,398	\$ 0	\$ 47,398
Restricted for Capital Projects	0	0	0	303,970	303,970
Total Fund Balances	<u>\$ 47,398</u>	<u>\$ 0</u>	<u>\$ 47,398</u>	<u>\$ 303,970</u>	<u>\$ 351,368</u>
Total Liabilities and Fund Balances	<u>\$ 47,398</u>	<u>\$ 676</u>	<u>\$ 48,074</u>	<u>\$ 303,970</u>	<u>\$ 352,044</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, 2013

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 43,896	\$ 0	\$ 43,896	\$ 0	\$ 43,896
Charges for Current Services	187	67,109	67,296	0	67,296
State of Tennessee	0	0	0	4,170	4,170
Federal Government	0	0	0	542,236	542,236
Other Governments and Citizens Groups	0	0	0	20,450	20,450
Total Revenues	<u>\$ 44,083</u>	<u>\$ 67,109</u>	<u>\$ 111,192</u>	<u>\$ 566,856</u>	<u>\$ 678,048</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 75	\$ 75	\$ 0	\$ 75
Finance	0	1,246	1,246	0	1,246
Administration of Justice	0	65,788	65,788	0	65,788
Public Safety	33,962	0	33,962	0	33,962
Capital Projects	0	0	0	670,373	670,373
Total Expenditures	<u>\$ 33,962</u>	<u>\$ 67,109</u>	<u>\$ 101,071</u>	<u>\$ 670,373</u>	<u>\$ 771,444</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,121</u>	<u>\$ 0</u>	<u>\$ 10,121</u>	<u>\$ (103,517)</u>	<u>\$ (93,396)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 101,675	\$ 101,675
Transfers Out	(13,886)	0	(13,886)	0	(13,886)
Total Other Financing Sources (Uses)	<u>\$ (13,886)</u>	<u>\$ 0</u>	<u>\$ (13,886)</u>	<u>\$ 101,675</u>	<u>\$ 87,789</u>
Net Change in Fund Balances	\$ (3,765)	\$ 0	\$ (3,765)	\$ (1,842)	\$ (5,607)
Fund Balance, July 1, 2012	<u>51,163</u>	<u>0</u>	<u>51,163</u>	<u>305,812</u>	<u>356,975</u>
Fund Balance, June 30, 2013	<u>\$ 47,398</u>	<u>\$ 0</u>	<u>\$ 47,398</u>	<u>\$ 303,970</u>	<u>\$ 351,368</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,896	\$ 23,000	\$ 33,000	\$ 10,896
Charges for Current Services	187	0	0	187
Total Revenues	<u>\$ 44,083</u>	<u>\$ 23,000</u>	<u>\$ 33,000</u>	<u>\$ 11,083</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,962	\$ 57,096	\$ 38,210	\$ 4,248
Total Expenditures	<u>\$ 33,962</u>	<u>\$ 57,096</u>	<u>\$ 38,210</u>	<u>\$ 4,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,121</u>	<u>\$ (34,096)</u>	<u>\$ (5,210)</u>	<u>\$ 15,331</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 15,000	\$ 0	0
Transfers Out	(13,886)	0	(13,886)	0
Total Other Financing Sources	<u>\$ (13,886)</u>	<u>\$ 15,000</u>	<u>\$ (13,886)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (3,765)	\$ (19,096)	\$ (19,096)	15,331
Fund Balance, July 1, 2012	<u>51,163</u>	<u>51,163</u>	<u>51,163</u>	<u>0</u>
Fund Balance, June 30, 2013	<u><u>\$ 47,398</u></u>	<u><u>\$ 32,067</u></u>	<u><u>\$ 32,067</u></u>	<u><u>\$ 15,331</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,565,712	\$ 1,475,760	\$ 1,475,760	\$ 89,952
Other Governments and Citizens Groups	721,655	720,670	721,656	(1)
Total Revenues	<u>\$ 2,287,367</u>	<u>\$ 2,196,430</u>	<u>\$ 2,197,416</u>	<u>\$ 89,951</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 331,961	\$ 246,936	\$ 331,962	\$ 1
Education	846,615	875,201	846,615	0
<u>Interest on Debt</u>				
General Government	164,756	296,674	207,784	43,028
Education	827,825	731,737	837,173	9,348
<u>Other Debt Service</u>				
General Government	41,950	45,882	48,882	6,932
Total Expenditures	<u>\$ 2,213,107</u>	<u>\$ 2,196,430</u>	<u>\$ 2,272,416</u>	<u>\$ 59,309</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 74,260	\$ 0	\$ (75,000)	\$ 149,260
Net Change in Fund Balance	\$ 74,260	\$ 0	\$ (75,000)	\$ 149,260
Fund Balance, July 1, 2012	1,997,179	2,298,263	2,298,263	(301,084)
Fund Balance, June 30, 2013	<u>\$ 2,071,439</u>	<u>\$ 2,298,263</u>	<u>\$ 2,223,263</u>	<u>\$ (151,824)</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, 2013

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 439,181	\$ 439,181
Due from Other Governments	55,260	0	0	55,260
Property Taxes Receivable	0	62,856	0	62,856
Total Assets	<u>\$ 55,260</u>	<u>\$ 62,856</u>	<u>\$ 439,181</u>	<u>\$ 557,297</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 55,260	\$ 62,856	\$ 0	\$ 118,116
Due to Litigants, Heirs, and Others	0	0	439,181	439,181
Total Liabilities	<u>\$ 55,260</u>	<u>\$ 62,856</u>	<u>\$ 439,181</u>	<u>\$ 557,297</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 356,086	\$ 356,086	\$ 0
Due from Other Governments	53,701	55,260	53,701	55,260
Total Assets	<u>\$ 53,701</u>	<u>\$ 411,346</u>	<u>\$ 409,787</u>	<u>\$ 55,260</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 53,701	\$ 411,346	\$ 409,787	\$ 55,260
Total Liabilities	<u>\$ 53,701</u>	<u>\$ 411,346</u>	<u>\$ 409,787</u>	<u>\$ 55,260</u>
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 51,212	\$ 51,212	\$ 0
Property Taxes Receivable	59,840	62,856	59,840	62,856
Total Assets	<u>\$ 59,840</u>	<u>\$ 114,068</u>	<u>\$ 111,052</u>	<u>\$ 62,856</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 59,840	\$ 114,068	\$ 111,052	\$ 62,856
Total Liabilities	<u>\$ 59,840</u>	<u>\$ 114,068</u>	<u>\$ 111,052</u>	<u>\$ 62,856</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 618,680	\$ 2,770,572	\$ 2,950,071	\$ 439,181
Total Assets	<u>\$ 618,680</u>	<u>\$ 2,770,572</u>	<u>\$ 2,950,071</u>	<u>\$ 439,181</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 618,680	\$ 2,770,572	\$ 2,950,071	\$ 439,181
Total Liabilities	<u>\$ 618,680</u>	<u>\$ 2,770,572</u>	<u>\$ 2,950,071</u>	<u>\$ 439,181</u>

(Continued)

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 618,680	\$ 2,770,572	\$ 2,950,071	\$ 439,181
Equity in Pooled Cash and Investments	0	407,298	407,298	0
Due from Other Governments	53,701	55,260	53,701	55,260
Property Taxes Receivable	59,840	62,856	59,840	62,856
Total Assets	<u>\$ 732,221</u>	<u>\$ 3,295,986</u>	<u>\$ 3,470,910</u>	<u>\$ 557,297</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 113,541	\$ 525,414	\$ 520,839	\$ 118,116
Due to Litigants, Heirs, and Others	618,680	2,770,572	2,950,071	439,181
Total Liabilities	<u>\$ 732,221</u>	<u>\$ 3,295,986</u>	<u>\$ 3,470,910</u>	<u>\$ 557,297</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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 14,405,001	\$ 14,665	\$ 1,684,621	\$ (12,705,715)
Support Services	10,518,335	0	275,743	(10,242,592)
Operation of Non-Instructional Services	3,004,458	511,909	2,418,044	(74,505)
Interest on Long-term Debt	(18,133)	0	0	18,133
Debt Service	665,854	0	0	(665,854)
Total Governmental Activities	\$ 28,575,515	\$ 526,574	\$ 4,378,408	\$ (23,670,533)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,699,225
Other Local Taxes				56,592
Grants and Contributions Not Restricted to Specific Programs				18,891,702
Unrestricted Investment Income				18,952
Miscellaneous				112,872
Total General Revenues				\$ 21,779,343
Change in Net Position				\$ (1,891,190)
Net Position, July 1, 2012				31,759,632
Net Position, June 30, 2013				<u>\$ 29,868,442</u>

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2013

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 200	\$ 104	\$ 1,056	\$ 1,360
Equity in Pooled Cash and Investments	1,902,187	335,871	1,460,611	3,698,669
Accounts Receivable	66,994	0	0	66,994
Due from Other Governments	323,301	30,647	69,580	423,528
Due from Other Funds	27,517	0	0	27,517
Property Taxes Receivable	2,904,587	0	0	2,904,587
Allowance for Uncollectible Property Taxes	(168,361)	0	0	(168,361)
Prepaid Items	2,510	0	0	2,510
Total Assets	<u>\$ 5,058,935</u>	<u>\$ 366,622</u>	<u>\$ 1,531,247</u>	<u>\$ 6,956,804</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 3,279	\$ 71	\$ 20,410	\$ 23,760
Payroll Deductions Payable	201,079	14,357	2,539	217,975
Due to Other Funds	0	27,517	0	27,517
Due to State of Tennessee	3,714	2,784	0	6,498
Total Liabilities	<u>\$ 208,072</u>	<u>\$ 44,729</u>	<u>\$ 22,949</u>	<u>\$ 275,750</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,570,968	\$ 0	\$ 0	\$ 2,570,968
Deferred Delinquent Property Taxes	153,787	0	0	153,787
Other Deferred/Unavailable Revenue	65,969	0	0	65,969
Total Deferred Inflows of Resources	<u>\$ 2,790,724</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,790,724</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Prepaid Items	\$ 2,510	\$ 0	\$ 0	\$ 2,510
Restricted:				
Restricted for Education	0	21,893	1,508,298	1,530,191
Committed:				
Committed for Education	851,993	300,000	0	1,151,993
Assigned:				
Assigned for Education	322,697	0	0	322,697
Unassigned	882,939	0	0	882,939
Total Fund Balances	<u>\$ 2,060,139</u>	<u>\$ 321,893</u>	<u>\$ 1,508,298</u>	<u>\$ 3,890,330</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,058,935</u>	<u>\$ 366,622</u>	<u>\$ 1,531,247</u>	<u>\$ 6,956,804</u>

