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# ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT**  
**MORGAN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2014**

*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*  
*STEPHEN ALRED*  
*DOUG SANDIDGE, CISA, CFE*  
*State Auditors*

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

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## MORGAN COUNTY, TENNESSEE

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# *Summary of Audit Findings*

Annual Financial Report  
Morgan County, Tennessee  
For the Year Ended June 30, 2014

## *Scope*

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2014.

## *Results*

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

Our audit resulted in one finding and recommendation, which we have reviewed with Morgan County management. Details of the finding and recommendation are included in the Single Audit section of this report.

## *Finding*

The following is a summary of the audit finding:

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Morgan County Officials

## June 30, 2014

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### **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, Chairman  
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, Chairman  
Dr. Edward Diden, Director of Schools  
C. Roy Smith, Road Superintendent  
Carla Larue

Perry Spurling  
David Hennessee  
Kay Johnson

### **Audit Committee**

Jim Rivers, Chairman  
Phyllis Langely  
Brian Taylor

Carla LaRue  
Teresa Ryon  
Mickey Tucker

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## FINANCIAL SECTION

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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, 2014, 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 did not audit the financial statements of the Morgan County Emergency Communications District, which represent 6.6 percent, 2.8 percent, and 2.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morgan County Emergency Communications District, is based solely on the report of the

other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons 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.

### ***Change in Accounting Principle***

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

### ***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 77-79 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.

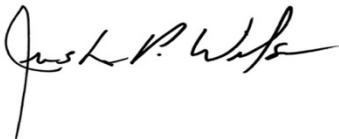
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous 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 December 12, 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,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

December 12, 2014

JPW/kp

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# BASIC FINANCIAL STATEMENTS

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## Exhibit A

Morgan County, Tennessee  
Statement of Net Position  
June 30, 2014

	Primary Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 1,318	\$ 308	\$ 150,760
Equity in Pooled Cash and Investments	5,905,281	3,450,923	0
Accounts Receivable	360,658	74,524	8,704
Allowance for Uncollectible Accounts Receivable	(115,256)	0	0
Due from Other Governments	503,166	465,391	9,531
Due from Component Units	268,938	0	0
Investments	0	0	56,386
Property Taxes Receivable	6,621,654	2,925,848	0
Allowance for Uncollectible Property Taxes	(383,009)	(169,236)	0
Interest Receivable	0	0	12
Prepaid Items	78,876	0	25,234
Capital Assets:			
Assets Not Depreciated:			
Land	627,952	1,112,193	90,000
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,874,808	19,962,305	1,503,736
Infrastructure	1,087,373	0	0
Other Capital Assets	615,316	4,349,540	420,442
Total Assets	<u>\$ 20,447,075</u>	<u>\$ 32,171,796</u>	<u>\$ 2,264,805</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 1,891,049	\$ 0	\$ 0
Total Deferred Outflow of Resources	<u>\$ 1,891,049</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 33,574	\$ 19,483	\$ 44,509
Accrued Payroll	93,673	0	0
Accrued Interest Payable	112,369	0	0
Payroll Deductions Payable	0	235,934	0
Derivative - Interest Rate Swap	1,891,049	0	0
Due to the State of Tennessee	15,045	6,433	0
Due to Litigants, Heirs, and Others	307	0	0
Due to Primary Government	0	268,938	0
Noncurrent Liabilities:			
Due Within One Year	1,537,421	85,160	20,017
Due in More Than One Year (net of unamortized premium on debt)	19,686,769	654,255	1,394,323
Total Liabilities	<u>\$ 23,370,207</u>	<u>\$ 1,270,203</u>	<u>\$ 1,458,849</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 5,902,489	\$ 2,608,077	\$ 0
Total Deferred Inflows of Resources	\$ 5,902,489	\$ 2,608,077	\$ 0
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 4,873,635	\$ 25,424,038	\$ 599,838
Restricted for:			
General Government	38,651	0	0
Administration of Justice	16,560	0	0
Public Safety	55,889	0	0
Public Health and Welfare	188,380	0	0
Highway/Public Works	2,265,465	0	0
Education	0	1,014,157	0
Unrestricted	(14,373,152)	1,855,321	206,118
Total Net Position	\$ (6,934,572)	\$ 28,293,516	\$ 805,956

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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Morgan County School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 1,159,848	\$ 114,324	\$ 35,134	\$ 0	\$ (1,010,390)	\$ 0	\$ 0
Finance	758,604	411,700	0	0	(346,904)	0	0
Administration of Justice	865,101	389,584	9,195	0	(466,322)	0	0
Public Safety	3,171,704	250,670	72,585	18,244	(2,830,205)	0	0
Public Health and Welfare	2,778,828	1,131,778	67,257	80,843	(1,498,950)	0	0
Social, Cultural, and Recreational Services	83,420	8,427	11,387	4,005	(59,601)	0	0
Agriculture and Natural Resources	80,245	0	0	0	(80,245)	0	0
Highways	2,584,377	107,399	1,742,612	210,526	(523,840)	0	0
Interest on Long-term Debt	930,760	0	0	0	(930,760)	0	0
<b>Total Primary Government</b>	<b>\$ 12,412,887</b>	<b>\$ 2,413,882</b>	<b>\$ 1,938,170</b>	<b>\$ 313,618</b>	<b>\$ (7,747,217)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:							
Morgan County School Department	\$ 28,961,849	\$ 507,156	\$ 4,777,880	\$ 0	\$ 0	\$ (23,676,813)	\$ 0
Emergency Communications District	514,781	163,092	143,004	0	0	0	(208,685)
<b>Total Component Units</b>	<b>\$ 29,476,630</b>	<b>\$ 670,248</b>	<b>\$ 4,920,884</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (23,676,813)</b>	<b>\$ (208,685)</b>

(Continued)

Exhibit B

Morgan County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Primary Government		Program Revenues		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Morgan County School Department Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 4,599,750	\$ 2,663,107
Property Taxes Levied for Solid Waste/Sanitation					885,772	0
Property Taxes Levied for Highway/Public Works					64,301	0
Property Taxes Levied for General Debt Service					449,434	0
Local Option Sales Taxes					905,123	0
Mineral Severance Tax					99,245	0
Other Local Taxes					133,620	47,498
Grants and Contributions Not Restricted to Specific Programs					1,141,032	19,328,522
Interest Income					10,505	11,598
Miscellaneous					0	51,162
Total General Revenues					\$ 8,288,782	\$ 22,101,887
Change in Net Position					\$ 541,565	\$ (1,574,926)
Net Position, July 1, 2013					(7,476,137)	29,868,442
Net Position, June 30, 2014					\$ (6,934,572)	\$ 28,293,516
						\$ 805,956

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, 2014

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General		Other Governmental Funds		
				Debt Service				
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 168	\$ 0	\$ 0	\$ 1,150	\$ 1,318	
Equity in Pooled Cash and Investments	1,312,708	217,150	2,001,247	2,299,087		75,089	5,905,281	
Accounts Receivable	352,857	7,517	284	0	0	0	360,658	
Allowance for Uncollectibles	(115,256)	0	0	0	0	0	(115,256)	
Due from Other Governments	34,838	9,001	308,607	150,720	0	0	503,166	
Due from Other Funds	1,150	0	0	0	0	0	1,150	
Property Taxes Receivable	5,081,735	976,309	70,836	492,774	0	0	6,621,654	
Allowance for Uncollectible Property Taxes	(293,937)	(56,472)	(4,097)	(28,503)	0	0	(383,009)	
Prepaid Items	65,177	7,222	6,477	0	0	0	78,876	
<b>Total Assets</b>	<b>\$ 6,439,272</b>	<b>\$ 1,160,727</b>	<b>\$ 2,383,522</b>	<b>\$ 2,914,078</b>	<b>\$ 0</b>	<b>\$ 76,239</b>	<b>\$ 12,973,838</b>	
<u>LIABILITIES</u>								
Accounts Payable	\$ 3,803	\$ 29,771	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,574	
Accrued Payroll	68,761	16,955	7,957	0	0	0	93,673	
Due to Other Funds	0	0	0	0	0	1,150	1,150	
Due to State of Tennessee	14,902	143	0	0	0	0	15,045	
Due to Litigants, Heirs, and Others	0	0	0	0	0	307	307	
<b>Total Liabilities</b>	<b>\$ 87,466</b>	<b>\$ 46,869</b>	<b>\$ 7,957</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,457</b>	<b>\$ 143,749</b>	
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Deferred Current Property Taxes	\$ 4,529,817	\$ 870,274	\$ 63,143	\$ 439,255	\$ 0	\$ 0	\$ 5,902,489	
Deferred Delinquent Property Taxes	238,384	45,798	3,323	23,116	0	0	310,621	
Other Deferred/Unavailable Revenue	138,716	0	149,322	75,178	0	0	363,216	
<b>Total Deferred Inflows of Resources</b>	<b>\$ 4,906,917</b>	<b>\$ 916,072</b>	<b>\$ 215,788</b>	<b>\$ 537,549</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,576,326</b>	

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	Governmental Funds	
<u>FUND BALANCES</u>								
Nonspendable:								
Prepaid Items	\$ 65,177	\$ 7,222	\$ 6,477	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,876
Restricted:								
Restricted for General Government	38,651	0	0	0	0	0	0	38,651
Restricted for Administration of Justice	16,560	0	0	0	0	0	0	16,560
Restricted for Public Safety	3,733	0	0	0	0	52,156	0	55,889
Restricted for Public Health and Welfare	0	190,564	0	0	0	0	0	190,564
Restricted for Highways/Public Works	0	0	2,127,273	0	0	0	0	2,127,273
Committed:								
Committed for Public Safety	5,773	0	0	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	0	0	0	0	0	0	1,050
Committed for Social, Cultural, and Recreational Services	22,190	0	0	0	0	0	0	22,190
Committed for Highways/Public Works	0	0	26,027	0	0	0	0	26,027
Committed for Debt Service	0	0	0	2,376,529	0	0	0	2,376,529
Committed for Capital Projects	0	0	0	0	0	22,626	0	22,626
Assigned:								
Assigned for General Government	4,052	0	0	0	0	0	0	4,052
Assigned for Finance	537	0	0	0	0	0	0	537
Assigned for Administration of Justice	1,000	0	0	0	0	0	0	1,000
Assigned for Public Safety	12,400	0	0	0	0	0	0	12,400
Assigned for Public Health and Welfare	2,925	0	0	0	0	0	0	2,925
Assigned for Social, Cultural, and Recreational Services	2,132	0	0	0	0	0	0	2,132
Assigned for Agriculture and Natural Resources	783	0	0	0	0	0	0	783
Unassigned	1,267,926	0	0	0	0	0	0	1,267,926
Total Fund Balances	\$ 1,444,889	\$ 197,786	\$ 2,159,777	\$ 2,376,529	\$ 74,782	\$ 0	\$ 0	\$ 6,253,763
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,439,272	\$ 1,160,727	\$ 2,383,522	\$ 2,914,078	\$ 76,239	\$ 0	\$ 0	\$ 12,973,838

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, 2014

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)		\$	6,253,763
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	627,952	
Add: infrastructure net of accumulated depreciation		1,087,373	
Add: buildings and improvements net of accumulated depreciation		4,874,808	
Add: other capital assets net of accumulated depreciation		<u>615,316</u>	7,205,449
(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	\$	(5,590,000)	
Less: notes payable		(238,496)	
Less: other loans payable		(14,313,000)	
Less: capital leases payable		(463,570)	
Add: capital lease to be paid by School Department contributions		268,938	
Less: compensated absences payable		(182,068)	
Less: landfill closure/postclosure care costs		(334,650)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(112,369)	
Less: unamortized premium on debt		<u>(102,406)</u>	(21,067,621)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>673,837</u>
Net position of governmental activities (Exhibit A)		\$	<u>(6,934,572)</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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>							
Local Taxes	\$ 4,788,512	\$ 888,053	\$ 163,946	\$ 1,368,714	\$ 0	\$ 0	\$ 7,209,225
Licenses and Permits	40,303	0	0	0	0	0	40,303
Fines, Forfeitures, and Penalties	98,455	0	0	0	62,453	0	160,908
Charges for Current Services	858,962	204,975	38	0	21,997	0	1,085,972
Other Local Revenues	78,167	27,975	107,367	0	0	0	213,509
Fees Received from County Officials	684,684	0	0	0	0	0	684,684
State of Tennessee	460,455	46,054	1,951,812	0	11,214	0	2,469,535
Federal Government	11,810	0	1,326	0	99,938	0	113,074
Other Governments and Citizens Groups	206,299	0	0	794,655	0	0	1,000,954
Total Revenues	\$ 7,227,647	\$ 1,167,057	\$ 2,224,489	\$ 2,163,369	\$ 195,602	\$ 0	\$ 12,978,164

Expenditures

Current:							
General Government	\$ 869,385	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 869,385
Finance	760,663	0	0	0	230	0	760,893
Administration of Justice	808,814	0	0	0	21,731	0	830,545
Public Safety	2,972,702	0	0	0	33,845	0	3,006,547
Public Health and Welfare	1,419,612	1,108,773	0	0	0	0	2,528,385
Social, Cultural, and Recreational Services	77,439	0	0	0	0	0	77,439
Agriculture and Natural Resources	80,245	0	0	0	0	0	80,245
Other Operations	170,512	21,844	0	0	0	0	192,356
Highways	0	0	3,317,966	0	0	0	3,317,966
Debt Service:							
Principal on Debt	36,635	36,475	0	1,226,472	0	0	1,299,582
Interest on Debt	2,656	5,646	0	895,971	0	0	904,273
Other Debt Service	0	0	0	35,836	0	0	35,836