Exhibit I-3

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Morgan County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,890,330
(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: construction in progress	0	
Add: buildings and improvements net of accumulated depreciation	21,003,761	
Add: other capital assets net of accumulated depreciation	<u>4,585,984</u>	26,701,938
(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 on primary government debt	\$ (328,247)	
Less: other postemployment benefits liability	(518,470)	
Less: compensated absences payable	<u>(96,865)</u>	(943,582)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>219,756</u>
Net position of governmental activities (Exhibit A)		<u>\$ 29,868,442</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, 2013

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,762,479	\$ 0	\$ 0	\$ 2,762,479
Licenses and Permits	620	0	0	620
Charges for Current Services	14,665	0	511,909	526,574
Other Local Revenues	375,629	0	8,096	383,725
State of Tennessee	19,198,817	0	18,845	19,217,662
Federal Government	135,070	2,050,202	1,547,300	3,732,572
Other Governments and Citizens Groups	3,477	0	0	3,477
Total Revenues	<u>\$ 22,490,757</u>	<u>\$ 2,050,202</u>	<u>\$ 2,086,150</u>	<u>\$ 26,627,109</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,867,517	\$ 1,397,800	\$ 0	\$ 14,265,317
Support Services	7,913,273	642,842	0	8,556,115
Operation of Non-Instructional Services	1,137,168	0	2,286,722	3,423,890
Capital Outlay	17,272	0	0	17,272
Debt Service:				
Other Debt Service	722,295	0	0	722,295
Total Expenditures	<u>\$ 22,657,525</u>	<u>\$ 2,040,642</u>	<u>\$ 2,286,722</u>	<u>\$ 26,984,889</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (166,768)</u>	<u>\$ 9,560</u>	<u>\$ (200,572)</u>	<u>\$ (357,780)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,901	\$ 0	\$ 0	\$ 16,901
Total Other Financing Sources (Uses)	<u>\$ 16,901</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,901</u>
Net Change in Fund Balances				
Fund Balance, July 1, 2012	\$ (149,867)	\$ 9,560	\$ (200,572)	\$ (340,879)
	<u>2,210,006</u>	<u>312,333</u>	<u>1,708,870</u>	<u>4,231,209</u>
Fund Balance, June 30, 2013	<u>\$ 2,060,139</u>	<u>\$ 321,893</u>	<u>\$ 1,508,298</u>	<u>\$ 3,890,330</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, 2013

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)		\$ (340,879)
(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	\$ 611,815	
Less: current-year depreciation expense	<u>(2,162,426)</u>	(1,550,611)
(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, 2012	\$ (179,441)	
Add: deferred delinquent property taxes and other deferred June 30, 2013	<u>219,756</u>	40,315
(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 position.		
Add: principal payments on capital leases for primary government		56,441
(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	\$ 18,133	
Change in other postemployment benefits liability	(101,589)	
Change in compensated absences payable	<u>(13,000)</u>	<u>(96,456)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (1,891,190)</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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,762,479	\$ 0	\$ 0	\$ 2,762,479	\$ 2,684,750	\$ 2,684,750	\$ 77,729
Licenses and Permits	620	0	0	620	500	500	120
Charges for Current Services	14,665	0	0	14,665	21,900	21,900	(7,235)
Other Local Revenues	375,629	0	0	375,629	72,000	512,164	(136,535)
State of Tennessee	19,198,817	0	0	19,198,817	19,271,206	19,152,221	46,596
Federal Government	135,070	0	0	135,070	0	135,070	0
Other Governments and Citizens Groups	3,477	0	0	3,477	0	3,477	0
Total Revenues	\$ 22,490,757	\$ 0	\$ 0	\$ 22,490,757	\$ 22,050,356	\$ 22,510,082	\$ (19,325)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,276,198	\$ 0	\$ 83	\$ 10,276,281	\$ 10,210,377	\$ 10,297,045	\$ 20,764
Special Education Program	1,638,373	0	0	1,638,373	1,460,982	1,638,389	16
Vocational Education Program	952,946	(1,358)	0	951,588	965,720	980,720	29,132
<u>Support Services</u>							
Attendance	201,731	0	0	201,731	180,898	209,443	7,712
Health Services	375,533	(13,628)	112	362,017	344,912	371,445	9,428
Other Student Support	517,224	(914)	0	516,310	509,997	524,661	8,351
Regular Instruction Program	977,840	(30,768)	1,547	948,619	951,820	998,381	49,762
Special Education Program	238,394	0	0	238,394	300,238	238,408	14
Vocational Education Program	86,749	0	0	86,749	88,077	88,077	1,328
Other Programs	65,743	0	0	65,743	0	65,743	0
Board of Education	605,769	0	0	605,769	666,777	650,132	44,363
Director of Schools	306,753	0	0	306,753	310,867	311,817	5,064
Office of the Principal	1,305,180	0	0	1,305,180	1,352,937	1,360,456	55,276
Operation of Plant	1,580,912	(3,775)	475	1,577,612	1,650,853	1,650,853	73,241
Maintenance of Plant	676,434	(253,759)	14,801	437,496	566,802	718,785	281,289
Transportation	975,011	(12,198)	0	962,813	967,901	1,002,651	39,838

(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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 74,141	\$ 0	994	\$ 75,135	\$ 33,500	\$ 82,182	\$ 7,047
Early Childhood Education	1,063,027	0	23,223	1,086,250	922,870	1,151,062	64,812
Capital Outlay							
Regular Capital Outlay	17,272	0	132,041	149,313	25,000	165,903	16,590
Principal on Debt							
Education	0	0	0	0	56,441	0	0
Interest on Debt							
Education	0	0	0	0	19,545	0	0
Other Debt Service							
Education	722,295	0	0	722,295	721,310	722,296	1
Total Expenditures	\$ 22,657,525	\$ (316,380)	\$ 173,276	\$ 22,514,421	\$ 22,307,824	\$ 23,228,449	\$ 714,028
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (166,768)	\$ 316,380	\$ (173,276)	\$ (23,664)	\$ (257,468)	\$ (718,367)	\$ 694,703
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 16,901	\$ 0	\$ 0	\$ 16,901	\$ 0	\$ 16,901	\$ 0
Transfers In	0	0	0	0	7,468	7,468	(7,468)
Total Other Financing Sources	\$ 16,901	\$ 0	\$ 0	\$ 16,901	\$ 7,468	\$ 24,369	\$ (7,468)
Net Change in Fund Balance	\$ (149,867)	\$ 316,380	\$ (173,276)	\$ (6,763)	\$ (250,000)	\$ (693,998)	\$ 687,235
Fund Balance, July 1, 2012	2,210,006	(316,380)	0	1,893,626	2,532,657	2,532,657	(639,031)
Fund Balance, June 30, 2013	\$ 2,060,139	\$ 0	\$ (173,276)	\$ 1,886,863	\$ 2,282,657	\$ 1,838,659	\$ 48,204

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,050,202	\$ 0	\$ 0	\$ 2,050,202	\$ 2,185,109	\$ 2,271,864	\$ (221,662)
Total Revenues	\$ 2,050,202	\$ 0	\$ 0	\$ 2,050,202	\$ 2,185,109	\$ 2,271,864	\$ (221,662)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 785,027	\$ (294)	\$ 0	\$ 784,733	\$ 819,023	\$ 879,563	\$ 94,830
Special Education Program	575,189	0	0	575,189	652,843	652,842	77,653
Vocational Education Program	37,584	(2,190)	1,271	36,665	36,980	37,709	1,044
<u>Support Services</u>							
Other Student Support	50,234	0	94	50,328	56,221	52,326	1,998
Regular Instruction Program	524,970	0	0	524,970	546,662	585,291	60,321
Special Education Program	65,723	0	0	65,723	74,000	74,000	8,277
Vocational Education Program	1,915	0	0	1,915	2,000	1,915	0
Total Expenditures	\$ 2,040,642	\$ (2,484)	\$ 1,365	\$ 2,039,523	\$ 2,187,729	\$ 2,283,646	\$ 244,123
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ 9,560	\$ 2,484	\$ (1,365)	\$ 10,679	\$ (2,620)	\$ (11,782)	\$ 22,461
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 127,244	\$ 0	\$ 0
Transfers Out	0	0	0	0	(134,306)	(6,206)	6,206
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,062)	\$ (6,206)	\$ 6,206
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 9,560	\$ 2,484	\$ (1,365)	\$ 10,679	\$ (9,682)	\$ (17,988)	\$ 28,667
Fund Balance, July 1, 2012	312,333	(2,484)	0	309,849	334,985	334,985	(25,136)
Fund Balance, June 30, 2013	\$ 321,893	\$ 0	\$ (1,365)	\$ 320,528	\$ 325,303	\$ 316,997	\$ 3,531

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 511,909	\$ 0	\$ 0	\$ 511,909	\$ 501,800	\$ 501,800	\$ 10,109
Other Local Revenues	8,096	0	0	8,096	18,000	18,000	(9,904)
State of Tennessee	18,845	0	0	18,845	19,000	19,000	(155)
Federal Government	1,547,300	0	0	1,547,300	1,404,349	1,404,349	142,951
Total Revenues	\$ 2,086,150	\$ 0	\$ 0	\$ 2,086,150	\$ 1,943,149	\$ 1,943,149	\$ 143,001
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 2,210,737	\$ (319,265)	\$ 520,626	\$ 2,412,098	\$ 1,835,649	\$ 2,917,457	\$ 505,359
Community Services	75,985	(18,171)	27,540	85,354	107,500	122,250	36,896
Total Expenditures	\$ 2,286,722	\$ (337,436)	\$ 548,166	\$ 2,497,452	\$ 1,943,149	\$ 3,039,707	\$ 542,255
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,572)	\$ 337,436	\$ (548,166)	\$ (411,302)	\$ 0	\$ (1,096,558)	\$ 685,256
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (200,572)	\$ 337,436	\$ (548,166)	\$ (411,302)	\$ 0	\$ (1,096,558)	\$ 685,256
	1,708,870	(337,436)	0	1,371,434	1,366,215	1,366,215	5,219
Fund Balance, June 30, 2013	\$ 1,508,298	\$ 0	\$ (548,166)	\$ 960,132	\$ 1,366,215	\$ 269,657	\$ 690,475

MISCELLANEOUS SCHEDULES

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation	\$ 500,000	2.8 %	4-22-03	6-1-14	\$ 105,000	0 \$	50,000 \$	55,000
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	1,750,000	0	555,000	1,195,000
General Obligation School Series 2010	6,400,000	2 to 3	10-13-10	4-1-26	5,685,000	0	350,000	5,335,000
Total Bonds Payable					\$ 7,540,000	0 \$	955,000 \$	6,585,000
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	\$ 284,846	0 \$	71,211 \$	213,635
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	144,948	0	23,924	121,024
Total Notes Payable					\$ 429,794	0 \$	95,135 \$	334,659
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority of Blount County	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,750,000	0 \$	0 \$	1,750,000
Public Improvement - Series B-13-A								
Public Building Authority of Blount County	750,000	4.25 to 5	6-15-10	6-1-27	750,000	0	0	750,000
Public Improvement - Series B-20-A								
Public Building Authority of the City of Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	1,866,000	0	72,000	1,794,000
Public Building Authority of Sevier County - Series VII-A-3	10,095,000	Variable (1)	8-28-08	6-1-26	10,095,000	0	0	10,095,000
Total Other Loans Payable					\$ 14,461,000	0 \$	72,000 \$	14,389,000

(Continued)

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans and Capital Leases (Cont.)

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-12</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-13</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund Remounted Ambulance</u>	\$ 74,400	3.2 %	10-1-12	8-15-14	\$ 0	\$ 74,400	\$ 0	74,400
<u>Payable through Solid Waste/Sanititation Fund Garbage Truck</u>	193,342	2.92	3-1-13	3-1-18	0	193,342	0	193,342
<u>Payable by School Department through Contributions from the General Purpose School Fund to the Primary Government Football Field Lighting</u>	601,414	2.63	4-7-08	8-1-17	384,688	0	56,441	328,247
<u>Total Capital Leases Payable</u>					<u>\$ 384,688</u>	<u>\$ 267,742</u>	<u>\$ 56,441</u>	<u>\$ 595,989</u>

(1) An interest rate swap agreement is associated with this issue as discussed in the notes to the financial statements.

Exhibit J-2

Morgan County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	<u>\$ 6,585,000</u>	<u>\$ 1,135,108</u>	<u>\$ 7,720,108</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
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	<u>\$ 334,659</u>	<u>\$ 13,229</u>	<u>\$ 347,888</u>

(Continued)

Exhibit J-2

Morgan County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 76,000	\$ 684,011	\$ 115,056	\$ 875,067
2015	205,000	683,919	114,501	1,003,420
2016	903,000	676,977	114,472	1,694,449
2017	958,000	632,461	107,683	1,698,144
2018	1,002,000	585,172	100,374	1,687,546
2019	1,077,000	535,653	92,669	1,705,322
2020	1,131,000	481,757	84,502	1,697,260
2021	1,212,000	425,168	75,837	1,713,006
2022	1,272,000	364,381	66,653	1,703,035
2023	1,333,000	300,631	56,921	1,690,552
2024	1,418,000	233,916	46,625	1,698,541
2025	1,465,000	162,737	35,782	1,663,519
2026	1,536,000	91,552	24,267	1,651,819
2027	493,000	16,865	12,103	521,968
2028	150,000	1,981	12,052	164,034
2029	158,000	1,973	12,001	171,974
Total	\$ 14,389,000	\$ 5,879,154	\$ 1,071,499	\$ 21,339,653

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 132,419	\$ 24,979	\$ 157,398
2015	137,627	19,771	157,398
2016	104,124	13,982	118,106
2017	108,581	9,526	118,107
2018	113,238	4,869	118,107
Total	\$ 595,989	\$ 73,127	\$ 669,116

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Capital Projects	Capital projects	\$ 101,675
Drug Control	General	Drug officer salary	<u>13,886</u>
Total Transfers			<u>\$ 115,561</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 67,843	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	64,613	100,000	"
Director of Schools	State Board of Education and County Board of Education	97,222 (1)	50,000	"
Trustee	Section 8-24-102, TCA	58,739	925,000	"
Assessor of Property	Section 8-24-102, TCA	58,739	10,000	"
County Clerk	Section 8-24-102, TCA	58,739	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	50,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	58,739 (2)	50,000	"
Register of Deeds	Section 8-24-102, TCA	58,739	25,000	"
Sheriff	Section 8-24-102, TCA	64,613 (3)	25,000	"
Director of Finance	County Commission	60,227 (4)	50,000	"
County Employees Blanket Bond Coverage:			150,000	Local Government Insurance Pool
Employee Dishonesty - County			150,000	Tennessee Risk Management Trust
Employee Dishonesty - School Department				

(1) Includes a chief executive officer training supplement of \$1,000.

(2) Does not include special commissioner fees of \$2,242.

(3) Does not include a law enforcement training salary supplement of \$600.

(4) Includes a \$1,000 longevity supplement and \$8,547, which is appropriated as a salary supplement in the General Fund and reimbursed by the School Department.

Exhibit J-5

Morgan County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	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	
				Officers - Fees	Constitutional Officers - Fees				
Local Taxes									
County Property Taxes									
Current Property Tax	\$ 3,989,549	\$ 745,213	\$ 0	\$ 0	\$ 57,708	\$ 602,184	\$ 0	\$ 5,394,654	
Trustee's Collections - Prior Year	252,378	47,182	0	0	3,651	38,029	0	341,240	
Trustee's Collections - Bankruptcy	1,396	286	0	0	21	149	0	1,852	
Circuit/Clerk & Master Collections - Prior Years	237,439	44,351	0	0	3,434	35,840	0	321,064	
Interest and Penalty	46,251	8,642	0	0	668	6,977	0	62,538	
Pick-up Taxes	1,525	285	0	0	22	230	0	2,062	
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0	0	1	
Payments in-Lieu-of Taxes - Local Utilities	26,839	0	0	0	0	0	0	26,839	
Payments in-Lieu-of Taxes - Other	13,030	0	0	0	0	0	0	13,030	
County Local Option Taxes									
Local Option Sales Tax	0	0	0	0	0	878,689	0	878,689	
Litigation Tax - General	34,073	0	0	0	0	0	0	34,073	
Litigation Tax - Special Purpose	67,440	0	0	0	0	0	0	67,440	
Litigation Tax - Jail, Workhouse, or Courthouse	15,006	0	0	0	0	0	0	15,006	
Mineral Severance Tax	0	0	0	0	90,795	0	0	90,795	
Other County Local Option Taxes	3,291	0	0	0	0	0	0	3,291	
Statutory Local Taxes									
Beer Privilege Tax	1,165	0	0	0	0	0	0	1,165	
Interstate Telecommunications Tax	0	0	0	0	0	3,604	0	3,604	
Total Local Taxes	\$ 4,689,383	\$ 845,959	\$ 0	\$ 0	\$ 156,299	\$ 1,565,712	\$ 0	\$ 7,257,353	
Licenses and Permits									
Licenses									
Marriage Licenses	735	0	0	0	0	0	0	735	
Cable TV Franchise	37,988	0	0	0	0	0	0	37,988	
Permits									
Beer Permits	238	0	0	0	0	0	0	238	
Total Licenses and Permits	\$ 38,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,961	
Fines, Forfeitures, and Penalties									
Circuit Court									
Fines	1,206	0	0	0	0	0	0	1,206	
Officers Costs	2,715	0	0	0	0	0	0	2,715	
Drug Control Fines	0	0	713	0	0	0	0	713	
Drug Court Fees	0	0	900	0	0	0	0	900	
Jail Fees	87	0	0	0	0	0	0	87	
Data Entry Fee - Circuit Court	665	0	0	0	0	0	0	665	

(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>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Criminal Court</u>										
Victims Assistance Assessments	840	0	0	0	0	0	0	0	0	840
<u>General Sessions Court</u>										
Fines	14,258	0	0	0	0	0	0	0	0	14,258
Officers Costs	24,209	0	0	0	0	0	0	0	0	24,209
Game and Fish Fines	1,152	0	0	0	0	0	0	0	0	1,152
Drug Control Fines	5,637	0	22,609	0	0	0	0	0	0	28,246
Drug Court Fees	0	0	3,301	0	0	0	0	0	0	3,301
Jail Fees	4,427	0	0	0	0	0	0	0	0	4,427
DUJ Treatment Fines	2,766	0	0	0	0	0	0	0	0	2,766
Data Entry Fee - General Sessions Court	4,671	0	0	0	0	0	0	0	0	4,671
Courtroom Security Fee	407	0	0	0	0	0	0	0	0	407
Victims Assistance Assessments	7,687	0	0	0	0	0	0	0	0	7,687
<u>Juvenile Court</u>										
Fines	1,646	0	0	0	0	0	0	0	0	1,646
Officers Costs	2,991	0	0	0	0	0	0	0	0	2,991
Data Entry Fee - Juvenile Court	326	0	0	0	0	0	0	0	0	326
<u>Chancery Court</u>										
Data Entry Fee - Chancery Court	3,376	0	0	0	0	0	0	0	0	3,376
Courtroom Security Fee	232	0	0	0	0	0	0	0	0	232
<u>Judicial District Drug Program</u>										
Data Entry Fee - Other Courts	318	0	0	0	0	0	0	0	0	318
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	16,373	0	0	0	0	0	0	16,373
Total Fines, Forfeitures, and Penalties	79,616	0	43,896	0	0	0	0	0	0	123,512
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Solid Waste Disposal Fees	0	188,702	0	0	0	0	0	0	0	188,702
Patient Charges	894,191	0	0	0	0	0	0	0	0	894,191
Other General Service Charges	66	0	187	0	720	0	0	0	0	973
<u>Fees</u>										
Copy Fees	7,240	0	0	0	0	0	0	0	0	7,240
Library Fees	7,137	0	0	0	0	0	0	0	0	7,137
Greenbelt Late Application Fee	50	0	0	0	0	0	0	0	0	50
Telephone Commissions	8,376	0	0	0	0	0	0	0	0	8,376
Constitutional Officers' Fees and Commissions	0	0	0	64,867	0	0	0	0	0	64,867