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Expenditures (Cont.)</u>							
Capital Projects	0 \$	0 \$	0 \$	0 \$	0 \$	260,002 \$	260,002
Total Expenditures	<u>7,198,663 \$</u>	<u>1,172,738 \$</u>	<u>3,317,966 \$</u>	<u>2,158,279 \$</u>	<u>315,808 \$</u>	<u>14,163,454</u>	<u>14,163,454</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>28,984 \$</u>	<u>(5,681) \$</u>	<u>(1,093,477) \$</u>	<u>5,090 \$</u>	<u>(120,206) \$</u>	<u>(1,185,290)</u>	<u>(1,185,290)</u>
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	0 \$	0 \$	0 \$	0 \$	0 \$	9,562 \$	9,562
Transfers In	27,567	0	0	300,000	161,625	489,192	489,192
Transfers Out	(151,625)	0	(10,000)	0	(327,567)	(489,192)	(489,192)
Total Other Financing Sources (Uses)	<u>(124,058) \$</u>	<u>0 \$</u>	<u>(10,000) \$</u>	<u>300,000 \$</u>	<u>(156,380) \$</u>	<u>9,562</u>	<u>9,562</u>
Net Change in Fund Balances	<u>(95,074) \$</u>	<u>(5,681) \$</u>	<u>(1,103,477) \$</u>	<u>305,090 \$</u>	<u>(276,586) \$</u>	<u>(1,175,728)</u>	<u>(1,175,728)</u>
Fund Balance, July 1, 2013	1,539,963	203,467	3,263,254	2,071,439	351,368	7,429,491	7,429,491
Fund Balance, June 30, 2014	<u>1,444,889 \$</u>	<u>197,786 \$</u>	<u>2,159,777 \$</u>	<u>2,376,529 \$</u>	<u>74,782 \$</u>	<u>6,253,763</u>	<u>6,253,763</u>

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

Exhibit C-4

Morgan County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (1,175,728)
(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	\$ 892,602	
Less: current-year depreciation expense	<u>(457,834)</u>	434,768
(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, 2014	\$ 673,837	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(638,240)</u>	35,597
(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:		
Add: change in unamortized premium on debt issuances	\$ 9,721	
Add: principal payments on bonds	995,000	
Add: principal payments on notes	96,163	
Add: principal payments on other loans	76,000	
Add: principal payments on capital leases	132,419	
Less: contributions from the School Department for capital lease payments	<u>(59,309)</u>	1,249,994
(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	\$ (372)	
Change in compensated absences payable	2,252	
Change in landfill closure/postclosure care costs	<u>(4,946)</u>	<u>(3,066)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 541,565</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,788,512	\$ 0	\$ 0	\$ 4,788,512	\$ 4,699,410	\$ 4,699,410	\$ 89,102
Licenses and Permits	40,303	0	0	40,303	38,500	38,500	1,803
Fines, Forfeitures, and Penalties	98,455	0	0	98,455	113,879	113,879	(15,424)
Charges for Current Services	858,962	0	0	858,962	950,500	961,068	(102,106)
Other Local Revenues	78,167	0	0	78,167	62,604	79,720	(1,553)
Fees Received from County Officials	684,684	0	0	684,684	709,500	709,500	(24,816)
State of Tennessee	460,455	0	0	460,455	628,951	569,591	(109,136)
Federal Government	11,810	0	0	11,810	0	5,000	6,810
Other Governments and Citizens Groups	206,299	0	0	206,299	163,836	169,836	36,463
Total Revenues	\$ 7,227,647	\$ 0	\$ 0	\$ 7,227,647	\$ 7,367,180	\$ 7,346,504	\$ (118,557)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 72,283	\$ (600)	\$ 0	\$ 71,683	\$ 73,466	\$ 75,550	\$ 3,867
County Mayor/Executive	148,496	0	0	148,496	150,063	149,263	767
County Attorney	2,505	0	0	2,505	10,500	10,500	7,995
Election Commission	128,559	0	0	128,559	114,957	128,960	401
Register of Deeds	118,884	(435)	4,052	122,501	119,497	123,797	1,296
County Buildings	398,658	(3,327)	0	395,331	374,996	410,471	15,140
<u>Finance</u>							
Accounting and Budgeting	231,502	(791)	0	230,711	232,885	232,885	2,174
Property Assessor's Office	188,176	(436)	435	188,175	193,013	193,013	4,838
Reappraisal Program	3,923	(400)	0	3,523	4,100	4,100	577
County Trustee's Office	164,950	(311)	0	164,639	167,173	166,373	1,734
County Clerk's Office	172,112	(6,642)	101	165,571	184,971	177,671	12,100
<u>Administration of Justice</u>							
Circuit Court	278,611	0	0	278,611	271,376	286,174	7,563
Criminal Court	8,011	(292)	0	7,719	9,300	9,300	1,581
General Sessions Court	48,676	(501)	307	48,482	49,564	49,564	1,082
General Sessions Judge	139,022	0	0	139,022	141,064	139,864	842
Drug Court	42,516	0	0	42,516	52,827	70,000	27,484

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Chancery Court	\$ 157,986	\$ (870)	\$ 195	\$ 157,311	\$ 162,220	\$ 159,720	\$ 2,409
Juvenile Court	35,726	0	497	36,223	36,568	36,568	345
Courtroom Security	98,266	0	0	98,266	80,101	98,301	35
<u>Public Safety</u>							
Sheriff's Department	1,193,579	(6,600)	6,600	1,193,579	1,216,830	1,207,507	13,928
Jail	1,232,885	(3,641)	5,800	1,235,044	1,198,954	1,242,805	7,761
Juvenile Services	625	0	0	625	1,000	1,000	375
Fire Prevention and Control	134,266	0	0	134,266	131,103	134,270	4
Civil Defense	21,837	(50)	0	21,787	18,014	22,017	230
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	350,422	0	0	350,422	354,284	360,284	9,862
County Coroner/Medical Examiner	28,459	0	0	28,459	25,085	29,960	1,501
Other Public Safety	7,629	0	0	7,629	7,800	7,800	171
<u>Public Health and Welfare</u>							
Local Health Center	43,635	0	0	43,635	42,908	62,008	18,373
Ambulance/Emergency Medical Services	1,345,440	(9,893)	2,925	1,338,472	1,341,444	1,341,444	2,972
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577
Other Local Health Services	25,177	0	0	25,177	96,600	96,600	71,423
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	4,000	0	0	4,000	4,200	4,200	200
Libraries	71,936	(208)	132	71,860	66,326	72,013	153
Parks and Fair Boards	1,503	(1,200)	2,000	2,303	2,500	2,500	197
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	66,245	(284)	785	66,746	66,848	66,848	102
Soil Conservation	14,000	0	0	14,000	5,000	14,000	0
<u>Other Operations</u>							
Other Economic and Community Development	23,000	0	0	23,000	23,000	23,000	0
Veterans' Services	13,546	0	0	13,546	15,500	15,500	1,954
Miscellaneous	133,966	0	0	133,966	136,800	139,800	5,834

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 36,635	\$ 0	\$ 0	\$ 36,635	\$ 36,636	\$ 36,878	\$ 243
<u>Interest on Debt</u>							
General Government	2,656	0	0	2,656	2,656	2,414	(242)
Total Expenditures	\$ 7,198,663	\$ (36,481)	\$ 23,829	\$ 7,186,011	\$ 7,231,066	\$ 7,413,859	\$ 227,848
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ 28,984	\$ 36,481	\$ (23,829)	\$ 41,636	\$ 136,114	\$ (67,355)	\$ 108,991
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 27,567	\$ 0	\$ 0	\$ 27,567	\$ 13,886	\$ 27,567	\$ 0
Transfers Out	(151,625)	0	0	(151,625)	(150,000)	(151,625)	0
Total Other Financing Sources	\$ (124,058)	\$ 0	\$ 0	\$ (124,058)	\$ (136,114)	\$ (124,058)	\$ 0
Net Change in Fund Balance	\$ (95,074)	\$ 36,481	\$ (23,829)	\$ (82,422)	\$ 0	\$ (191,413)	\$ 108,991
Fund Balance, July 1, 2013	1,539,963	(36,481)	0	1,503,482	1,509,140	1,509,140	(5,658)
Fund Balance, June 30, 2014	\$ 1,444,889	\$ 0	\$ (23,829)	\$ 1,421,060	\$ 1,509,140	\$ 1,317,727	\$ 103,333

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/Sanitation Fund  
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 888,053	\$ 0	\$ 0	\$ 888,053	\$ 881,082	\$ 881,082	\$ 6,971
Charges for Current Services	204,975	0	0	204,975	175,000	175,000	29,975
Other Local Revenues	27,975	0	0	27,975	45,000	46,996	(19,021)
State of Tennessee	46,054	0	0	46,054	33,700	33,700	12,354
Total Revenues	\$ 1,167,057	\$ 0	\$ 0	\$ 1,167,057	\$ 1,134,782	\$ 1,136,778	\$ 30,279
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 99,567	\$ 0	\$ 0	\$ 99,567	\$ 89,652	\$ 99,925	\$ 358
Sanitation Education/Information	34,474	0	0	34,474	36,613	36,614	2,140
Waste Pickup	517,674	(22,185)	21,417	516,906	562,384	566,047	49,141
Convenience Centers	284,764	(9,888)	8,100	282,976	303,395	299,573	16,597
Recycling Center	75,646	(1,392)	0	74,254	78,791	77,134	2,880
Landfill Operation and Maintenance	96,648	(9,751)	5,350	92,247	124,051	122,801	30,554
<u>Other Operations</u>							
Other Charges	19,818	0	0	19,818	19,000	20,000	182
Miscellaneous	2,026	0	0	2,026	1,850	2,100	74
<u>Principal on Debt</u>							
General Government	36,475	0	0	36,475	36,476	36,476	1
Interest on Debt							
General Government	5,646	0	0	5,646	5,646	5,646	0
Total Expenditures	\$ 1,172,738	\$ (43,216)	\$ 34,867	\$ 1,164,389	\$ 1,257,858	\$ 1,266,316	\$ 101,927
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,681)	\$ 43,216	\$ (34,867)	\$ 2,668	\$ (123,076)	\$ (129,538)	\$ 132,206

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (5,681) \$	43,216 \$	(34,867) \$	2,668 \$	(123,076) \$	(129,538) \$	132,206
Fund Balance, July 1, 2013	203,467	(43,216)	0	160,251	197,401	197,401	(37,150)
Fund Balance, June 30, 2014	\$ 197,786 \$	0 \$	(34,867) \$	162,919 \$	74,325 \$	67,863 \$	95,056

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 163,946	\$ 0	\$ 0	\$ 163,946	\$ 167,042	\$ 167,042	\$ (3,096)
Charges for Current Services	38	0	0	38	200	200	(162)
Other Local Revenues	107,367	0	0	107,367	204,000	204,000	(96,633)
State of Tennessee	1,951,812	0	0	1,951,812	2,158,000	2,158,000	(206,188)
Federal Government	1,326	0	0	1,326	0	0	1,326
<b>Total Revenues</b>	<b>\$ 2,224,489</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,224,489</b>	<b>\$ 2,529,242</b>	<b>\$ 2,529,242</b>	<b>\$ (304,753)</b>
<b>Expenditures</b>							
<b>Highways</b>							
Administration	\$ 125,522	\$ (213)	\$ 0	\$ 125,309	\$ 135,153	\$ 139,628	\$ 14,319
Highway and Bridge Maintenance	1,920,643	(120,013)	32,646	1,833,276	2,952,470	2,947,995	1,114,719
Operation and Maintenance of Equipment	354,837	(15,805)	9,465	348,497	535,614	535,614	187,117
Other Charges	67,335	0	0	67,335	70,800	70,800	3,465
Employee Benefits	28,270	0	0	28,270	43,350	43,350	15,080
Capital Outlay	821,359	0	0	821,359	670,200	1,360,200	538,841
<b>Total Expenditures</b>	<b>\$ 3,317,966</b>	<b>\$ (136,031)</b>	<b>\$ 42,111</b>	<b>\$ 3,224,046</b>	<b>\$ 4,407,587</b>	<b>\$ 5,097,587</b>	<b>\$ 1,873,541</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,093,477)</b>	<b>\$ 136,031</b>	<b>\$ (42,111)</b>	<b>\$ (999,557)</b>	<b>\$ (1,878,345)</b>	<b>\$ (2,568,345)</b>	<b>\$ 1,568,788</b>
<b>Other Financing Sources (Uses)</b>							
Transfers Out	\$ (10,000)	\$ 0	\$ 0	\$ (10,000)	\$ 0	\$ (10,000)	\$ 0
<b>Total Other Financing Sources</b>	<b>\$ (10,000)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (10,000)</b>	<b>\$ 0</b>	<b>\$ (10,000)</b>	<b>\$ 0</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2013</b>	<b>\$ (1,103,477)</b>	<b>\$ 136,031</b>	<b>\$ (42,111)</b>	<b>\$ (1,009,557)</b>	<b>\$ (1,878,345)</b>	<b>\$ (2,578,345)</b>	<b>\$ 1,568,788</b>
	3,263,254	(136,031)	0	3,127,223	2,952,952	2,952,952	174,271
<b>Fund Balance, June 30, 2014</b>	<b>\$ 2,159,777</b>	<b>\$ 0</b>	<b>\$ (42,111)</b>	<b>\$ 2,117,666</b>	<b>\$ 1,074,607</b>	<b>\$ 374,607</b>	<b>\$ 1,743,059</b>

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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 683,499
Due from Other Governments	48,935
Property Taxes Receivable	<u>62,918</u>
Total Assets	<u>\$ 795,352</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 111,853
Due to Litigants, Heirs, and Others	<u>683,499</u>
Total Liabilities	<u>\$ 795,352</u>

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

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## MORGAN COUNTY, TENNESSEE

### Index of Notes to the Financial Statements

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**MORGAN COUNTY, TENNESSEE**  
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**MORGAN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2014**

**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 Morgan County School Department does not issue separate financial statements from those of the county. 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, 2014.