(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	General Capital Projects	
Charges for Current Services (Cont.)									
Fees (Cont.)									
Special Commissioner Fees/Special Master Fees	\$ 0	\$ 0	\$ 0	\$ 2,242	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,242
Data Processing Fee - Register	6,308	0	0	0	0	0	0	0	6,308
Data Processing Fee - Sheriff	2,014	0	0	0	0	0	0	0	2,014
Sexual Offender Registration Fees - Sheriff	3,000	0	0	0	0	0	0	0	3,000
Total Charges for Current Services	\$ 928,382	\$ 188,702	\$ 187	\$ 67,109	\$ 720	\$ 0	\$ 0	\$ 0	\$ 1,185,100
Other Local Revenues									
Recurring Items									
Investment Income	\$ 8,169	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,169
Lease/Rentals	48	0	0	0	0	0	0	0	48
Commissary Sales	8,101	0	0	0	0	0	0	0	8,101
Sale of Gasoline	0	0	0	0	97,679	0	0	0	97,679
Sale of Recycled Materials	0	32,373	0	0	1,715	0	0	0	34,088
Nonrecurring Items									
Sale of Equipment	5,792	800	0	0	2,900	0	0	0	9,492
Damages Recovered from Individuals	1,681	0	0	0	0	0	0	0	1,681
Contributions and Gifts	49,679	0	0	0	0	0	0	0	49,679
Other Local Revenues									
Other Local Revenues	9,604	0	0	0	0	0	0	0	9,604
Total Other Local Revenues	\$ 83,074	\$ 33,173	\$ 0	\$ 0	\$ 102,294	\$ 0	\$ 0	\$ 0	\$ 218,541
Fees Received from County Officials									
Fees In-Lieu-of Salary									
County Clerk	\$ 126,773	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 126,773
Circuit Court Clerk	19,367	0	0	0	0	0	0	0	19,367
General Sessions Court Clerk	101,555	0	0	0	0	0	0	0	101,555
Clerk and Master	119,676	0	0	0	0	0	0	0	119,676
Juvenile Court Clerk	13,330	0	0	0	0	0	0	0	13,330
Register	69,741	0	0	0	0	0	0	0	69,741
Sheriff	5,703	0	0	0	0	0	0	0	5,703
Trustee	268,878	0	0	0	0	0	0	0	268,878
Total Fees Received from County Officials	\$ 725,023	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 725,023
State of Tennessee									
General Government Grants									
Juvenile Services Program	\$ 9,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,090
Solid Waste Grants	0	2,834	0	0	0	0	0	0	2,834

(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>Public Safety Grants</u>										
Law Enforcement Training Programs	\$ 10,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,800
Drug Control Grants	40,311	0	0	0	0	0	0	0	0	40,311
<u>Health and Welfare Grants</u>										
Health Department Programs	27,082	0	0	0	0	0	0	0	0	27,082
Public Works Grants										
State Aid Program	0	0	0	0	110,045	0	0	0	0	110,045
Litter Program	0	32,178	0	0	0	0	0	0	0	32,178
<u>Other State Revenues</u>										
Income Tax	15,115	0	0	0	0	0	0	0	0	15,115
Beer Tax	18,586	0	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	53,869	0	0	0	0	0	0	0	0	53,869
Mixed Drink Tax	784	0	0	0	0	0	0	0	0	784
State Revenue Sharing - T.V.A.	331,187	0	0	0	0	0	0	0	0	331,187
Contracted Prisoner Boarding	46,916	0	0	0	0	0	0	0	0	46,916
Gasoline and Motor Fuel Tax	0	0	0	0	1,706,228	0	0	0	0	1,706,228
Petroleum Special Tax	0	0	0	0	15,865	0	0	0	0	15,865
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164
Other State Grants	1,000	0	0	0	0	0	0	4,170	0	5,170
Other State Revenues	95	0	0	0	0	0	0	0	0	95
Total State of Tennessee	\$ 569,999	\$ 35,012	\$ 0	\$ 0	\$ 1,832,138	\$ 0	\$ 0	\$ 4,170	\$ 0	\$ 2,441,319
<u>Federal Government</u>										
Federal Through State										
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 421,396	\$ 0	\$ 421,396
Homeland Security Grants	0	0	0	0	0	0	0	48,867	0	48,867
Other Federal through State	0	0	0	0	0	0	0	71,973	0	71,973
<u>Direct Federal Revenue</u>										
Other Direct Federal Revenue	8,000	0	0	0	0	0	0	0	0	8,000
Total Federal Government	\$ 8,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 542,236	\$ 0	\$ 550,236
<u>Other Governments and Citizens Groups</u>										
Other Governments										
Prisoner Board	\$ 21,497	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,497
Contributions	9,874	0	0	0	0	721,655	0	20,450	0	751,979
Contracted Services	128,690	0	0	0	0	0	0	0	0	128,690

(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	General Capital Projects	
Other Governments and Citizens Groups (Cont.)									
Citizens Groups									
Donations	\$ 0 \$	350 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	350
Other	9,435	0	0	0	0	0	0	0	9,435
Total Other Governments and Citizens Groups	\$ 169,496 \$	350 \$	0 \$	0 \$	0 \$	721,655 \$	20,450 \$	0	911,951
Total	\$ 7,291,934 \$	1,103,196 \$	44,083 \$	67,109 \$	2,091,451 \$	2,287,367 \$	566,856 \$	0	13,451,996

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, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,383,690	\$ 0	\$ 0	\$ 2,383,690
Trustee's Collections - Prior Year	150,869	0	0	150,869
Trustee's Collections - Bankruptcy	911	0	0	911
Circuit/Clerk & Master Collections - Prior Years	141,866	0	0	141,866
Interest and Penalty	27,640	0	0	27,640
Pick-up Taxes	911	0	0	911
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	56,592	0	0	56,592
Total Local Taxes	\$ 2,762,479	\$ 0	\$ 0	\$ 2,762,479
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 620	\$ 0	\$ 0	\$ 620
Total Licenses and Permits	\$ 620	\$ 0	\$ 0	\$ 620
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 14,665	\$ 0	\$ 0	\$ 14,665
Lunch Payments - Children	0	0	267,718	267,718
Lunch Payments - Adults	0	0	46,323	46,323
Income from Breakfast	0	0	115,554	115,554
A la carte Sales	0	0	76,893	76,893
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	5,421	5,421
Total Charges for Current Services	\$ 14,665	\$ 0	\$ 511,909	\$ 526,574
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 10,879	\$ 0	\$ 8,073	\$ 18,952
Refund of Telecommunication and Internet Fees (E-Rate)	41,177	0	0	41,177
Miscellaneous Refunds	88,326	0	23	88,349
<u>Nonrecurring Items</u>				
Sale of Equipment	846	0	0	846
Sale of Property	87,720	0	0	87,720
Contributions and Gifts	50	0	0	50
<u>Other Local Revenues</u>				
Other Local Revenues	146,631	0	0	146,631
Total Other Local Revenues	\$ 375,629	\$ 0	\$ 8,096	\$ 383,725

(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	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 65,743	\$ 0	\$ 0	\$ 65,743
<u>State Education Funds</u>				
Basic Education Program	17,749,202	0	0	17,749,202
Early Childhood Education	645,549	0	0	645,549
School Food Service	0	0	18,845	18,845
Driver Education	4,623	0	0	4,623
Other State Education Funds	168,761	0	0	168,761
Career Ladder Program	154,486	0	0	154,486
Career Ladder - Extended Contract	54,000	0	0	54,000
Other Vocational	23,400	0	0	23,400
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	331,187	0	0	331,187
Other State Grants	1,866	0	0	1,866
Total State of Tennessee	\$ 19,198,817	\$ 0	\$ 18,845	\$ 19,217,662
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,028,759	\$ 1,028,759
USDA - Commodities	0	0	60,667	60,667
Breakfast	0	0	446,729	446,729
USDA - Other	0	0	11,145	11,145
Vocational Education - Basic Grants to States	0	50,413	0	50,413
Title I Grants to Local Education Agencies	0	807,216	0	807,216
Special Education - Grants to States	38,070	609,115	0	647,185
Special Education Preschool Grants	0	31,801	0	31,801
Rural Education	0	58,895	0	58,895
Eisenhower Professional Development State Grants	0	234,815	0	234,815
Race-to-the-Top - ARRA	0	230,431	0	230,431
Other Federal through State	97,000	27,516	0	124,516
Total Federal Government	\$ 135,070	\$ 2,050,202	\$ 1,547,300	\$ 3,732,572
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 3,477	\$ 0	\$ 0	\$ 3,477
Total Other Governments and Citizens Groups	\$ 3,477	\$ 0	\$ 0	\$ 3,477
Total	\$ 22,490,757	\$ 2,050,202	\$ 2,086,150	\$ 26,627,109

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	25,103	
Social Security		1,556	
Employer Medicare		364	
Audit Services		6,596	
Dues and Memberships		14,467	
Legal Services		6,211	
Legal Notices, Recording, and Court Costs		586	
Pauper Burials		139	
Postal Charges		321	
Office Supplies		977	
Other Supplies and Materials		190	
Premiums on Corporate Surety Bonds		6,875	
Other Charges		1,903	
Total County Commission			\$ 65,288

County Mayor/Executive

County Official/Administrative Officer	\$	67,843	
Assistant(s)		24,093	
Part-time Personnel		13,562	
Longevity Pay		100	
Social Security		6,370	
State Retirement		6,838	
Medical Insurance		12,560	
Employer Medicare		1,490	
Communication		3,657	
Postal Charges		383	
Travel		1,560	
Office Supplies		497	
Total County Mayor/Executive			138,953

County Attorney

Legal Services	\$	9,679	
Total County Attorney			9,679

Election Commission

County Official/Administrative Officer	\$	52,865
Clerical Personnel		17,472
Temporary Personnel		336
Election Commission		4,050
Election Workers		11,970
Social Security		4,377
State Retirement		5,226
Employer Medicare		1,024
Advertising		3,651
Communication		1,989
Dues and Memberships		175
Maintenance and Repair Services - Office Equipment		6,570
Postal Charges		500
Rentals		1,800
Travel		4,283

(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.)

Office Supplies	\$	12,993	
Data Processing Equipment		1,000	
Total Election Commission			\$ 130,281

Register of Deeds

County Official/Administrative Officer	\$	58,739	
Secretary(ies)		20,734	
Longevity Pay		900	
Social Security		4,929	
State Retirement		5,972	
Medical Insurance		4,912	
Employer Medicare		1,153	
Communication		2,332	
Dues and Memberships		532	
Postal Charges		285	
Printing, Stationery, and Forms		1,386	
Rentals		1,650	
Office Supplies		1,715	
Office Equipment		6,657	
Total Register of Deeds			111,896

County Buildings

Custodial Personnel	\$	20,411	
Longevity Pay		100	
Social Security		1,257	
State Retirement		1,387	
Employer Medicare		294	
Communication		1,775	
Maintenance and Repair Services - Buildings		53,426	
Pest Control		3,240	
Rentals		4,000	
Custodial Supplies		7,713	
Electricity		52,580	
Natural Gas		4,900	
Office Supplies		8,994	
Water and Sewer		6,289	
Other Supplies and Materials		484	
Liability Insurance		106,510	
Workers' Compensation Insurance		85,707	
Total County Buildings			359,067

Finance

Accounting and Budgeting

Supervisor/Director	\$	50,680	
Accountants/Bookkeepers		85,301	
Salary Supplements		8,547	
Longevity Pay		5,200	
Social Security		8,768	
State Retirement		11,125	
Medical Insurance		26,222	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Employer Medicare	\$	2,050	
Communication		3,539	
Maintenance and Repair Services - Office Equipment		11,027	
Postal Charges		3,471	
Travel		304	
Office Supplies		4,580	
Data Processing Equipment		2,100	
Total Accounting and Budgeting			\$ 222,914

Property Assessor's Office

County Official/Administrative Officer	\$	58,739	
Clerical Personnel		63,449	
Longevity Pay		3,300	
Board and Committee Members Fees		2,850	
Social Security		7,462	
State Retirement		9,324	
Medical Insurance		17,489	
Employer Medicare		1,745	
Advertising		156	
Audit Services		3,325	
Communication		1,249	
Data Processing Services		2,919	
Maintenance and Repair Services - Office Equipment		1,908	
Postal Charges		824	
Travel		972	
Office Supplies		2,442	
Motor Vehicles		1,896	
Total Property Assessor's Office			180,049

Reappraisal Program

Data Processing Services	\$	4,873	
Total Reappraisal Program			4,873

County Trustee's Office

County Official/Administrative Officer	\$	58,739	
Accountants/Bookkeepers		18,780	
Secretary(ies)		19,818	
Part-time Personnel		5,594	
Longevity Pay		600	
Social Security		6,026	
State Retirement		7,277	
Medical Insurance		21,309	
Employer Medicare		1,409	
Advertising		156	
Communication		1,165	
Data Processing Services		6,603	
Dues and Memberships		517	
Maintenance and Repair Services - Office Equipment		4,262	
Postal Charges		5,572	
Office Supplies		754	
Total County Trustee's Office			158,581

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	58,739	
Secretary(ies)		40,673	
Longevity Pay		1,300	
Social Security		5,781	
State Retirement		7,469	
Medical Insurance		25,152	
Employer Medicare		1,352	
Communication		2,247	
Dues and Memberships		507	
Postal Charges		3,456	
Office Supplies		11,047	
Office Equipment		1,048	
Total County Clerk's Office			\$ 158,771

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,739	
Clerical Personnel		78,721	
Longevity Pay		2,500	
Overtime Pay		172	
Social Security		7,747	
State Retirement		10,404	
Medical Insurance		50,618	
Employer Medicare		1,812	
Communication		2,432	
Maintenance and Repair Services - Office Equipment		14,347	
Postal Charges		2,076	
Rentals		1,707	
Travel		207	
Office Supplies		5,332	
Total Circuit Court			236,814

Criminal Court

Jury and Witness Expense	\$	8,036	
Total Criminal Court			8,036

General Sessions Court

Paraprofessionals	\$	5,736	
Clerical Personnel		19,717	
Longevity Pay		500	
Social Security		1,497	
State Retirement		1,928	
Medical Insurance		6,683	
Employer Medicare		350	
Communication		2,032	
Dues and Memberships		120	
Postal Charges		242	
Travel		3,558	
Office Supplies		2,595	
Total General Sessions Court			44,958

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge

Judge(s)	\$	108,852	
Social Security		6,492	
State Retirement		8,088	
Medical Insurance		12,576	
Employer Medicare		1,518	
Total General Sessions Judge			\$ 137,526

Drug Court

Assistant(s)	\$	20,297	
Guards		4,049	
Longevity Pay		300	
Social Security		1,528	
State Retirement		1,530	
Unemployment Compensation		140	
Employer Medicare		357	
Communication		2,936	
Postal Charges		76	
Travel		5,310	
Other Contracted Services		1,104	
Office Supplies		5,558	
Total Drug Court			43,185

Chancery Court

County Official/Administrative Officer	\$	58,739	
Clerical Personnel		41,310	
Longevity Pay		2,900	
Social Security		6,019	
State Retirement		7,649	
Medical Insurance		26,222	
Employer Medicare		1,408	
Communication		2,212	
Maintenance and Repair Services - Office Equipment		113	
Postal Charges		1,480	
Travel		407	
Office Supplies		3,065	
Total Chancery Court			151,524

Juvenile Court

Social Workers	\$	20,455	
Longevity Pay		600	
Social Security		1,213	
State Retirement		1,564	
Medical Insurance		4,473	
Employer Medicare		284	
Communication		179	
Travel		1,350	
Office Supplies		999	
Total Juvenile Court			31,117

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Courtroom Security

Supervisor/Director	\$	9,506	
Guards		42,027	
Longevity Pay		500	
Overtime Pay		34	
Other Salaries and Wages		9,026	
Social Security		3,723	
State Retirement		1,346	
Medical Insurance		4,062	
Employer Medicare		871	
Law Enforcement Equipment		102	
Total Courtroom Security			\$ 71,197

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,613	
Deputy(ies)		482,273	
Salary Supplements		10,800	
Clerical Personnel		18,555	
Part-time Personnel		381	
School Resource Officer		48,966	
Longevity Pay		7,400	
Overtime Pay		64,779	
Other Salaries and Wages		22,870	
Board and Committee Members Fees		850	
In-Service Training		5,507	
Social Security		42,383	
State Retirement		51,758	
Medical Insurance		146,994	
Employer Medicare		9,912	
Dues and Memberships		1,930	
Maintenance and Repair Services - Equipment		477	
Maintenance and Repair Services - Vehicles		4,925	
Postal Charges		1,921	
Travel		601	
Other Contracted Services		4,021	
Gasoline		105,755	
Law Enforcement Supplies		1,033	
Office Supplies		3,756	
Uniforms		3,794	
Vehicle Parts		27,288	
Other Supplies and Materials		923	
Other Charges		4,084	
Communication Equipment		22,732	
Data Processing Equipment		2,740	
Law Enforcement Equipment		5,663	
Motor Vehicles		58,900	
Total Sheriff's Department			1,228,584

Jail

Supervisor/Director	\$	33,878	
---------------------	----	--------	--

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Guards	\$	479,863	
Clerical Personnel		20,557	
Cafeteria Personnel		16,782	
Maintenance Personnel		3,000	
Temporary Personnel		6,279	
Longevity Pay		8,100	
Overtime Pay		24,684	
Other Salaries and Wages		23,532	
In-Service Training		3,026	
Social Security		37,235	
State Retirement		42,986	
Medical Insurance		110,469	
Employer Medicare		8,708	
Communication		27,071	
Maintenance and Repair Services - Buildings		7,478	
Maintenance and Repair Services - Equipment		4,745	
Maintenance and Repair Services - Office Equipment		2,041	
Medical and Dental Services		93,182	
Pest Control		360	
Travel		216	
Other Contracted Services		5,780	
Custodial Supplies		18,727	
Drugs and Medical Supplies		181	
Electricity		33,363	
Food Supplies		84,321	
Natural Gas		8,751	
Office Supplies		1,460	
Prisoners Clothing		6,808	
Uniforms		2,987	
Water and Sewer		16,409	
Other Supplies and Materials		2,941	
Law Enforcement Equipment		3,265	
Total Jail			\$ 1,139,185

Juvenile Services

Other Contracted Services	\$	500	
Total Juvenile Services			500

Fire Prevention and Control

Medical Insurance	\$	10,177	
Contracts with Government Agencies		2,000	
Contributions		54,500	
Vehicle and Equipment Insurance		37,269	
Workers' Compensation Insurance		7,906	
Other Charges		20,494	
Total Fire Prevention and Control			132,346