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, 2014, Morgan County had \$15,784,360 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 (\$39,290) and amounts appropriated for use in the 2014-15 budget (\$488,434).

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

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net 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**

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.

**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 \$985 toward this amount, leaving a balance owed of \$7,773.

**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, 2014.

**B. Derivative Instrument**

At June 30, 2014, Morgan County had the following derivative instrument outstanding:

<u>Instrument</u>	<u>Type</u>	<u>Objective</u>	<u>Original Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>
\$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, 2014, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2014 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2014</u>		6-30-14
	Classification	Amount	Classification	Amount	Notional Amount
Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$ 134,906	Debt	\$ (1,891,049)	\$10,000,000

### **Derivative Swap Agreement Detail**

Under its loan agreement, the Public Building Authority of Blount County, Tennessee (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.** 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, 2014, 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>-0.16</u>
Net interest rate swap payments		4.17 %
Variable-rate bond coupon payments		<u>1.22</u>
Synthetic interest rate on bonds		<u><u>5.39 %</u></u>

**Fair Value.** As of June 30, 2014, the swap had a negative fair value of \$1,891,049. 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, 2014, 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, 2014, 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, 2014, 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	Total
	Principal	Interest	Swap Payment	
2015	\$ 0	\$ 122,348	\$ 416,851	\$ 539,199
2016	660,000	122,348	416,851	1,199,199
2017	710,000	114,273	389,339	1,213,612
2018	750,000	105,587	359,742	1,215,329
2019	795,000	96,411	328,479	1,219,890
2020-2024	4,760,000	323,673	1,102,779	6,186,452
2025-2026	2,325,000	43,067	146,732	2,514,799
Total	\$ 10,000,000	\$ 927,707	\$ 3,160,773	\$ 14,088,480

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2014, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 534,352	\$ 93,600	\$ 0	\$ 627,952
Construction in Progress	663,599	0	(663,599)	0
Total Capital Assets Not Depreciated	\$ 1,197,951	\$ 93,600	\$ (663,599)	\$ 627,952
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,146,019	\$ 1,244,999	\$ 0	\$ 6,391,018
Infrastructure	1,435,826	0	0	1,435,826
Other Capital Assets	4,578,017	217,602	(35,417)	4,760,202
Total Capital Assets Depreciated	\$ 11,159,862	\$ 1,462,601	\$ (35,417)	\$ 12,587,046

**Governmental Activities (Cont.):**

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,326,131	\$ 190,079	\$ 0	\$ 1,516,210
Infrastructure	302,485	45,968	0	348,453
Other Capital Assets	3,958,516	221,787	(35,417)	4,144,886
Total Accumulated Depreciation	<u>\$ 5,587,132</u>	<u>\$ 457,834</u>	<u>\$ (35,417)</u>	<u>\$ 6,009,549</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,572,730</u>	<u>\$ 1,004,767</u>	<u>\$ 0</u>	<u>\$ 6,577,497</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,770,681</u>	<u>\$ 1,098,367</u>	<u>\$ (663,599)</u>	<u>\$ 7,205,449</u>

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

**Governmental Activities:**

General Government	\$ 118,911
Administration of Justice	42,072
Public Safety	56,497
Public Health and Welfare	133,000
Highway/Public Works	<u>107,354</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 457,834</u>

**Discretely Presented Morgan County School Department**

**Governmental Activities:**

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Depreciated:			
Land	\$ 1,112,193	\$ 0	\$ 1,112,193
Total Capital Assets Not Depreciated	<u>\$ 1,112,193</u>	<u>\$ 0</u>	<u>\$ 1,112,193</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 48,346,526	\$ 134,013	\$ 48,480,539
Other Capital Assets	12,505,057	755,953	13,261,010
Total Capital Assets Depreciated	<u>\$ 60,851,583</u>	<u>\$ 889,966</u>	<u>\$ 61,741,549</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 27,342,765	\$ 1,175,469	\$ 28,518,234
Other Capital Assets	7,919,073	992,397	8,911,470
Total Accumulated Depreciation	<u>\$ 35,261,838</u>	<u>\$ 2,167,866</u>	<u>\$ 37,429,704</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,589,745</u>	<u>\$ (1,277,900)</u>	<u>\$ 24,311,845</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,701,938</u>	<u>\$ (1,277,900)</u>	<u>\$ 25,424,038</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

**Governmental Activities:**

Instruction	\$ 33,348
Support Services	2,035,216
Operation of Non-instructional Services	<u>99,302</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,167,866</u>

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

The composition of interfund balances as of June 30, 2014, was as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,150

This balance 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 \$268,938 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, \$206,616 is not expected to be received within one year.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In		
	General Fund	Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 0	\$ 151,625
Highway/Public Works Fund	0	0	10,000
Nonmajor governmental	27,567	300,000	0
<b>Total</b>	<b>\$ 27,567</b>	<b>\$ 300,000</b>	<b>\$ 161,625</b>

**Discretely Presented Morgan County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 4,028

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

**E. Capital Leases**

On 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, 2014, are as follows:

Asset	Governmental Activities	
	Primary Government	School Department
Other Capital Assets	\$ 302,742	\$ 684,414
Less: Accumulated Depreciation	(100,158)	(404,919)
Total Book Value	<u>\$ 202,584</u>	<u>\$ 279,495</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30	Governmental Funds
2015	\$ 157,398
2016	118,106
2017	118,107
2018	118,107
Total Minimum Lease Payments	\$ 511,718
Less: Amount Representing Interest	(48,148)
Present Value of Minimum Lease Payments	<u>\$ 463,570</u>

**F. 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, 2014, 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, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	2 to 3 %	4-1-26	\$ 6,400,000	\$ 4,980,000
General Obligation Bonds - Refunding	3 to 4	6-1-15	3,740,000	610,000
Capital Outlay Notes	0 to 4.25	12-1-17	678,478	238,496
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	11,813,000
Capital Leases	2.63 to 3.2	3-1-18	869,156	463,570

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, 2014:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-14	Interest Type	Interest Rates as of 6-30-14	Approximate Fee Rates as of 6-30-14
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	1,718,000	Variable	0.11	0.66 %
Sevier County PBA:					
Series VII-A-3	10,095,000	<u>10,095,000</u>	Variable	5.39 (1)	0.23
Total		<u>\$ 14,313,000</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, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2020-2024	2,150,000	325,020	2,475,020
2025-2026	955,000	43,200	998,200

Total \$ 5,590,000 \$ 951,933 \$ 6,541,933

Year Ending June 30	Notes		
	Principal	Interest	Total
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 \$ 238,496 \$ 8,347 \$ 246,843

Year Ending June 30	Other Loans			
	Principal	Interest (1)	Other Fees	Total
2015	\$ 205,000	\$ 683,831	\$ 35,059	\$ 923,890
2016	903,000	676,806	34,531	1,614,337
2017	958,000	632,290	32,970	1,623,260
2018	1,002,000	585,001	31,281	1,618,282
2019	1,077,000	535,482	29,507	1,641,989
2020-2024	6,366,000	1,805,011	116,920	8,287,931
2025-2029	3,802,000	274,278	62,831	4,139,109

Total \$ 14,313,000 \$ 5,192,699 \$ 343,099 \$ 19,848,798

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

There is \$2,376,529 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$937, 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.

Description of Indebtedness	Outstanding 6-30-14
<u>Capital Lease</u>	
<u>Payable through General Purpose School Fund</u>	
Football Field Lighting	\$ 268,938

Also, during the year, the School Department contributed \$718,669 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, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2013	\$ 6,585,000	\$ 334,659	\$ 14,389,000
Additions	0	0	0
Reductions	(995,000)	(96,163)	(76,000)
Balance, June 30, 2014	<u>\$ 5,590,000</u>	<u>\$ 238,496</u>	<u>\$ 14,313,000</u>
Balance Due Within One Year	<u>\$ 970,000</u>	<u>\$ 97,236</u>	<u>\$ 205,000</u>

Governmental Activities (Cont.):

	Bonds	Notes	Other Loans
	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2013	\$ 595,989	\$ 184,320	\$ 329,704
Additions	0	121,522	4,946
Reductions	(132,419)	(123,774)	0
Balance, June 30, 2014	<u>\$ 463,570</u>	<u>\$ 182,068</u>	<u>\$ 334,650</u>
Balance Due Within One Year	<u>\$ 137,627</u>	<u>\$ 109,241</u>	<u>\$ 18,317</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 21,121,784
Add: Unamortized Premium on Debt	102,406
Less: Balance Due Within One Year	<u>(1,537,421)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 19,686,769</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, 2014, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Termination Benefits	Compensated Absences
Balance July 1, 2013	\$ 518,470	\$ 0	\$ 96,865
Additions	154,534	166,000	38,456
Reductions	(159,489)	(38,000)	(37,421)
Balance June 30, 2014	<u>\$ 513,515</u>	<u>\$ 128,000</u>	<u>\$ 97,900</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 46,000</u>	<u>\$ 39,160</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 739,415
Less: Balance Due Within One Year	<u>(85,160)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 654,255</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$62,482 and \$15,947, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Internal Financing**

In-lieu-of issuing debt with financial institutions, Morgan County often chooses to internally finance various projects with idle county funds. These debt issues that will be repaid from the same fund in which the loan was obtained are reflected as transfers (not notes receivable) in the financial statements. 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 are reflected below. An interfund receivable had not been reported for this amount in prior years' financial reports due to the uncertainty of the General Capital Projects Fund's ability to repay the General Debt Service Fund. However, during the current year, the County Commission authorized a transfer of \$300,000 from the General Capital Projects Fund to liquidate this internally reported note receivable.

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Capital projects	\$ 300,000	0%	9-10-10	9-10-13
	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
Capital projects	\$ 300,000	\$ 0	\$ (300,000)	\$ 0

**I. 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, 2014, was as follows:

Tax Anticipation Notes:

<u>Fund</u>	<u>Balance</u> <u>7-1-13</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u> <u>6-30-14</u>
Solid Waste/Sanitation (Borrowed from General Debt Service)	\$ 0	\$ 130,000	\$ (130,000)	\$ 0
General Fund (Borrowed from General Debt Service)	0	500,000	(500,000)	0

V. **OTHER INFORMATION**

A. **Risk Management**

**Primary Government**

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. 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. 67, *Financial Reporting for Pension Plans* and Statement No. 70,

*Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67, replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB No.70, relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

**C. Subsequent Events**

Subsequent to June 30, 2014, the following tax anticipation notes were issued from the General Debt Service Fund to provide temporary operating funds:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
9-9-14	General Fund	\$ 700,000
9-9-14	Solid Waste/Sanitation Fund	60,000

On November 10, 2014, Morgan County Commissioners approved a four-year lease-purchase agreement for eight new police vehicles totaling \$261,089.

**D. Contingent Liabilities**

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

**E. Landfill 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 \$334,650 reported as postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. 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, 2014, 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, 2014.

**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, 2014, 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, 2014, Morgan County's annual pension cost of \$578,610 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
6-30-14	\$578,610	100%	\$0
6-30-13	549,178	100	0
6-30-12	552,474	100	0

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the plan was 92.65 percent funded. The actuarial accrued liability for benefits was \$16.33 million, and the actuarial value of assets was \$15.13 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$7.35 million, and the ratio of the UAAL to the covered payroll was 16.32 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](http://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, 2014, 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, 2014, 2013, and 2012, were \$1,042,557, \$1,067,343, and \$1,097,306, 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

	<u>Local Education Group Plan</u>
ARC	\$ 154,000
Interest on the NOPEBO	20,739
Adjustment to the ARC	<u>(20,205)</u>
Annual OPEB cost	\$ 154,534
Amount of contribution	<u>(159,489)</u>
Increase/decrease in NOPEBO	\$ (4,955)
Net OPEB obligation, 7-1-13	<u>518,470</u>
Net OPEB obligation, 6-30-14	<u><u>\$ 513,515</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 241,217	59 %	\$ 416,881
6-30-13	"	242,975	58	518,470
6-30-14	"	154,534	103	513,515

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,465,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,465,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,017,254
UAAL as a % of covered payroll	12.19%

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, 2013, 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 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent

in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 2013-14 year, ten employees accepted the offer. The financial statements of this report reflect expenditures of \$50,000 in the General Purpose School Fund for the retirement incentive payments, and there is no further liability to those retirees under the incentive plan.

The Morgan County Board of Education also provides \$2,000 per year for medical insurance premiums to eligible employees for a maximum of five years following retirement or until the retiree is eligible for Medicare. These payments are made directly to the retiree. During the 2013-14 year, 19 retirees were eligible for this benefit. The financial statements of this report reflect expenditures of \$38,000 in the General Purpose School Fund for these payments, and a long term liability for future known amounts due under this policy is reflected in the government-wide statements for the School Department.