Civil Defense

Supervisor/Director	\$	8,063	
Social Security		500	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Employer Medicare	\$	117	
Communication		5,570	
Dues and Memberships		315	
Maintenance and Repair Services - Equipment		844	
Travel		765	
Gasoline		1,376	
Office Supplies		386	
Other Supplies and Materials		279	
Total Civil Defense			\$ 18,215

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$	16,810	
Supervisor/Director		39,284	
Data Processing Personnel		10,000	
Dispatchers/Radio Operators		97,974	
Part-time Personnel		67,347	
Longevity Pay		5,400	
Overtime Pay		26,887	
Other Salaries and Wages		5,939	
Social Security		16,152	
State Retirement		16,303	
Medical Insurance		31,781	
Unemployment Compensation		1,620	
Employer Medicare		3,777	
Total Other Emergency Management			339,274

County Coroner/Medical Examiner

Supervisor/Director	\$	20,400	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		4,500	
Total County Coroner/Medical Examiner			25,084

Other Public Safety

Contributions	\$	5,000	
Road Signs		552	
Total Other Public Safety			5,552

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,450	
Social Security		276	
Employer Medicare		65	
Communication		3,443	
Contributions		19,979	
Maintenance and Repair Services - Buildings		435	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Maintenance and Repair Services - Equipment	\$	145	
Postal Charges		903	
Custodial Supplies		240	
Drugs and Medical Supplies		584	
Electricity		4,051	
Natural Gas		953	
Office Supplies		1,377	
Water and Sewer		861	
Other Charges		250	
Total Local Health Center			\$ 38,012

Ambulance/Emergency Medical Services

Supervisor/Director	\$	43,239	
Accountants/Bookkeepers		21,883	
Medical Personnel		373,132	
Temporary Personnel		7,753	
Longevity Pay		15,700	
Overtime Pay		296,158	
Other Salaries and Wages		15,300	
In-Service Training		1,833	
Social Security		45,779	
State Retirement		56,511	
Medical Insurance		154,330	
Employer Medicare		10,706	
Communication		8,570	
Dues and Memberships		450	
Licenses		2,000	
Maintenance and Repair Services - Equipment		10,516	
Maintenance and Repair Services - Vehicles		31,959	
Postal Charges		3,000	
Travel		1,841	
Other Contracted Services		6,450	
Custodial Supplies		2,648	
Drugs and Medical Supplies		57,160	
Electricity		6,366	
Gasoline		48,544	
Natural Gas		3,738	
Office Supplies		4,160	
Uniforms		4,926	
Water and Sewer		1,811	
Liability Insurance		20,389	
Other Charges		4,857	
Attendance Equipment		22,715	
Communication Equipment		905	
Data Processing Equipment		2,911	
Motor Vehicles		151,123	
Total Ambulance/Emergency Medical Services			1,439,363

Crippled Children Services

Contributions	\$	360	
Other Charges		5,000	
Total Crippled Children Services			5,360

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Medical Personnel	\$	5,675	
Clerical Personnel		17,680	
Longevity Pay		700	
Social Security		1,491	
State Retirement		1,366	
Employer Medicare		349	
Travel		1,957	
Total Other Local Health Services			\$ 29,218

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$	3,987	
Total Senior Citizens Assistance			3,987

Libraries

Librarians	\$	44,822	
Social Security		2,779	
Employer Medicare		650	
Communication		7,984	
Postal Charges		700	
Rentals		1,187	
Travel		951	
Instructional Supplies and Materials		420	
Office Supplies		599	
Periodicals		2,183	
Other Charges		14,172	
Data Processing Equipment		149	
Total Libraries			76,596

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$	1,600	
Other Supplies and Materials		776	
Total Parks and Fair Boards			2,376

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	2,543	
Maintenance and Repair Services - Office Equipment		750	
Travel		1,386	
Other Contracted Services		51,602	
Office Supplies		920	
Other Supplies and Materials		2,486	
Office Equipment		3,841	
Total Agriculture Extension Service			63,528

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

Other Economic and Community Development

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

Veterans' Services

Contributions	\$ 385	
Other Contracted Services	9,200	
Total Veterans' Services		9,585

Miscellaneous

Life Insurance	\$ 2,740	
Unemployment Compensation	15,987	
Remittance of Revenue Collected	8,526	
Trustee's Commission	105,658	
Total Miscellaneous		132,911

Total General Fund \$ 6,982,385

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 44,902	
Longevity Pay	2,800	
Social Security	2,924	
State Retirement	3,545	
Medical Insurance	4,914	
Employer Medicare	684	
Liability Insurance	4,579	
Workers' Compensation Insurance	34,822	
Total Sanitation Management		\$ 99,170

Sanitation Education/Information

Supervisor/Director	\$ 14,208	
Attendants	13,863	
Social Security	1,740	
Employer Medicare	407	
Advertising	1,925	
Travel	708	
Other Contracted Services	875	
Gasoline	1,722	
Instructional Supplies and Materials	1,893	
Vehicle Parts	345	
Other Supplies and Materials	1,833	
Other Charges	124	
Total Sanitation Education/Information		39,643

Waste Pickup

Truck Drivers	\$ 40,154	
Part-time Personnel	13,411	
Longevity Pay	2,000	
Overtime Pay	2,414	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Social Security	\$	3,463	
State Retirement		4,198	
Medical Insurance		16,585	
Employer Medicare		810	
Licenses		66	
Other Contracted Services		363,133	
Equipment and Machinery Parts		5,535	
Gasoline		28,377	
Lubricants		1,483	
Tires and Tubes		4,184	
Solid Waste Equipment		8,696	
Total Waste Pickup			\$ 494,509

Convenience Centers

Attendants	\$	173,018	
Longevity Pay		4,500	
Overtime Pay		292	
Other Salaries and Wages		4,514	
Social Security		8,378	
State Retirement		11,112	
Medical Insurance		53,005	
Employer Medicare		1,959	
General Construction Materials		3,013	
Gravel and Chert		1,284	
Other Supplies and Materials		738	
Motor Vehicles		228,342	
Total Convenience Centers			490,155

Recycling Center

Supervisor/Director	\$	22,963	
Part-time Personnel		23,232	
Longevity Pay		100	
Social Security		2,865	
State Retirement		1,714	
Medical Insurance		10,780	
Employer Medicare		670	
Communication		1,666	
Electricity		1,788	
Gasoline		2,751	
Vehicle Parts		2,158	
Water and Sewer		304	
Other Supplies and Materials		1,090	
Total Recycling Center			72,081

Landfill Operation and Maintenance

Attendants	\$	11,967	
Social Security		742	
Employer Medicare		174	
Communication		7,759	
Maintenance and Repair Services - Equipment		17,691	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance (Cont.)

Rentals	\$	4,849	
Electricity		13,768	
Equipment and Machinery Parts		7,289	
Gasoline		11,706	
General Construction Materials		4,363	
Lubricants		1,500	
Natural Gas		738	
Office Supplies		495	
Water and Sewer		2,170	
Site Development		2,944	
Total Landfill Operation and Maintenance			\$ 88,155

Other Operations

Other Charges

Trustee's Commission	\$	18,306	
Total Other Charges			18,306

Miscellaneous

Life Insurance	\$	308	
Unemployment Compensation		12	
Total Miscellaneous			320

Total Solid Waste/Sanitation Fund \$ 1,302,339

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	3,105	
Contributions		250	
Confidential Drug Enforcement Payments		3,800	
Rentals		4,200	
Towing Services		1,040	
Travel		356	
Other Contracted Services		14,242	
Animal Food and Supplies		306	
Instructional Supplies and Materials		773	
Uniforms		518	
Other Supplies and Materials		583	
Trustee's Commission		289	
Law Enforcement Equipment		4,500	
Total Drug Enforcement			\$ 33,962

Total Drug Control Fund 33,962

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	75	
Total Register of Deeds			\$ 75

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 1,072	
Total County Trustee's Office		\$ 1,072

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 174	
Total County Clerk's Office		174

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 2,242	
Constitutional Officers' Operating Expenses	63,546	
Total Chancery Court		65,788

Total Constitutional Officers - Fees Fund		\$ 67,109
---	--	-----------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,613	
Secretary(ies)	12,298	
Social Security	4,520	
State Retirement	5,525	
Employee and Dependent Insurance	11,622	
Employer Medicare	1,057	
Dues and Memberships	2,720	
Legal Notices, Recording, and Court Costs	128	
Office Supplies	869	
Other Charges	5,100	
Total Administration		\$ 108,452

Highway and Bridge Maintenance

Foremen	\$ 60,003	
Equipment Operators	50,028	
Truck Drivers	66,250	
Laborers	79,250	
Longevity Pay	19,000	
Social Security	16,161	
State Retirement	17,348	
Employee and Dependent Insurance	67,757	
Employer Medicare	3,780	
Other Contracted Services	256,220	
Asphalt - Hot Mix	335,979	
Asphalt - Liquid	226,783	
Crushed Stone	82,730	
Other Road Supplies	40	
Pipe - Metal	22,509	
Road Signs	1,630	
Total Highway and Bridge Maintenance		1,305,468

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	34,289	
Laborers		29,649	
Longevity Pay		6,125	
Social Security		4,112	
State Retirement		5,205	
Employee and Dependent Insurance		14,178	
Employer Medicare		962	
Other Contracted Services		26,056	
Diesel Fuel		143,782	
Equipment and Machinery Parts		46,064	
Garage Supplies		1,988	
Gasoline		23,682	
Lubricants		1,380	
Small Tools		142	
Tires and Tubes		18,948	
Uniforms		6,979	
Total Operation and Maintenance of Equipment	\$		363,541

Other Charges

Communication	\$	3,828	
Electricity		2,515	
Natural Gas		3,059	
Water and Sewer		885	
Liability Insurance		25,866	
Trustee's Commission		19,391	
Other Charges		6,264	
Total Other Charges			61,808