**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.

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

**A. Summary of Significant Accounting Policies**

The Morgan County Emergency Communications District was established for the purpose of providing an enhanced level of 911 services to the Morgan County citizens by acquiring certain types of equipment that enable

emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Morgan County. The Morgan County Emergency Communications District is run by a board of directors, which was appointed by Morgan County. The district must file a budget with Morgan County each year. Any bond issued by the district is subject to approval by Morgan County.

The district uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred.

**1. Depreciation**

Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when the capital assets are placed in service. All assets over \$5,000 are capitalized. Depreciation is summarized as follows:

Assets	Method	Estimated Useful Life (Years)	2014 Depreciation
Building and Improvements	S/L	3 - 40	\$ 42,231
Communications Equipment	S/L	5, 7 and 10	64,611
Furniture and Fixtures	S/L	3, 5 and 10	8,656
Office Equipment	S/L	5, 7 and 10	4,656
Vehicle	S/L	5	4,933
Total			\$ 125,087

**2. Major Sources of Revenue**

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

**3. Operating Income**

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

Other revenues and expenses are classified as nonoperating in the financial statements.

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

**B. Deposits and Investments**

*Tennessee Code Annotated (TCA)* requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The following is a schedule of bank accounts at June 30, 2014:

Account	Depository	Amount
Checking	Citizen's First Bank	\$ 92,847
Certificate of Deposit - 3 Months	"	57,912
Certificate of Deposit - 5 Months	"	56,386
Total		\$ 207,145

At June 30, 2014, the carrying amount of the Morgan County E-911 Emergency District's cash deposits was \$207,145. The district's deposit accounts are covered up to \$250,000 by the FDIC. Any amounts over \$250,000 are covered by the government collateralization pool of which Citizen's First Bank is a member. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*. [Acts 1992, ch. 891, sct. 10].

**C. Bonding and Insurance**

The district has a bond covering certain members of the board at June 30, 2014. They also have a general liability policy that covers all capital assets. There have been no losses or settlements during the past three years.

**D. Capital Assets**

The following is a schedule of equipment at June 30, 2014:

Assets	Cost	Accumulated	
		Depreciation	Net
Buildings and Improvements	\$ 1,665,970	\$ 162,234	\$ 1,503,736
Communications Equipment	741,763	381,946	359,817
Furniture and Fixtures	77,761	42,358	35,403
Office Equipment	39,709	31,752	7,957
Vehicles	46,553	29,288	17,265
Land	90,000	0	90,000
Total	<u>\$ 2,661,756</u>	<u>\$ 647,578</u>	<u>\$ 2,014,178</u>

Assets	Balance			Balance
	6-30-13	Additions	Retirements	
Buildings and Improvements	\$ 1,487,155	\$ 178,815	\$ 0	\$ 1,665,970
Communications Equipment	524,415	217,348	0	741,763
Furniture and Fixtures	77,761	0	0	77,761
Office Equipment	39,709	0	0	39,709
Vehicles	46,553	0	0	46,553
Land	90,000	0	0	90,000
Construction in Progress	79,470	0	79,470	0
Total	<u>\$ 2,345,063</u>	<u>\$ 396,163</u>	<u>\$ 79,470</u>	<u>\$ 2,661,756</u>

**E. Cash and Cash Equivalents**

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

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

Accounts Receivable	Bell South	\$ 7,909
"	Other Companies	795
Subtotal		<u>\$ 8,704</u>
Due from State ECB	State ECB	<u>9,531</u>
Total		<u>\$ 18,235</u>

**G. Compensated Absences**

There were no employees at June 30, 2014.

**H. Calculation of Net Investment in Capital Assets**

Net Book Value	\$ 2,014,178
Current and Noncurrent Debt	<u>(1,414,340)</u>
Invested in Capital Assets	<u>\$ 599,838</u>

**I. Budgetary Information**

As stated in Note VI.A., the district must file a budget with Morgan County each year, which must be adopted by the Board of Directors. The budget is prepared on the accrual basis of accounting. Compliance with the adopted budget is required at the line-item level.

**J. Construction Loan**

On July 31, 2008, the district opened a 12-month construction loan at Citizen's First Bank totaling \$1,500,000. As of June 30, 2009, the district had drawn the full \$1,500,000. The district applied for a \$1,500,000 bond with the USDA. The bond was approved on August 1, 2009, for \$1,500,000 to be paid over 38 years at an interest rate of 4.25 percent. Monthly payments are to be made at \$6,645 per month starting August 1, 2009. The current portion of long-term debt due in one year is \$20,018. Current-year activity is as follows:

Balance 6-30-13	New Loans	Principal Payments	Balance 6-30-14
\$1,433,526	\$0	(\$19,186)	\$1,414,340

Debt service requirements to maturity for principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 20,018	\$ 59,722
2016	20,885	58,855
2017	21,790	57,950
2018	22,734	57,006
2019	23,720	56,020
2020-2024	134,938	263,762
2025-2029	166,825	231,875
2030-2034	206,245	192,455
2035-2039	254,982	143,718
2040-2044	315,234	83,466
2045-2048	226,969	15,378
	<hr/>	<hr/>
Total	<u>\$ 1,414,340</u>	<u>\$ 1,220,207</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Morgan County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Morgan County School Department  
June 30, 2014

(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)
7-1-13	\$ 15,126	\$ 16,326	\$ 1,200	92.65	% \$ 7,351	16.32 %
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

Exhibit E-2

Morgan County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Morgan County School Department  
June 30, 2014

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)
7-1-10	\$ 0	\$ 1,782	\$ 1,782	0	\$ 12,039	14.8 %
7-1-11	0	2,046	2,046	0	11,948	17.12
7-1-13	0	1,465	1,465	0	12,017	12.19

**MORGAN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2014**

NONE

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for 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.

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

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

## Capital Projects Fund

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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.

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

Morgan County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	
Cash	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Equity in Pooled Cash and Investments	52,463	0	52,463	22,626	75,089
Total Assets	\$ 52,463	\$ 1,150	\$ 53,613	\$ 22,626	\$ 76,239
<u>ASSETS</u>					
Due to Other Funds	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Due to Litigants, Heirs, and Others	307	0	307	0	307
Total Liabilities	\$ 307	\$ 1,150	\$ 1,457	\$ 0	\$ 1,457
<u>LIABILITIES</u>					
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 52,156	\$ 0	\$ 52,156	\$ 0	\$ 52,156
Committed:					
Committed for Capital Projects	0	0	0	22,626	22,626
Total Fund Balances	\$ 52,156	\$ 0	\$ 52,156	\$ 22,626	\$ 74,782
Total Liabilities and Fund Balances	\$ 52,463	\$ 1,150	\$ 53,613	\$ 22,626	\$ 76,239

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, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Total	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 62,453	0	\$ 62,453	0	\$ 62,453	
Charges for Current Services	36	21,961	21,997	0	21,997	
State of Tennessee	0	0	0	11,214	11,214	
Federal Government	0	0	0	99,938	99,938	
Total Revenues	\$ 62,489	\$ 21,961	\$ 84,450	\$ 111,152	\$ 195,602	
<u>Expenditures</u>						
Current:						
Finance	0	230	230	0	230	
Administration of Justice	0	21,731	21,731	0	21,731	
Public Safety	33,845	0	33,845	0	33,845	
Capital Projects	0	0	0	260,002	260,002	
Total Expenditures	\$ 33,845	\$ 21,961	\$ 55,806	\$ 260,002	\$ 315,808	
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,644	0	\$ 28,644	\$ (148,850)	\$ (120,206)	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	0	0	0	9,562	9,562	
Transfers In	0	0	0	161,625	161,625	
Transfers Out	(23,886)	0	(23,886)	(303,681)	(327,567)	
Total Other Financing Sources (Uses)	\$ (23,886)	0	\$ (23,886)	\$ (132,494)	\$ (156,380)	
Net Change in Fund Balances	\$ 4,758	0	\$ 4,758	\$ (281,344)	\$ (276,586)	
Fund Balance, July 1, 2013	47,398	0	47,398	303,970	351,368	
Fund Balance, June 30, 2014	\$ 52,156	0	\$ 52,156	\$ 22,626	\$ 74,782	

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 62,453	\$ 30,500	\$ 46,314	\$ 16,139
Charges for Current Services	36	0	0	36
Total Revenues	\$ 62,489	\$ 30,500	\$ 46,314	\$ 16,175
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,845	\$ 35,010	\$ 40,824	\$ 6,979
<u>Capital Projects</u>				
Public Safety Projects	0	13,886	0	0
Total Expenditures	\$ 33,845	\$ 48,896	\$ 40,824	\$ 6,979
Excess (Deficiency) of Revenues Over Expenditures	\$ 28,644	\$ (18,396)	\$ 5,490	\$ 23,154
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (23,886)	\$ 0	\$ (23,886)	\$ 0
Total Other Financing Sources	\$ (23,886)	\$ 0	\$ (23,886)	\$ 0
Net Change in Fund Balance	\$ 4,758	\$ (18,396)	\$ (18,396)	\$ 23,154
Fund Balance, July 1, 2013	47,398	47,398	47,398	0
Fund Balance, June 30, 2014	\$ 52,156	\$ 29,002	\$ 29,002	\$ 23,154

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

Morgan County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,368,714	\$ 1,344,451	\$ 1,344,451	\$ 24,263
Other Governments and Citizens Groups	794,655	718,670	794,656	(1)
Total Revenues	<u>\$ 2,163,369</u>	<u>\$ 2,063,121</u>	<u>\$ 2,139,107</u>	<u>\$ 24,262</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 360,161	\$ 360,161	\$ 360,161	0
Education	866,311	807,002	866,385	74
<u>Interest on Debt</u>				
General Government	156,606	241,884	241,884	85,278
Education	739,365	754,074	770,677	31,312
<u>Other Debt Service</u>				
General Government	35,836	50,000	50,000	14,164
Total Expenditures	<u>\$ 2,158,279</u>	<u>\$ 2,213,121</u>	<u>\$ 2,289,107</u>	<u>\$ 130,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,090</u>	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	<u>\$ 155,090</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 300,000	\$ 300,000	\$ 300,000	0
Total Other Financing Sources	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 305,090	\$ 150,000	\$ 150,000	\$ 155,090
Fund Balance, July 1, 2013	<u>2,071,439</u>	<u>2,071,439</u>	<u>2,071,439</u>	<u>0</u>
Fund Balance, June 30, 2014	<u>\$ 2,376,529</u>	<u>\$ 2,221,439</u>	<u>\$ 2,221,439</u>	<u>\$ 155,090</u>

# Fiduciary Funds

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, 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, 2014

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 683,499	\$ 683,499
Due from Other Governments	48,935	0	0	48,935
Property Taxes Receivable	0	62,918	0	62,918
Total Assets	<u>\$ 48,935</u>	<u>\$ 62,918</u>	<u>\$ 683,499</u>	<u>\$ 795,352</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 48,935	\$ 62,918	\$ 0	\$ 111,853
Due to Litigants, Heirs, and Others	0	0	683,499	683,499
Total Liabilities	<u>\$ 48,935</u>	<u>\$ 62,918</u>	<u>\$ 683,499</u>	<u>\$ 795,352</u>

Exhibit H-2

Morgan County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 382,859	\$ 382,859	\$ 0
Due from Other Governments	55,260	48,935	55,260	48,935
Total Assets	\$ 55,260	\$ 431,794	\$ 438,119	\$ 48,935
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 55,260	\$ 431,794	\$ 438,119	\$ 48,935
Total Liabilities	\$ 55,260	\$ 431,794	\$ 438,119	\$ 48,935
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 50,318	\$ 50,318	\$ 0
Property Taxes Receivable	62,856	62,918	62,856	62,918
Total Assets	\$ 62,856	\$ 113,236	\$ 113,174	\$ 62,918
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,856	\$ 113,236	\$ 113,174	\$ 62,918
Total Liabilities	\$ 62,856	\$ 113,236	\$ 113,174	\$ 62,918
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 439,181	\$ 2,960,470	\$ 2,716,152	\$ 683,499
Total Assets	\$ 439,181	\$ 2,960,470	\$ 2,716,152	\$ 683,499
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 439,181	\$ 2,960,470	\$ 2,716,152	\$ 683,499
Total Liabilities	\$ 439,181	\$ 2,960,470	\$ 2,716,152	\$ 683,499

(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	\$ 439,181	\$ 2,960,470	\$ 2,716,152	\$ 683,499
Equity in Pooled Cash and Investments	0	433,177	433,177	0
Due from Other Governments	55,260	48,935	55,260	48,935
Property Taxes Receivable	62,856	62,918	62,856	62,918
Total Assets	<u>\$ 557,297</u>	<u>\$ 3,505,500</u>	<u>\$ 3,267,445</u>	<u>\$ 795,352</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 118,116	\$ 545,030	\$ 551,293	\$ 111,853
Due to Litigants, Heirs, and Others	439,181	2,960,470	2,716,152	683,499
Total Liabilities	<u>\$ 557,297</u>	<u>\$ 3,505,500</u>	<u>\$ 3,267,445</u>	<u>\$ 795,352</u>