Employee Benefits

Life Insurance	\$	280	
Unemployment Compensation		103	
Workers' Compensation Insurance		37,377	
Total Employee Benefits			37,760

Capital Outlay

Motor Vehicles	\$	22,870	
Total Capital Outlay			22,870

Total Highway/Public Works Fund \$ 1,899,899

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	188,750	
Principal on Notes		71,211	
Principal on Other Loans		72,000	
Total General Government	\$		331,961

Education

Principal on Bonds	\$	766,250	
--------------------	----	---------	--

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education (Cont.)</u>		
Principal on Notes	\$ 23,924	
Principal on Capital Leases	<u>56,441</u>	
Total Education		\$ 846,615
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 19,746	
Interest on Other Loans	<u>145,010</u>	
Total General Government		164,756
 <u>Education</u>		
Interest on Bonds	\$ 191,254	
Interest on Notes	5,910	
Interest on Capital Leases	19,545	
Interest on Other Loans	<u>611,116</u>	
Total Education		827,825
 <u>Other Debt Service</u>		
<u>General Government</u>		
Fiscal Agent Charges	\$ 19,782	
Trustee's Commission	<u>22,168</u>	
Total General Government		<u>41,950</u>
Total General Debt Service Fund		\$ 2,213,107
 <u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Safety Projects</u>		
Other Charges	\$ 67,293	
Total Public Safety Projects		\$ 67,293
 <u>Public Health and Welfare Projects</u>		
Other Construction	\$ 454,581	
Total Public Health and Welfare Projects		454,581
 <u>Social, Cultural, and Recreation Projects</u>		
Building Construction	\$ 96,450	
Other Construction	<u>52,049</u>	
Total Social, Cultural, and Recreation Projects		<u>148,499</u>
Total General Capital Projects Fund		<u>670,373</u>
Total Governmental Funds - Primary Government		<u>\$ 13,169,174</u>

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	7,127,919	
Career Ladder Program		85,917	
Career Ladder Extended Contracts		43,700	
Homebound Teachers		4,930	
Educational Assistants		265,717	
Bonus Payments		2,300	
Other Salaries and Wages		645	
Certified Substitute Teachers		79,091	
Non-certified Substitute Teachers		114,322	
Social Security		476,997	
State Retirement		661,563	
Life Insurance		474	
Medical Insurance		1,113,840	
Dental Insurance		33,446	
Unemployment Compensation		5	
Employer Medicare		110,999	
Other Contracted Services		1,000	
Instructional Supplies and Materials		47,590	
Textbooks		39,249	
Fee Waivers		39,712	
Other Charges		26,782	
Total Regular Instruction Program			\$ 10,276,198

Special Education Program

Teachers	\$	908,208	
Career Ladder Program		7,000	
Homebound Teachers		4,090	
Educational Assistants		94,827	
Speech Pathologist		19,808	
Certified Substitute Teachers		1,500	
Non-certified Substitute Teachers		2,721	
Social Security		62,595	
State Retirement		89,192	
Life Insurance		858	
Medical Insurance		136,806	
Dental Insurance		4,869	
Employer Medicare		14,639	
Contracts with Private Agencies		91,618	
Other Contracted Services		147,311	
Instructional Supplies and Materials		3,666	
Special Education Equipment		48,665	
Total Special Education Program			1,638,373

Vocational Education Program

Teachers	\$	639,935	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		600	
Secretary(ies)		17,467	
Educational Assistants		15,831	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Social Security	\$	41,270	
State Retirement		59,854	
Life Insurance		598	
Medical Insurance		121,732	
Dental Insurance		2,713	
Employer Medicare		9,652	
Travel		15,000	
Instructional Supplies and Materials		22,294	
Total Vocational Education Program			\$ 952,946

Support Services

Attendance

Supervisor/Director	\$	66,209	
Career Ladder Program		1,000	
Social Security		4,111	
State Retirement		5,907	
Life Insurance		35	
Medical Insurance		6,118	
Dental Insurance		233	
Employer Medicare		961	
Communication		948	
Travel		2,180	
Other Contracted Services		96,029	
Other Charges		18,000	
Total Attendance			201,731

Health Services

Medical Personnel	\$	43,534	
Secretary(ies)		23,352	
Other Salaries and Wages		193,443	
Certified Substitute Teachers		64	
Social Security		16,031	
State Retirement		22,038	
Life Insurance		292	
Medical Insurance		30,736	
Dental Insurance		1,193	
Employer Medicare		3,749	
Communication		966	
Travel		7,127	
Drugs and Medical Supplies		7,531	
Instructional Supplies and Materials		3,701	
Other Supplies and Materials		6,487	
Other Charges		15,289	
Total Health Services			375,533

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		332,515	
Social Security		20,580	

(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 Student Support (Cont.)

State Retirement	\$	29,710	
Life Insurance		237	
Medical Insurance		36,585	
Dental Insurance		1,167	
Employer Medicare		4,813	
Contracts with Government Agencies		47,604	
Evaluation and Testing		22,354	
Travel		10,314	
Instructional Supplies and Materials		3,119	
In Service/Staff Development		99	
Other Charges		6,127	
Total Other Student Support			\$ 517,224

Regular Instruction Program

Supervisor/Director	\$	40,277	
Career Ladder Program		8,750	
Librarians		294,064	
Instructional Computer Personnel		135,998	
Secretary(ies)		37,592	
Educational Assistants		7,041	
Social Security		31,939	
State Retirement		44,951	
Life Insurance		383	
Medical Insurance		66,867	
Dental Insurance		2,234	
Employer Medicare		7,470	
Communication		2,398	
Travel		2,026	
Other Contracted Services		20,029	
Library Books/Media		15,555	
In Service/Staff Development		17,478	
Other Charges		8,288	
Other Equipment		234,500	
Total Regular Instruction Program			977,840

Special Education Program

Supervisor/Director	\$	61,409
Career Ladder Program		3,000
Career Ladder Extended Contracts		4,000
Clerical Personnel		9,257
Social Security		4,808
State Retirement		6,780
Life Insurance		35
Medical Insurance		6,107
Dental Insurance		233
Employer Medicare		1,124
Communication		412
Maintenance and Repair Services - Equipment		1,143
Postal Charges		84

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$	12,505	
Other Contracted Services		124,363	
Other Charges		3,134	
Total Special Education Program			\$ 238,394

Vocational Education Program

Supervisor/Director	\$	68,611	
Social Security		4,210	
State Retirement		6,112	
Life Insurance		35	
Medical Insurance		6,208	
Dental Insurance		233	
Employer Medicare		984	
Travel		356	
Total Vocational Education Program			86,749

Other Programs

On-Behalf Payments to OPEB	\$	65,743	
Total Other Programs			65,743

Board of Education

Board and Committee Members Fees	\$	16,046	
Social Security		1,017	
Unemployment Compensation		38,585	
Employer Medicare		238	
Payments to Retirees		68,039	
Audit Services		11,675	
Dues and Memberships		9,112	
Legal Services		5,088	
Travel		9,114	
Other Contracted Services		7,674	
Liability Insurance		172,592	
Trustee's Commission		99,744	
Workers' Compensation Insurance		152,836	
Other Charges		14,009	
Total Board of Education			605,769

Director of Schools

County Official/Administrative Officer	\$	97,222	
Assistant(s)		70,810	
Career Ladder Program		4,000	
Secretary(ies)		28,505	
Bonus Payments		4,000	
Social Security		12,620	
State Retirement		17,798	
Life Insurance		90	
Medical Insurance		20,548	
Dental Insurance		933	
Employer Medicare		2,952	

(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.)

Director of Schools (Cont.)

Communication	\$	12,384	
Dues and Memberships		2,206	
Travel		5,465	
Other Contracted Services		22,354	
Office Supplies		1,325	
Other Charges		3,541	
Total Director of Schools			\$ 306,753

Office of the Principal

Principals	\$	401,720	
Career Ladder Program		14,500	
Career Ladder Extended Contracts		2,000	
Assistant Principals		339,749	
Secretary(ies)		128,559	
Clerical Personnel		78,114	
Bonus Payments		10,000	
Social Security		59,276	
State Retirement		83,186	
Life Insurance		644	
Medical Insurance		96,541	
Dental Insurance		2,066	
Employer Medicare		13,863	
Communication		20,400	
Travel		1,925	
Other Contracted Services		50,771	
Other Charges		1,866	
Total Office of the Principal			1,305,180

Operation of Plant

Custodial Personnel	\$	560,477	
Other Salaries and Wages		45,414	
Social Security		37,288	
State Retirement		43,367	
Life Insurance		588	
Medical Insurance		11,848	
Dental Insurance		233	
Employer Medicare		8,721	
Other Contracted Services		14,395	
Electricity		660,705	
Natural Gas		125,192	
Water and Sewer		70,101	
Other Charges		2,583	
Total Operation of Plant			1,580,912

Maintenance of Plant

Supervisor/Director	\$	37,441	
Custodial Personnel		107	
Maintenance Personnel		85,551	
Social Security		7,578	

(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.)

State Retirement	\$	9,148	
Life Insurance		114	
Medical Insurance		6,038	
Dental Insurance		233	
Employer Medicare		1,772	
Communication		2,232	
Maintenance and Repair Services - Buildings		343,512	
Travel		306	
Other Contracted Services		26,467	
Other Supplies and Materials		95,801	
Other Charges		43,484	
Maintenance Equipment		16,650	
Total Maintenance of Plant			\$ 676,434

Transportation

Supervisor/Director	\$	54,235	
Mechanic(s)		51,342	
Bus Drivers		428,591	
Social Security		33,007	
State Retirement		37,925	
Life Insurance		562	
Medical Insurance		12,779	
Dental Insurance		211	
Employer Medicare		7,719	
Communication		2,319	
Travel		1,143	
Other Contracted Services		7,367	
Diesel Fuel		146,149	
Equipment and Machinery Parts		5,208	
Gasoline		40,114	
Lubricants		8,701	
Natural Gas		1,117	
Propane Gas		11,302	
Tires and Tubes		26,185	
Vehicle Parts		76,555	
Other Charges		22,480	
Total Transportation			975,011

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	6,718	
Teachers		8,930	
Secretary(ies)		2,337	
Educational Assistants		19,924	
Social Security		2,261	
State Retirement		2,866	
Life Insurance		7	
Medical Insurance		1,895	
Dental Insurance		49	

(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.)