# Morgan County School Department

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

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

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

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

Exhibit I-1

Morgan County, Tennessee  
Statement of Activities  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 14,327,916	\$ 15,912	\$ 1,769,378	\$ (12,542,626)
Support Services	11,704,182	0	594,646	(11,109,536)
Operation of Non-instructional Services	2,929,751	491,244	2,413,856	(24,651)
	<u>\$ 28,961,849</u>	<u>\$ 507,156</u>	<u>\$ 4,777,880</u>	<u>\$ (23,676,813)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,663,107
Other Local Taxes				47,498
Grants and Contributions Not Restricted to Specific Programs				19,328,522
Unrestricted Investment Income				11,598
Miscellaneous				51,162
Total General Revenues				<u>\$ 22,101,887</u>
Change in Net Position				\$ (1,574,926)
Net Position, July 1, 2013				29,868,442
Net Position, June 30, 2014				<u>\$ 28,293,516</u>

Morgan County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Morgan County School Department  
June 30, 2014

	Major Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds	
\$	200	104	4	\$	308
2,266,488	231,411	953,024			3,450,923
74,524	0	0			74,524
299,309	92,396	73,686			465,391
2,925,848	0	0			2,925,848
(169,236)	0	0			(169,236)
\$	5,397,133	323,911	1,026,714	\$	6,747,758

ASSETS

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

LIABILITIES

\$	954	55	18,474	\$	19,483
220,505	15,429	0			235,934
3,923	2,510	0			6,433
\$	225,382	17,994	18,474	\$	261,850

DEFERRED INFLOWS OF RESOURCES

\$	2,608,077	0	0	\$	2,608,077
137,252	0	0			137,252
\$	2,745,329	0	0	\$	2,745,329

FUND BALANCES

\$	0	5,917	1,008,240	\$	1,014,157
851,993	300,000	0			1,151,993
527,724	0	0			527,724
1,046,705	0	0			1,046,705
\$	2,426,422	305,917	1,008,240	\$	3,740,579
\$	5,397,133	323,911	1,026,714	\$	6,747,758

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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, 2014

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)		\$ 3,740,579
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,112,193	
Add: buildings and improvements net of accumulated depreciation	19,962,305	
Add: other capital assets net of accumulated depreciation	<u>4,349,540</u>	25,424,038
(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	\$ (268,938)	
Less: other postemployment benefits liability	(513,515)	
Less: retirement incentive obligation	(128,000)	
Less: compensated absences payable	<u>(97,900)</u>	(1,008,353)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>137,252</u>
Net position of governmental activities (Exhibit A)		<u>\$ 28,293,516</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, 2014

	Major Funds				Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Revenues</u>					
Local Taxes	\$ 2,727,140	\$ 0	\$ 0	\$ 0	\$ 2,727,140
Licenses and Permits	570	0	0	0	570
Charges for Current Services	15,913	0	491,243	0	507,156
Other Local Revenues	451,425	372	4,584	0	456,381
State of Tennessee	19,970,244	0	18,953	0	19,989,197
Federal Government	126,863	2,082,272	1,561,986	0	3,771,121
Other Governments and Citizens Groups	340	0	0	0	340
Total Revenues	\$ 23,292,495	\$ 2,082,644	\$ 2,076,766	\$ 0	\$ 27,451,905
<u>Expenditures</u>					
Current:					
Instruction	\$ 12,849,614	\$ 1,464,289	\$ 0	\$ 0	\$ 14,313,903
Support Services	8,280,000	630,303	0	0	8,910,303
Operation of Non-instructional Services	890,746	0	2,576,824	0	3,467,570
Capital Outlay	132,041	0	0	0	132,041
Debt Service:					
Other Debt Service	795,361	0	0	0	795,361
Total Expenditures	\$ 22,947,762	\$ 2,094,592	\$ 2,576,824	\$ 0	\$ 27,619,178
Excess (Deficiency) of Revenues Over Expenditures	\$ 344,733	\$ (11,948)	\$ (500,058)	\$ 0	\$ (167,273)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 17,522	\$ 0	\$ 0	\$ 0	\$ 17,522
Transfers In	4,028	0	0	0	4,028
Transfers Out	0	(4,028)	0	0	(4,028)
Total Other Financing Sources (Uses)	\$ 21,550	\$ (4,028)	\$ 0	\$ 0	\$ 17,522
Net Change in Fund Balances	\$ 366,283	\$ (15,976)	\$ (500,058)	\$ 0	\$ (149,751)
Fund Balance, July 1, 2013	2,060,139	321,893	1,508,298	0	3,890,330
Fund Balance, June 30, 2014	\$ 2,426,422	\$ 305,917	\$ 1,008,240	\$ 0	\$ 3,740,579

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, 2014

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)		\$	(149,751)
(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	\$	889,966	
Less: current-year depreciation expense		<u>(2,167,866)</u>	(1,277,900)
(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, 2013	\$	(219,756)	
Add: deferred delinquent property taxes and other deferred June 30, 2014		<u>137,252</u>	(82,504)
(3) The contribution of long-term debt (e.g., capital leases) by the primary government provides current financial resources to governmental funds, while the contribution by the School Department 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			59,309
(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 other postemployment benefits liability	\$	4,955	
Change in retirement incentive obligation		(128,000)	
Change in compensated absences payable		<u>(1,035)</u>	<u>(124,080)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (1,574,926)</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 2,727,140	\$ 0	\$ 0	\$ 2,727,140	\$ 2,696,130	\$ 2,696,130	\$ 31,010
Licenses and Permits	570	0	0	570	500	500	70
Charges for Current Services	15,913	0	0	15,913	10,500	10,500	5,413
Other Local Revenues	451,425	0	0	451,425	189,036	402,315	49,110
State of Tennessee	19,970,244	0	0	19,970,244	19,432,899	19,822,322	147,922
Federal Government	126,863	0	0	126,863	102,000	126,864	(1)
Other Governments and Citizens Groups	340	0	0	340	0	40	300
<b>Total Revenues</b>	<b>\$ 23,292,495</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,292,495</b>	<b>\$ 22,431,065</b>	<b>\$ 23,058,671</b>	<b>\$ 233,824</b>
<b>Expenditures</b>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,456,526	\$ (83)	\$ 0	\$ 10,456,443	\$ 10,545,451	\$ 10,545,681	\$ 89,238
Special Education Program	1,515,682	0	1,094	1,516,776	1,498,511	1,619,289	102,513
Vocational Education Program	877,406	0	862	878,268	904,417	904,417	26,149
<u>Support Services</u>							
Attendance	210,963	0	0	210,963	191,223	211,513	550
Health Services	368,972	(112)	0	368,860	372,404	376,039	7,179
Other Student Support	506,073	0	0	506,073	514,530	525,328	19,255
Regular Instruction Program	1,273,180	(1,547)	6,259	1,277,892	989,233	1,330,213	52,321
Special Education Program	238,745	0	26,124	264,869	257,651	270,582	5,713
Vocational Education Program	90,045	0	0	90,045	90,382	90,382	337
Other Programs	78,429	0	0	78,429	0	78,429	0
Board of Education	665,647	0	0	665,647	679,008	692,044	26,397
Director of Schools	306,668	0	0	306,668	311,568	311,568	4,900
Office of the Principal	1,389,117	0	0	1,389,117	1,375,307	1,389,335	218
Operation of Plant	1,733,227	(475)	0	1,732,752	1,768,394	1,768,914	36,162
Maintenance of Plant	397,727	(14,801)	4,951	387,877	433,139	444,573	56,696
Transportation	1,021,207	0	0	1,021,207	1,018,945	1,113,386	92,179

(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 7/1/2013	Add: Encumbrances 6/30/2014	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	\$ 43,470	\$ 0	\$ 0	\$ 43,470	\$ 50,000	\$ 53,035	\$ 9,565
Early Childhood Education	847,276	(23,223)	0	824,053	889,668	930,188	106,135
<u>Capital Outlay</u>							
Regular Capital Outlay	132,041	(132,041)	0	0	0	0	0
Principal on Debt	0	0	0	0	59,309	0	0
Interest on Debt	0	0	0	0	16,677	0	0
Other Debt Service							
Education	795,361	0	0	795,361	720,669	796,655	1,294
Total Expenditures	\$ 22,947,762	\$ (172,282)	\$ 39,290	\$ 22,814,770	\$ 22,686,486	\$ 23,451,571	\$ 636,801
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 344,733	\$ 172,282	\$ (39,290)	\$ 477,725	\$ (255,421)	\$ (392,900)	\$ 870,625
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 17,522	\$ 0	\$ 0	\$ 17,522	\$ 0	\$ 17,522	\$ 0
Transfers In	4,028	0	0	4,028	106,000	106,000	(101,972)
Total Other Financing Sources	\$ 21,550	\$ 0	\$ 0	\$ 21,550	\$ 106,000	\$ 123,522	\$ (101,972)
Net Change in Fund Balance	\$ 366,283	\$ 172,282	\$ (39,290)	\$ 499,275	\$ (149,421)	\$ (269,378)	\$ 768,653
Fund Balance, July 1, 2013	2,060,139	(172,282)	0	1,887,857	1,903,554	1,903,554	(15,697)
Fund Balance, June 30, 2014	\$ 2,426,422	\$ 0	\$ (39,290)	\$ 2,387,132	\$ 1,754,133	\$ 1,634,176	\$ 752,956

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Other Local Revenues	\$ 372	\$ 0	\$ 0	\$ 372	\$ 0	\$ 0	\$ 372
Federal Government	2,082,272	0	0	2,082,272	1,995,542	2,332,594	(250,322)
<b>Total Revenues</b>	<b>\$ 2,082,644</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,082,644</b>	<b>\$ 1,995,542</b>	<b>\$ 2,332,594</b>	<b>\$ (249,950)</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 875,478	\$ 0	\$ 598	\$ 876,076	\$ 721,942	\$ 959,566	\$ 83,490
Special Education Program	558,382	0	0	558,382	674,174	651,728	93,346
Vocational Education Program	30,429	(1,271)	114	29,272	0	29,332	60
<b>Support Services</b>							
Other Student Support	36,438	(94)	0	36,344	27,722	45,884	9,540
Regular Instruction Program	490,687	0	0	490,687	494,007	533,031	42,344
Special Education Program	100,820	0	0	100,820	93,435	119,055	18,235
Vocational Education Program	2,358	0	0	2,358	0	2,358	0
Office of the Principal	0	0	0	0	0	7,381	7,381
<b>Total Expenditures</b>	<b>\$ 2,094,592</b>	<b>\$ (1,365)</b>	<b>\$ 712</b>	<b>\$ 2,093,939</b>	<b>\$ 2,011,280</b>	<b>\$ 2,348,335</b>	<b>\$ 254,396</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (11,948)</b>	<b>\$ 1,365</b>	<b>\$ (712)</b>	<b>\$ (11,295)</b>	<b>\$ (15,738)</b>	<b>\$ (15,741)</b>	<b>\$ 4,446</b>
<b>Other Financing Sources (Uses)</b>							
Transfers In	0	0	0	0	120,768	2,095	(2,095)
Transfers Out	(4,028)	0	0	(4,028)	(124,796)	(4,028)	0
<b>Total Other Financing Sources</b>	<b>\$ (4,028)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (4,028)</b>	<b>\$ (4,028)</b>	<b>\$ (1,933)</b>	<b>\$ (2,095)</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2013</b>	<b>\$ (15,976)</b>	<b>\$ 1,365</b>	<b>\$ (712)</b>	<b>\$ (15,323)</b>	<b>\$ (19,766)</b>	<b>\$ (17,674)</b>	<b>\$ 2,351</b>
<b>Fund Balance, July 1, 2013</b>	<b>\$ 321,893</b>	<b>\$ (1,365)</b>	<b>\$ 0</b>	<b>\$ 320,528</b>	<b>\$ 349,844</b>	<b>\$ 349,844</b>	<b>\$ (29,316)</b>
<b>Fund Balance, June 30, 2014</b>	<b>\$ 305,917</b>	<b>\$ 0</b>	<b>\$ (712)</b>	<b>\$ 305,205</b>	<b>\$ 330,078</b>	<b>\$ 332,170</b>	<b>\$ (26,965)</b>

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Charges for Current Services	\$ 491,243 \$	0 \$	0 \$	491,243 \$	486,000 \$	486,000 \$	5,243
Other Local Revenues	4,584	0	0	4,584	1,000	1,000	3,584
State of Tennessee	18,953	0	0	18,953	17,000	17,000	1,953
Federal Government	1,561,986	0	0	1,561,986	1,533,802	1,533,802	28,184
<b>Total Revenues</b>	<b>\$ 2,076,766 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>2,076,766 \$</b>	<b>2,037,802 \$</b>	<b>2,037,802 \$</b>	<b>38,964</b>
<b>Expenditures</b>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 2,512,527 \$	(520,626) \$	115 \$	1,992,016 \$	1,919,552 \$	2,220,552 \$	228,536
Community Services	64,297	(21,760)	5,750	48,287	118,250	118,250	69,963
<b>Total Expenditures</b>	<b>\$ 2,576,824 \$</b>	<b>(542,386) \$</b>	<b>5,865 \$</b>	<b>2,040,303 \$</b>	<b>2,037,802 \$</b>	<b>2,338,802 \$</b>	<b>298,499</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (500,058) \$</b>	<b>542,386 \$</b>	<b>(5,865) \$</b>	<b>36,463 \$</b>	<b>0 \$</b>	<b>(301,000) \$</b>	<b>337,463</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2013</b>	<b>\$ (500,058) \$</b>	<b>542,386 \$</b>	<b>(5,865) \$</b>	<b>36,463 \$</b>	<b>0 \$</b>	<b>(301,000) \$</b>	<b>337,463</b>
	1,508,298	(542,386)	0	965,912	1,295,451	1,295,451	(329,539)
<b>Fund Balance, June 30, 2014</b>	<b>\$ 1,008,240 \$</b>	<b>0 \$</b>	<b>(5,865) \$</b>	<b>1,002,375 \$</b>	<b>1,295,451 \$</b>	<b>994,451 \$</b>	<b>7,924</b>

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## MISCELLANEOUS SCHEDULES

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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, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or Matured During Period	Outstanding 6-30-14
<b>BONDS PAYABLE</b>							
Payable through General Debt Service Fund							
General Obligation	\$ 500,000	2.8 %	4-22-03	6-1-14	\$ 55,000	\$ 55,000	\$ 0
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	1,195,000	585,000	610,000
General Obligation School Series 2010	6,400,000	2 to 3	10-13-10	4-1-26	5,335,000	355,000	4,980,000
Total Bonds Payable					\$ 6,585,000	\$ 995,000	\$ 5,590,000
<b>NOTES PAYABLE</b>							
Payable through General Debt Service Fund							
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	\$ 213,635	\$ 71,211	\$ 142,424
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	121,024	24,952	96,072
Total Notes Payable					\$ 334,659	\$ 96,163	\$ 238,496
<b>OTHER LOANS PAYABLE</b>							
Payable through General Debt Service Fund							
Public Building Authority of Blount County	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,750,000	\$ 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	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	1,794,000	76,000	1,718,000
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	10,095,000
Total Other Loans Payable					\$ 14,389,000	\$ 76,000	\$ 14,313,000

(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 7-1-13</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-14</u>
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Fund</u>							
<u>Remounted Ambulance</u>	\$ 74,400	3.2 %	10-1-12	8-15-14	\$ 74,400	\$ 36,635	\$ 37,765
<u>Payable through Solid Waste/Sanititation Fund</u>							
<u>Garbage Truck</u>	193,342	2.92	3-1-13	3-1-18	193,342	36,475	156,867
<u>Payable by the School Department through Contributions from the</u>							
<u>General Purpose School Fund to the Primary Government</u>							
<u>Football Field Lighting</u>	601,414	2.63	4-7-08	8-1-17	328,247	59,309	268,938
<u>Total Capital Leases Payable</u>					<u>\$ 595,989</u>	<u>\$ 132,419</u>	<u>\$ 463,570</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
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>\$ 5,590,000</u>	<u>\$ 951,933</u>	<u>\$ 6,541,933</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
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>\$ 238,496</u>	<u>\$ 8,347</u>	<u>\$ 246,843</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
2015	\$ 205,000	\$ 683,831	\$ 35,059	\$ 923,890
2016	903,000	676,806	34,531	1,614,337
2017	958,000	632,290	32,970	1,623,260
2018	1,002,000	585,001	31,281	1,618,282
2019	1,077,000	535,483	29,507	1,641,990
2020	1,131,000	481,588	27,622	1,640,210
2021	1,212,000	424,999	25,629	1,662,628
2022	1,272,000	364,212	23,509	1,659,721
2023	1,333,000	300,463	21,267	1,654,730
2024	1,418,000	233,748	18,893	1,670,641
2025	1,465,000	162,570	16,399	1,643,969
2026	1,536,000	91,385	13,742	1,641,127
2027	493,000	16,699	10,943	520,642
2028	150,000	1,816	10,897	162,713
2029	158,000	1,808	10,850	170,658
Total	\$ 14,313,000	\$ 5,192,699	\$ 343,099	\$ 19,848,798

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
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	\$ 463,570	\$ 48,148	\$ 511,718

Exhibit J-3

Morgan County, Tennessee  
Schedule of Transfers – Primary Government and Discretely Presented  
Morgan County School Department  
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Capital projects	\$ 151,625
General Capital Projects	General	Refund of residual balances	3,681
Highway/Public Works	General Capital Projects	Capital projects	10,000
General Capital Projects	General Debt Service	Repayment of amount transferred	300,000
Drug Control	General	Drug officer salary	<u>23,886</u>
Total Transfers Primary Government			<u>\$ 489,192</u>
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 4,028
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 4,028</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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 71,184	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	67,795	100,000	"
Director of Schools	State Board of Education and County Board of Education	98,673 (1)	50,000	"
Trustee	Section 8-24-102, TCA	61,632	925,000	"
Assessor of Property	Section 8-24-102, TCA	61,632	10,000	"
County Clerk	Section 8-24-102, TCA	61,632	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,632	50,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	61,632 (2)	50,000	"
Register of Deeds	Section 8-24-102, TCA	61,632	25,000	"
Sheriff	Section 8-24-102, TCA	67,795 (3)	25,000	"
Director of Finance	County Commission	61,847 (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 and a one-time bonus payment of \$451.
- (2) Does not include special commissioner fees of \$2,825.
- (3) Does not include a law enforcement training salary supplement of \$600.
- (4) Includes a \$1,100 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, 2014

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,232,410	\$ 813,040	\$ 0	\$ 0	\$ 58,987	\$ 410,364
Trustee's Collections - Prior Year	228,685	45,030	0	0	3,486	36,381
Trustee's Collections - Bankruptcy	339	65	0	0	5	48
Circuit/Clerk & Master Collections - Prior Years	106,552	20,375	0	0	1,495	11,307
Interest and Penalty	45,629	8,555	0	0	656	6,570
Pick-up Taxes	5,143	988	0	0	72	499
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	25,697	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	14,743	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	899,238
Litigation Tax - General	31,309	0	0	0	0	0
Litigation Tax - Special Purpose	61,593	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	28,195	0	0	0	0	0
Litigation Tax - Courthouse Security	3,230	0	0	0	0	0
Business Tax	421	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	99,245	0
Other County Local Option Taxes	3,465	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Beer Privilege Tax	1,100	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	4,307
Total Local Taxes	\$ 4,788,512	\$ 888,053	\$ 0	\$ 0	\$ 163,946	\$ 1,368,714

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	580 \$	0 \$	0 \$	0 \$	0 \$	0
Cable TV Franchise	39,723	0	0	0	0	0
Total Licenses and Permits	\$ 40,303 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	2,678 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	1,564	0	0	0	0	0
Drug Court Fees	0	0	1,355	0	0	0
DUI Treatment Fines	142	0	0	0	0	0
Data Entry Fee - Circuit Court	733	0	0	0	0	0
Courtroom Security Fee	516	0	0	0	0	0
Victims Assistance Assessments	194	0	0	0	0	0
<u>Criminal Court</u>						
Victims Assistance Assessments	2,223	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	11,486	0	0	0	0	0
Officers Costs	25,636	0	0	0	0	0
Game and Fish Fines	805	0	0	0	0	0
Drug Control Fines	8,190	0	45,974	0	0	0
Drug Court Fees	0	0	4,199	0	0	0
Jail Fees	2,535	0	0	0	0	0
DUI Treatment Fines	3,736	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,655	0	0	0	0	0
Courtroom Security Fee	19,265	0	0	0	0	0
Victims Assistance Assessments	7,093	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 1,274	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,677	0	0	0	0	0
Data Entry Fee - Juvenile Court	211	0	0	0	0	0
<u>Chancery Court</u>						
Data Entry Fee - Chancery Court	2,372	0	0	0	0	0
Courtroom Security Fee	92	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Data Entry Fee - Other Courts	378	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	10,925	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 98,455</b>	<b>\$ 0</b>	<b>\$ 62,453</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fees	\$ 0	\$ 204,975	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	819,171	0	0	0	0	0
Other General Service Charges	57	0	36	0	38	0
<u>Fees</u>						
Copy Fees	7,182	0	0	0	0	0
Library Fees	8,427	0	0	0	0	0
Telephone Commissions	11,038	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	19,136	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	2,825	0	0
Data Processing Fee - Register	6,262	0	0	0	0	0
Data Processing Fee - Sheriff	2,090	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Sexual Offender Registration Fees - Sheriff	\$ 2,700	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - County Clerk	2,035	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 858,962</b>	<b>\$ 204,975</b>	<b>\$ 36</b>	<b>\$ 21,961</b>	<b>\$ 38</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 3,595	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	47	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	5,704
Commissary Sales	3,219	0	0	0	0
Sale of Gasoline	0	0	0	0	101,642
Sale of Recycled Materials	0	27,825	0	0	15
Miscellaneous Refunds	4,421	150	0	0	6
<u>Nonrecurring Items</u>					
Sale of Property	500	0	0	0	0
Damages Recovered from Individuals	1,833	0	0	0	0
Contributions and Gifts	64,517	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	35	0	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 78,167</b>	<b>\$ 27,975</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 107,367</b>
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 142,919	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	30,097	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 92,553	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	70,347	0	0	0	0	0
Juvenile Court Clerk	13,718	0	0	0	0	0
Register	60,982	0	0	0	0	0
Sheriff	7,902	0	0	0	0	0
Trustee	266,166	0	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 684,684</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	2,061	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	10,200	0	0	0	0	0
Drug Control Grants	42,515	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	21,203	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	209,200	0
Litter Program	0	35,208	0	0	0	0
Other Public Works Grants	0	8,785	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	13,133	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0
Alcoholic Beverage Tax	59,151	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Mixed Drink Tax	\$ 1,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Revenue Sharing - T.V.A.	221,703	0	0	0	0	0	0
Contracted Prisoner Boarding	27,269	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,726,747	0	0
Petroleum Special Tax	0	0	0	0	15,865	0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	1,540	0	0	0	0	0	0
Other State Revenues	19,970	0	0	0	0	0	0
Total State of Tennessee	\$ 460,455	\$ 46,054	\$ 0	\$ 0	\$ 1,951,812	\$ 0	\$ 0
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	1,326	0	0
Homeland Security Grants	0	0	0	0	0	0	0
Other Federal through State	5,000	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	6,810	0	0	0	0	0	0
Total Federal Government	\$ 11,810	\$ 0	\$ 0	\$ 0	\$ 1,326	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Prisoner Board	\$ 56,314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	9,847	0	0	0	0	0	794,655
Contracted Services	140,138	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 206,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 794,655
Total	\$ 7,227,647	\$ 1,167,057	\$ 62,489	\$ 21,961	\$ 2,224,489	\$ 2,163,369	

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	0 \$	5,514,801
Trustee's Collections - Prior Year	0	313,582
Trustee's Collections - Bankruptcy	0	457
Circuit/Clerk & Master Collections - Prior Years	0	139,729
Interest and Penalty	0	61,410
Pick-up Taxes	0	6,702
Payments in-Lieu-of Taxes - T.V.A.	0	1
Payments in-Lieu-of Taxes - Local Utilities	0	25,697
Payments in-Lieu-of Taxes - Other	0	14,743
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	899,238
Litigation Tax - General	0	31,309
Litigation Tax - Special Purpose	0	61,593
Litigation Tax - Jail, Workhouse, or Courthouse	0	28,195
Litigation Tax - Courthouse Security	0	3,230
Business Tax	0	421
Mineral Severance Tax	0	99,245
Other County Local Option Taxes	0	3,465
<u>Statutory Local Taxes</u>		
Beer Privilege Tax	0	1,100
Interstate Telecommunications Tax	0	4,307
<b>Total Local Taxes</b>	<b>0 \$</b>	<b>7,209,225</b>

(Continued)

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

	Capital Projects Fund	Total
	General	
	Capital	
	Projects	
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Marriage Licenses	0 \$	580
Cable TV Franchise	0	39,723
Total Licenses and Permits	<u>0 \$</u>	<u>40,303</u>
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	0 \$	2,678
Officers Costs	0	1,564
Drug Court Fees	0	1,355
DUI Treatment Fines	0	142
Data Entry Fee - Circuit Court	0	733
Courtroom Security Fee	0	516
Victims Assistance Assessments	0	194
<u>Criminal Court</u>		
Victims Assistance Assessments	0	2,223
<u>General Sessions Court</u>		
Fines	0	11,486
Officers Costs	0	25,636
Game and Fish Fines	0	805
Drug Control Fines	0	54,164
Drug Court Fees	0	4,199
Jail Fees	0	2,535
DUI Treatment Fines	0	3,736
Data Entry Fee - General Sessions Court	0	4,655
Courtroom Security Fee	0	19,265
Victims Assistance Assessments	0	7,093

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Juvenile Court</u>		
Fines	0 \$	1,274
Officers Costs	0	2,677
Data Entry Fee - Juvenile Court	0	211
<u>Chancery Court</u>		
Data Entry Fee - Chancery Court	0	2,372
Courtroom Security Fee	0	92
<u>Judicial District Drug Program</u>		
Data Entry Fee - Other Courts	0	378
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0	10,925
Total Fines, Forfeitures, and Penalties	0 \$	160,908
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Solid Waste Disposal Fees	0 \$	204,975
Patient Charges	0	819,171
Other General Service Charges	0	131
<u>Fees</u>		
Copy Fees	0	7,182
Library Fees	0	8,427
Telephone Commissions	0	11,038
Constitutional Officers' Fees and Commissions	0	19,136
Special Commissioner Fees/Special Master Fees	0	2,825
Data Processing Fee - Register	0	6,262
Data Processing Fee - Sheriff	0	2,090