Community Services (Cont.)

Employer Medicare	\$	529	
Travel		5,655	
Other Contracted Services		10,633	
Instructional Supplies and Materials		5,558	
Other Supplies and Materials		4,411	
Other Charges		2,368	
Total Community Services			\$ 74,141

Early Childhood Education

Teachers	\$	402,375	
Bus Drivers		1,500	
Educational Assistants		176,719	
Non-certified Substitute Teachers		8,095	
Social Security		36,015	
State Retirement		48,495	
Life Insurance		473	
Medical Insurance		47,400	
Dental Insurance		1,801	
Employer Medicare		8,367	
Travel		32,358	
Other Contracted Services		5,156	
Instructional Supplies and Materials		88,187	
Other Supplies and Materials		43,584	
Other Charges		93,529	
Other Equipment		68,973	
Total Early Childhood Education			1,063,027

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	13,095	
Building Improvements		4,177	
Total Regular Capital Outlay			17,272

Other Debt Service

Education

Fiscal Agent Charges	\$	640	
Debt Service Contribution to Primary Government		721,655	
Total Education			722,295

Total General Purpose School Fund \$ 22,657,525

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	368,474	
Educational Assistants		124,694	
Certified Substitute Teachers		3,500	
Non-certified Substitute Teachers		3,707	
Social Security		30,532	

(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.)

State Retirement	\$	40,723	
Life Insurance		316	
Medical Insurance		51,690	
Dental Insurance		1,681	
Unemployment Compensation		2,609	
Employer Medicare		7,141	
Travel		78	
Other Contracted Services		102,080	
Instructional Supplies and Materials		17,902	
Other Charges		2,035	
Regular Instruction Equipment		27,865	
Total Regular Instruction Program			\$ 785,027

Special Education Program

Educational Assistants	\$	364,467	
Certified Substitute Teachers		300	
Non-certified Substitute Teachers		4,906	
Social Security		22,327	
State Retirement		25,452	
Life Insurance		483	
Unemployment Compensation		3,293	
Employer Medicare		5,220	
Other Contracted Services		136,512	
Instructional Supplies and Materials		12,229	
Total Special Education Program			575,189

Vocational Education Program

Educational Assistants	\$	8,154	
Social Security		506	
State Retirement		606	
Life Insurance		14	
Unemployment Compensation		108	
Employer Medicare		118	
Travel		3,000	
Other Contracted Services		500	
Instructional Supplies and Materials		14,935	
Vocational Instruction Equipment		9,643	
Total Vocational Education Program			37,584

Support Services

Other Student Support

Other Salaries and Wages	\$	19,297	
Social Security		1,196	
State Retirement		1,434	
Life Insurance		20	
Unemployment Compensation		129	
Employer Medicare		280	
Travel		15,359	
Other Supplies and Materials		1,150	
Other Charges		11,369	
Total Other Student Support			50,234

(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

Supervisor/Director	\$	67,175	
Secretary(ies)		16,210	
Other Salaries and Wages		219,892	
Certified Substitute Teachers		2,771	
Social Security		18,533	
State Retirement		26,712	
Life Insurance		90	
Medical Insurance		45,357	
Dental Insurance		1,245	
Unemployment Compensation		924	
Employer Medicare		4,334	
Communication		928	
Consultants		2,400	
Postal Charges		63	
Travel		73,018	
Other Contracted Services		26,855	
Other Supplies and Materials		3,579	
In Service/Staff Development		10,714	
Other Charges		4,170	
Total Regular Instruction Program			\$ 524,970

Special Education Program

Communication	\$	932	
Travel		2,722	
Other Contracted Services		54,297	
Other Supplies and Materials		7,772	
Total Special Education Program			65,723

Vocational Education Program

Travel	\$	1,915	
Total Vocational Education Program			1,915

Total School Federal Projects Fund \$ 2,040,642

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	55,787	
Clerical Personnel		25,386	
Cafeteria Personnel		527,811	
Social Security		37,773	
State Retirement		43,704	
Life Insurance		225	
Medical Insurance		5,727	
Dental Insurance		208	
Unemployment Compensation		3,108	
Employer Medicare		8,725	
Maintenance and Repair Services - Equipment		40,156	
Travel		2,641	

(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.)

Other Contracted Services	\$	9,987	
Food Preparation Supplies		53,010	
Food Supplies		835,799	
Office Supplies		1,720	
Uniforms		3,574	
USDA - Commodities		60,667	
Other Supplies and Materials		103	
In Service/Staff Development		3,376	
Other Charges		1,653	
Food Service Equipment		489,597	
Total Food Service			\$ 2,210,737

Community Services

Part-time Personnel	\$	31,435	
Social Security		1,949	
State Retirement		2,280	
Employer Medicare		456	
Travel		1,284	
Food Preparation Supplies		5,881	
Food Supplies		32,700	
Total Community Services			<u>75,985</u>

Total Central Cafeteria Fund \$ 2,286,722

Total Governmental Funds - Morgan County School Department \$ 26,984,889

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, 2013

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 50,768	\$ 50,768
Interest and Penalty	0	444	444
Local Option Sales Tax	356,086	0	356,086
Total Cash Receipts	<u>\$ 356,086</u>	<u>\$ 51,212</u>	<u>\$ 407,298</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 352,525	\$ 50,188	\$ 402,713
Trustee's Commission	3,561	1,024	4,585
Total Cash Disbursements	<u>\$ 356,086</u>	<u>\$ 51,212</u>	<u>\$ 407,298</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2012	0	0	0
Cash Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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***

Independent Auditor's Report

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morgan County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-002 and 2013-003.

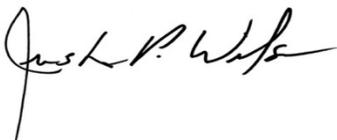
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item: 2013-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 31, 2014

JPW/sb



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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Morgan County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Morgan County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morgan County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Morgan County's compliance.

Opinion on Each Major Federal Program

In our opinion, Morgan County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

Management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morgan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we

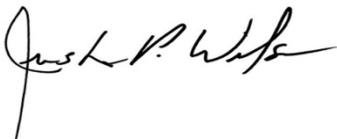
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements. We issued our report thereon dated January 31, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 31, 2014

JPW/sb

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 446,729
National School Lunch Program	10.555	N/A	1,028,759 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	11,145
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	60,667 (3)
Total U.S. Department of Agriculture			\$ 1,547,300
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 421,396
Home Investment Partnerships Program	14.239	(2)	71,973
Total U.S. Department of Housing and Urban Development			\$ 493,369
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 842,443
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	647,180
Special Education - Preschool Grants	84.173	(2)	31,802
Career and Technical Education - Basic Grants to States	84.048	(2)	50,940
Twenty-first Century Community Learning Centers	84.287	(2)	97,000
Rural Education	84.358	N/A	54,762
Improving Teacher Quality State Grants	84.367	N/A	190,208
Teacher Incentive Fund	84.374	(2)	27,517
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	233,860
Total U.S. Department of Education			\$ 2,175,712
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 48,867
Total U.S. Department of Homeland Security			\$ 48,867
Total Expenditures of Federal Awards			\$ 4,265,248
<u>Contract Number</u>			
<u>State Grants</u>			
Health Department Program - State Department of Health	N/A	(2)	\$ 27,082
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	40,311
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,090
Litter Program - State Department of Transportation	N/A	(2)	32,178
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	2,834
Early Childhood Education - State Department of Education	N/A	(2)	645,549
Drivers Education - State Department of Education	N/A	(2)	4,623
Total State Grants			\$ 761,667

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 \$1,089,426.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which has not been corrected.

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

Finding Number	Page Number	Subject
12.01	1574	Duties were not segregated adequately

MORGAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Morgan County is unmodified.
2. The audit of the financial statements of Morgan County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed 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 unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grant (CFDA No. 14.228), and the State Fiscal Stabilization Funds (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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 qualified 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 MAYOR AND DIRECTOR OF FINANCE

FINDING 2013-001 **DEFICIENCIES WERE NOTED IN THE PURCHASE OF TWO USED VEHICLES**

(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for two used vehicles purchased for the Sheriff's Department totaling \$29,900. Purchases for Morgan County are governed by the County Financial Management System of 1981, Sections 5-21-101 through 5-21-130, *Tennessee Code Annotated (TCA)*. This act provides that the finance director, or deputy appointed by the finance director, serve as the purchasing agent, and that competitive bids be solicited for purchases exceeding the \$10,000 bid limit authorized by the financial management committee. Since these purchases were for used vehicles, Section 12-3-1202, *TCA*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the required documentation was not obtained prior to the purchase. As a result, the best and lowest price may not have been obtained for the purchase of these used vehicles.

RECOMMENDATION

Competitive bids should be solicited on all purchases exceeding \$10,000 in compliance with the County Financial Management System of 1981. When used equipment is purchased without competitive bids, the county should comply with documentation and conditions required by Section 12-3-1202, *TCA*.

OFFICE OF TRUSTEE

FINDING 2013-002 **SOME BANK STATEMENTS WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS CURRENTLY**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Bank statements for some of the trustee's bank accounts were not reconciled with the general ledger in a timely manner. When auditors arrived to do audit fieldwork in November 2013, bank statements for one account had not been reconciled with the general ledger since June 2012, while another account had not been properly reconciled with the general ledger since August 2010. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly to ensure errors are identified and

corrected promptly. As a result, errors may have remained undetected and uncorrected in these accounts since the last time they were reconciled.

RECOMMENDATION

The office should reconcile bank statements with the general ledger monthly, and any errors discovered should be corrected promptly.

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

FINDING 2013-003 **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, Register of Deeds, 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 Local Government 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, 2013

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