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>		
<u>Fees (Cont.)</u>		
Sexual Offender Registration Fees - Sheriff	0 \$	2,700
Data Processing Fee - County Clerk	0	2,035
Total Charges for Current Services	<u>0 \$</u>	<u>1,085,972</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	0 \$	3,595
Lease/Rentals	0	47
Sale of Materials and Supplies	0	5,704
Commissary Sales	0	3,219
Sale of Gasoline	0	101,642
Sale of Recycled Materials	0	27,840
Miscellaneous Refunds	0	4,577
<u>Nonrecurring Items</u>		
Sale of Property	0	500
Damages Recovered from Individuals	0	1,833
Contributions and Gifts	0	64,517
<u>Other Local Revenues</u>		
Other Local Revenues	0	35
Total Other Local Revenues	<u>0 \$</u>	<u>213,509</u>
<u>Fees Received from County Officials</u>		
<u>Fees in-Lieu-of Salary</u>		
County Clerk	0 \$	142,919
Circuit Court Clerk	0	30,097

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>		
<u>Fees in-Lieu-of Salary (Cont.)</u>		
General Sessions Court Clerk	0 \$	92,553
Clerk and Master	0	70,347
Juvenile Court Clerk	0	13,718
Register	0	60,982
Sheriff	0	7,902
Trustee	0	266,166
<b>Total Fees Received from County Officials</b>	<b>0 \$</b>	<b>684,684</b>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	0 \$	9,195
Solid Waste Grants	0	2,061
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	10,200
Drug Control Grants	0	42,515
Health and Welfare Grants	0	21,203
Health Department Programs	0	209,200
<u>Public Works Grants</u>		
State Aid Program	0	35,208
Litter Program	0	8,785
Other Public Works Grants	0	13,133
<u>Other State Revenues</u>		
Income Tax	0	17,806
Beer Tax	0	59,151
Alcoholic Beverage Tax	0	

(Continued)

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

	Capital Projects Fund	Total
	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
Mixed Drink Tax	0 \$	1,606
State Revenue Sharing - T.V.A.	0	221,703
Contracted Prisoner Boarding	0	27,269
Gasoline and Motor Fuel Tax	0	1,726,747
Petroleum Special Tax	0	15,865
Registrar's Salary Supplement	0	15,164
Other State Grants	11,214	12,754
Other State Revenues	0	19,970
Total State of Tennessee	<u>11,214 \$</u>	<u>2,469,535</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	69,629 \$	69,629
Disaster Relief	0	1,326
Homeland Security Grants	18,244	18,244
Other Federal through State	12,065	17,065
Direct Federal Revenue		
Other Direct Federal Revenue	0	6,810
Total Federal Government	<u>99,938 \$</u>	<u>113,074</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Prisoner Board	0 \$	56,314
Contributions	0	804,502
Contracted Services	0	140,138
Total Other Governments and Citizens Groups	<u>0 \$</u>	<u>1,000,954</u>
Total	<u>111,152 \$</u>	<u>12,978,164</u>

Morgan County, Tennessee  
 Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Morgan County School Department  
For the Year Ended June 30, 2014

	<u>Special Revenue Funds</u>				Total
	General Purpose School	School Federal Projects	Central Cafeteria	Total	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,436,564	\$ 0	\$ 0	\$ 2,436,564	
Trustee's Collections - Prior Year	144,031	0	0	144,031	
Trustee's Collections - Bankruptcy	207	0	0	207	
Circuit/Clerk & Master Collections - Prior Years	68,740	0	0	68,740	
Interest and Penalty	27,139	0	0	27,139	
Pick-up Taxes	2,961	0	0	2,961	
<u>Statutory Local Taxes</u>	47,498	0	0	47,498	
Wholesale Beer Tax	2,727,140	\$ 0	\$ 0	\$ 2,727,140	
Total Local Taxes	\$ 2,727,140	\$ 0	\$ 0	\$ 2,727,140	
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 570	\$ 0	\$ 0	\$ 570	
Total Licenses and Permits	\$ 570	\$ 0	\$ 0	\$ 570	
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 15,712	\$ 0	\$ 0	\$ 15,712	
Tuition - Other	200	0	0	200	
Lunch Payments - Children	0	0	265,324	265,324	
Lunch Payments - Adults	0	0	41,471	41,471	
Income from Breakfast	0	0	112,375	112,375	
A la carte Sales	0	0	63,334	63,334	
Receipts from Individual Schools	1	0	0	1	

(Continued)

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria			
<u>Charges for Current Services (Cont.)</u>						
<u>Other Charges for Services</u>						
Other Charges for Services	\$ 0	\$ 0	\$ 8,739	\$ 8,739	\$ 8,739	\$ 8,739
Total Charges for Current Services	\$ 15,913	\$ 0	\$ 491,243	\$ 491,243	\$ 507,156	\$ 507,156
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	7,014	0	4,584	4,584	11,598	11,598
Refund of Telecommunication & Internet Fees (E-Rate)	40,290	0	0	0	40,290	40,290
Miscellaneous Refunds	140,825	372	0	0	141,197	141,197
<u>Nonrecurring Items</u>						
Sale of Equipment	804	0	0	0	804	804
Sale of Property	1,800	0	0	0	1,800	1,800
Contributions and Gifts	3,035	0	0	0	3,035	3,035
<u>Other Local Revenues</u>						
Other Local Revenues	257,657	0	0	0	257,657	257,657
Total Other Local Revenues	\$ 451,425	\$ 372	\$ 4,584	\$ 4,584	\$ 456,381	\$ 456,381
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	78,429	0	0	0	78,429	78,429
<u>State Education Funds</u>						
Basic Education Program	18,169,999	0	0	0	18,169,999	18,169,999
Early Childhood Education	623,005	0	0	0	623,005	623,005
School Food Service	0	0	18,953	18,953	18,953	18,953
Energy Efficient School Initiative	11,974	0	0	0	11,974	11,974

(Continued)

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria			
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds (Cont.)</u>						
Driver Education	\$ 13,080	\$ 0	\$ 0	\$ 0	\$ 13,080	
Other State Education Funds	460,883	0	0	0	460,883	
Career Ladder Program	144,691	0	0	0	144,691	
Career Ladder - Extended Contract	42,670	0	0	0	42,670	
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	421,703	0	0	0	421,703	
Other State Grants	3,810	0	0	0	3,810	
<b>Total State of Tennessee</b>	<b>\$ 19,970,244</b>	<b>\$ 0</b>	<b>\$ 18,953</b>	<b>\$ 19,989,197</b>		
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,019,897	\$ 1,019,897		
USDA - Commodities	0	0	89,689	89,689		
Breakfast	0	0	437,781	437,781		
USDA - Other	0	0	14,619	14,619		
Vocational Education - Basic Grants to States	0	47,163	0	47,163		
Title I Grants to Local Education Agencies	0	742,160	0	742,160		
Special Education - Grants to States	17,364	629,899	0	647,263		
Special Education Preschool Grants	0	29,300	0	29,300		
Rural Education	0	62,010	0	62,010		
Eisenhower Professional Development State Grants	0	166,506	0	166,506		
Race-to-the-Top - ARRA	0	269,833	0	269,833		
Other Federal through State	109,499	0	0	109,499		

(Continued)

Exhibit J-6

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0 \$	135,401 \$	0 \$		135,401
Total Federal Government	126,863 \$	2,082,272 \$	1,561,986 \$		3,771,121
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contracted Services	340 \$	0 \$	0 \$		340
Total Other Governments and Citizens Groups	340 \$	0 \$	0 \$		340
<u>Total</u>	23,292,495 \$	2,082,644 \$	2,076,766 \$		27,451,905

Exhibit J-7

Morgan County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	25,455	
Social Security		1,578	
Employer Medicare		369	
Audit Services		6,596	
Dues and Memberships		14,054	
Legal Services		9,084	
Legal Notices, Recording, and Court Costs		1,752	
Pauper Burials		1,000	
Postal Charges		455	
Office Supplies		976	
Other Supplies and Materials		275	
Premiums on Corporate Surety Bonds		9,030	
Other Charges		1,659	
Total County Commission			\$ 72,283

County Mayor/Executive

County Official/Administrative Officer	\$	71,184	
Assistant(s)		23,999	
Part-time Personnel		13,503	
Social Security		6,657	
State Retirement		7,072	
Medical Insurance		17,915	
Employer Medicare		1,557	
Communication		3,796	
Postal Charges		399	
Travel		1,926	
Office Supplies		488	
Total County Mayor/Executive			148,496

County Attorney

Legal Services	\$	2,505	
Total County Attorney			2,505

Election Commission

County Official/Administrative Officer	\$	55,468	
Clerical Personnel		18,974	
Temporary Personnel		138	
Longevity Pay		100	
Election Commission		3,000	
Election Workers		6,820	
Social Security		4,620	
State Retirement		5,539	
Employer Medicare		1,081	
Advertising		1,189	
Communication		2,240	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		13,168	

(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.)

Postal Charges	\$	3,674	
Rentals		1,100	
Travel		1,143	
Office Supplies		8,590	
Data Processing Equipment		1,540	
Total Election Commission			\$ 128,559

Register of Deeds

County Official/Administrative Officer	\$	61,632	
Secretary(ies)		21,632	
Longevity Pay		1,000	
Social Security		5,072	
State Retirement		6,261	
Medical Insurance		9,505	
Employer Medicare		1,186	
Communication		2,365	
Dues and Memberships		507	
Postal Charges		253	
Printing, Stationery, and Forms		887	
Rentals		1,650	
Office Supplies		507	
Office Equipment		6,427	
Total Register of Deeds			118,884

County Buildings

Custodial Personnel	\$	19,386	
Longevity Pay		200	
Social Security		1,200	
State Retirement		1,455	
Employer Medicare		281	
Communication		3,671	
Maintenance and Repair Services - Buildings		59,306	
Pest Control		4,260	
Rentals		7,500	
Custodial Supplies		7,809	
Electricity		58,085	
Natural Gas		6,737	
Office Supplies		5,550	
Water and Sewer		9,305	
Other Supplies and Materials		2,064	
Liability Insurance		112,019	
Workers' Compensation Insurance		91,723	
Other Charges		8,107	
Total County Buildings			398,658

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Supervisor/Director	\$	52,200	
Accountants/Bookkeepers		88,963	
Salary Supplements		8,547	
Longevity Pay		5,700	
Social Security		9,136	
State Retirement		11,547	
Medical Insurance		27,935	
Employer Medicare		2,137	
Communication		3,597	
Maintenance and Repair Services - Office Equipment		11,282	
Postal Charges		4,278	
Travel		459	
Office Supplies		5,221	
Data Processing Equipment		500	
Total Accounting and Budgeting			\$ 231,502

Property Assessor's Office

County Official/Administrative Officer	\$	61,632	
Clerical Personnel		66,108	
Longevity Pay		3,600	
Board and Committee Members Fees		2,850	
Social Security		7,823	
State Retirement		9,758	
Medical Insurance		17,915	
Employer Medicare		1,830	
Advertising		156	
Audit Services		2,722	
Communication		1,389	
Data Processing Services		3,216	
Maintenance and Repair Services - Office Equipment		2,032	
Postal Charges		999	
Travel		897	
Office Supplies		4,773	
Motor Vehicles		476	
Total Property Assessor's Office			188,176

Reappraisal Program

Data Processing Services	\$	3,400	
Other Supplies and Materials		523	
Total Reappraisal Program			3,923

County Trustee's Office

County Official/Administrative Officer	\$	61,632	
Accountants/Bookkeepers		19,711	
Secretary(ies)		20,700	
Part-time Personnel		4,982	
Longevity Pay		800	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Social Security	\$	6,285	
State Retirement		7,641	
Medical Insurance		21,829	
Employer Medicare		1,470	
Advertising		321	
Communication		1,183	
Data Processing Services		6,880	
Dues and Memberships		516	
Maintenance and Repair Services - Office Equipment		4,395	
Postal Charges		4,965	
Office Supplies		1,640	
Total County Trustee's Office			\$ 164,950

County Clerk's Office

County Official/Administrative Officer	\$	61,632	
Secretary(ies)		42,251	
Part-time Personnel		679	
Longevity Pay		1,500	
Social Security		6,105	
State Retirement		7,830	
Medical Insurance		25,765	
Employer Medicare		1,428	
Communication		3,951	
Dues and Memberships		507	
Postal Charges		3,681	
Office Supplies		10,333	
Office Equipment		6,450	
Total County Clerk's Office			172,112

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,632	
Clerical Personnel		83,052	
Part-time Personnel		5,601	
Longevity Pay		2,700	
Overtime Pay		241	
Social Security		8,419	
State Retirement		10,969	
Medical Insurance		57,614	
Employer Medicare		1,969	
Communication		2,772	
Maintenance and Repair Services - Office Equipment		13,599	
Postal Charges		1,800	
Rentals		1,780	
Office Supplies		10,465	
Other Charges		15,998	
Total Circuit Court			278,611

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Criminal Court

Jury and Witness Expense	\$	7,611	
Postal Charges		400	
Total Criminal Court			\$ 8,011

General Sessions Court

Paraprofessionals	\$	5,894	
Clerical Personnel		20,598	
Longevity Pay		600	
Social Security		1,484	
State Retirement		2,013	
Medical Insurance		8,946	
Employer Medicare		347	
Communication		2,178	
Dues and Memberships		120	
Postal Charges		80	
Travel		2,575	
Office Supplies		3,841	
Total General Sessions Court			48,676

General Sessions Judge

Judge(s)	\$	110,823	
Social Security		6,610	
State Retirement		8,234	
Medical Insurance		11,809	
Employer Medicare		1,546	
Total General Sessions Judge			139,022

Drug Court

Assistant(s)	\$	16,283	
Guards		4,596	
Longevity Pay		700	
Social Security		1,338	
State Retirement		792	
Unemployment Compensation		96	
Employer Medicare		313	
Communication		2,796	
Maintenance and Repair Services - Equipment		1,104	
Postal Charges		80	
Printing, Stationery, and Forms		1,500	
Travel		3,640	
Other Contracted Services		4,877	
Office Supplies		4,401	
Total Drug Court			42,516

Chancery Court

County Official/Administrative Officer	\$	61,632	
Clerical Personnel		44,177	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Longevity Pay	\$	3,100	
Social Security		6,372	
State Retirement		8,062	
Medical Insurance		23,879	
Employer Medicare		1,490	
Communication		2,244	
Dues and Memberships		60	
Maintenance and Repair Services - Office Equipment		200	
Postal Charges		1,500	
Travel		631	
Office Supplies		4,639	
Total Chancery Court			\$ 157,986

Juvenile Court

Social Workers	\$	21,000	
Longevity Pay		700	
Social Security		1,183	
State Retirement		1,612	
Medical Insurance		8,946	
Employer Medicare		277	
Communication		200	
Travel		1,000	
Office Supplies		808	
Total Juvenile Court			35,726

Courtroom Security

Supervisor/Director	\$	16,000	
Guards		53,525	
Longevity Pay		600	
Overtime Pay		529	
Other Salaries and Wages		9,894	
Social Security		4,903	
State Retirement		1,685	
Medical Insurance		5,032	
Employer Medicare		1,147	
Other Charges		4,599	
Law Enforcement Equipment		352	
Total Courtroom Security			98,266

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,795	
Deputy(ies)		553,269	
Salary Supplements		9,600	
Clerical Personnel		5,520	
Longevity Pay		8,000	
Overtime Pay		66,119	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Salaries and Wages	\$	23,834	
Board and Committee Members Fees		1,050	
In-Service Training		4,267	
Social Security		43,351	
State Retirement		54,198	
Medical Insurance		148,605	
Employer Medicare		10,139	
Contracts with Other Public Agencies		274	
Dues and Memberships		2,033	
Maintenance and Repair Services - Equipment		600	
Maintenance and Repair Services - Vehicles		1,442	
Postal Charges		2,033	
Travel		981	
Other Contracted Services		15,430	
Gasoline		96,379	
Law Enforcement Supplies		2,260	
Office Supplies		4,347	
Uniforms		3,933	
Vehicle Parts		28,113	
Other Supplies and Materials		1,133	
Other Charges		4,010	
Communication Equipment		21,039	
Data Processing Equipment		2,034	
Law Enforcement Equipment		11,791	
Total Sheriff's Department			\$ 1,193,579

Jail

Supervisor/Director	\$	35,000
Guards		525,776
Clerical Personnel		21,731
Cafeteria Personnel		10,505
Maintenance Personnel		3,000
Longevity Pay		9,700
Overtime Pay		30,187
Other Salaries and Wages		23,453
In-Service Training		2,394
Social Security		39,854
State Retirement		46,551
Medical Insurance		137,904
Employer Medicare		9,321
Communication		24,597
Maintenance and Repair Services - Buildings		8,754
Maintenance and Repair Services - Equipment		4,922
Maintenance and Repair Services - Office Equipment		2,266
Medical and Dental Services		94,421
Pest Control		360
Travel		295

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Contracted Services	\$	6,028	
Custodial Supplies		22,127	
Drugs and Medical Supplies		447	
Electricity		31,986	
Food Supplies		94,082	
Natural Gas		9,889	
Office Supplies		2,498	
Prisoners Clothing		6,554	
Uniforms		2,760	
Water and Sewer		19,466	
Other Supplies and Materials		3,005	
Law Enforcement Equipment		3,052	
Total Jail			\$ 1,232,885

Juvenile Services

Other Contracted Services	\$	625	
Total Juvenile Services			625

Fire Prevention and Control

Medical Insurance	\$	10,243	
Contracts with Government Agencies		2,000	
Contributions		54,500	
Vehicle and Equipment Insurance		40,406	
Workers' Compensation Insurance		6,621	
Other Charges		20,496	
Total Fire Prevention and Control			134,266

Civil Defense

Supervisor/Director	\$	7,350	
Social Security		456	
Employer Medicare		107	
Communication		5,300	
Dues and Memberships		375	
Maintenance and Repair Services - Equipment		729	
Travel		905	
Food Supplies		418	
Gasoline		1,588	
Office Supplies		977	
Other Supplies and Materials		1,397	
Liability Insurance		2,235	
Total Civil Defense			21,837

Rescue Squad

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Assistant(s)	\$	17,314	
Supervisor/Director		40,463	
Data Processing Personnel		10,000	
Dispatchers/Radio Operators		160,043	
Part-time Personnel		13,603	
Longevity Pay		4,900	
Overtime Pay		30,533	
Other Salaries and Wages		6,459	
Social Security		17,200	
State Retirement		19,498	
Medical Insurance		25,195	
Unemployment Compensation		1,192	
Employer Medicare		4,022	
Total Other Emergency Management			\$ 350,422

County Coroner/Medical Examiner

Supervisor/Director	\$	20,400	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		7,875	
Total County Coroner/Medical Examiner			28,459

Other Public Safety

Contributions	\$	5,800	
Road Signs		1,829	
Total Other Public Safety			7,629

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,583	
Social Security		284	
Employer Medicare		66	
Communication		3,482	
Contributions		19,979	
Maintenance and Repair Services - Buildings		459	
Maintenance and Repair Services - Equipment		536	
Postal Charges		86	
Custodial Supplies		184	
Electricity		3,845	
Natural Gas		1,099	
Office Supplies		1,021	
Water and Sewer		1,143	
Other Charges		6,868	
Total Local Health Center			43,635

Ambulance/Emergency Medical Services

Supervisor/Director	\$	44,536	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Accountants/Bookkeepers	\$	22,793	
Medical Personnel		387,047	
Temporary Personnel		26,801	
Longevity Pay		16,500	
Overtime Pay		312,474	
Other Salaries and Wages		15,576	
In-Service Training		9,395	
Social Security		48,999	
State Retirement		59,294	
Medical Insurance		154,389	
Employer Medicare		11,460	
Communication		7,744	
Dues and Memberships		450	
Licenses		1,500	
Maintenance and Repair Services - Equipment		10,466	
Maintenance and Repair Services - Vehicles		22,131	
Postal Charges		4,499	
Travel		1,996	
Other Contracted Services		7,356	
Custodial Supplies		3,171	
Drugs and Medical Supplies		65,691	
Electricity		5,463	
Gasoline		48,591	
Natural Gas		3,703	
Office Supplies		3,365	
Uniforms		5,288	
Water and Sewer		1,858	
Liability Insurance		22,759	
Other Charges		4,247	
Attendance Equipment		12,015	
Communication Equipment		362	
Data Processing Equipment		3,521	
Total Ambulance/Emergency Medical Services			\$ 1,345,440

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$	52	
Clerical Personnel		21,672	
Social Security		1,347	
State Retirement		1,610	
Employer Medicare		315	
Travel		181	
Total Other Local Health Services			25,177

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$ 4,000	
Total Senior Citizens Assistance		\$ 4,000

Libraries

Librarians	\$ 46,790	
Social Security	2,901	
Employer Medicare	678	
Communication	8,424	
Postal Charges	696	
Rentals	1,200	
Travel	1,049	
Instructional Supplies and Materials	420	
Office Supplies	758	
Periodicals	2,470	
Other Charges	5,550	
Data Processing Equipment	1,000	
Total Libraries		71,936

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$ 300	
Other Supplies and Materials	1,203	
Total Parks and Fair Boards		1,503

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 2,687	
Maintenance and Repair Services - Office Equipment	1,150	
Travel	1,378	
Other Contracted Services	56,648	
Office Supplies	1,377	
Other Supplies and Materials	2,368	
Office Equipment	637	
Total Agriculture Extension Service		66,245

Soil Conservation

Contributions	\$ 5,000	
Other Charges	9,000	
Total Soil Conservation		14,000

Other Operations

Other Economic and Community Development

Contributions	\$ 23,000	
Total Other Economic and Community Development		23,000

Veterans' Services

Contributions	\$ 450	
Other Contracted Services	13,096	
Total Veterans' Services		13,546

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Life Insurance	\$	2,646	
Unemployment Compensation		14,243	
Remittance of Revenue Collected		9,511	
Trustee's Commission		107,566	
Total Miscellaneous			\$ 133,966

Principal on Debt

General Government

Principal on Capital Leases	\$	36,635	
Total General Government			36,635

Interest on Debt

General Government

Interest on Capital Leases	\$	2,656	
Total General Government			<u>2,656</u>

Total General Fund \$ 7,198,663

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	46,249	
Longevity Pay		2,900	
Social Security		2,961	
State Retirement		3,646	
Medical Insurance		7,129	
Employer Medicare		692	
Liability Insurance		6,541	
Workers' Compensation Insurance		29,449	
Total Sanitation Management			\$ 99,567

Sanitation Education/Information

Supervisor/Director	\$	13,174	
Attendants		13,939	
Social Security		1,681	
Employer Medicare		393	
Advertising		800	
Travel		481	
Gasoline		1,803	
Instructional Supplies and Materials		1,450	
Vehicle Parts		385	
Other Supplies and Materials		368	
Total Sanitation Education/Information			34,474

Waste Pickup

Truck Drivers	\$	57,733	
Part-time Personnel		3,296	

(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.)

Longevity Pay	\$	2,300	
Overtime Pay		1,573	
Social Security		3,777	
State Retirement		4,585	
Medical Insurance		23,623	
Employer Medicare		883	
Licenses		75	
Other Contracted Services		379,618	
Equipment and Machinery Parts		4,426	
Gasoline		19,482	
Lubricants		1,209	
Tires and Tubes		4,895	
Solid Waste Equipment		10,199	
Total Waste Pickup	\$		517,674

Convenience Centers

Attendants	\$	182,830	
Longevity Pay		5,400	
Other Salaries and Wages		7,991	
Social Security		9,244	
State Retirement		11,067	
Medical Insurance		52,231	
Employer Medicare		2,162	
Rentals		1,139	
General Construction Materials		9,208	
Gravel and Chert		1,583	
Other Supplies and Materials		1,909	
Total Convenience Centers			284,764

Recycling Center

Supervisor/Director	\$	23,741	
Part-time Personnel		23,362	
Longevity Pay		200	
Social Security		2,919	
State Retirement		1,782	
Medical Insurance		11,869	
Employer Medicare		683	
Communication		1,790	
Electricity		1,375	
Gasoline		3,301	
Vehicle Parts		2,431	
Water and Sewer		654	
Other Supplies and Materials		1,036	
Other Charges		503	
Total Recycling Center			75,646

(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

Attendants	\$	5,935	
Social Security		368	
Employer Medicare		86	
Communication		6,974	
Engineering Services		995	
Maintenance and Repair Services - Equipment		17,425	
Rentals		5,514	
Electricity		14,602	
Equipment and Machinery Parts		8,248	
Gasoline		20,033	
General Construction Materials		2,858	
Lubricants		1,470	
Natural Gas		662	
Office Supplies		494	
Water and Sewer		2,601	
Landfill Closure/Postclosure Care Costs		498	
Site Development		7,885	
Total Landfill Operation and Maintenance	\$		96,648

Other Operations

Other Charges

Trustee's Commission	\$	19,818	
Total Other Charges			19,818

Miscellaneous

Life Insurance	\$	299	
Unemployment Compensation		1,727	
Total Miscellaneous			2,026

Principal on Debt

General Government

Principal on Capital Leases	\$	36,475	
Total General Government			36,475

Interest on Debt

General Government

Interest on Capital Leases	\$	5,646	
Total General Government			5,646

Total Solid Waste/Sanitation Fund \$ 1,172,738

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	4,813	
Contributions		250	
Confidential Drug Enforcement Payments		1,600	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Rentals	\$	4,200	
Towing Services		1,225	
Other Contracted Services		14,528	
Animal Food and Supplies		323	
Instructional Supplies and Materials		642	
Uniforms		480	
Other Supplies and Materials		1,118	
Trustee's Commission		686	
Law Enforcement Equipment		3,980	
Total Drug Enforcement			\$ 33,845

Total Drug Control Fund \$ 33,845

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	230	
Total County Trustee's Office			\$ 230

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	2,825	
Constitutional Officers' Operating Expenses		18,906	
Total Chancery Court			21,731

Total Constitutional Officers - Fees Fund 21,961

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,795	
Secretary(ies)		20,570	
Social Security		5,095	
State Retirement		6,740	
Employee and Dependent Insurance		17,892	
Employer Medicare		1,192	
Dues and Memberships		3,114	
Legal Services		1,125	
Office Supplies		1,865	
Other Charges		134	
Total Administration			\$ 125,522

Highway and Bridge Maintenance

Foremen	\$	57,942	
Equipment Operators		51,090	
Truck Drivers		56,612	
Laborers		61,484	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Longevity Pay	\$	13,250	
Social Security		15,662	
State Retirement		13,898	
Employee and Dependent Insurance		66,638	
Employer Medicare		3,298	
Other Contracted Services		991,598	
Asphalt - Hot Mix		366,324	
Asphalt - Liquid		121,145	
Crushed Stone		91,686	
Other Road Supplies		579	
Pipe - Metal		9,437	
Total Highway and Bridge Maintenance			\$ 1,920,643

Operation and Maintenance of Equipment

Mechanic(s)	\$	35,202	
Laborers		8,324	
Longevity Pay		6,375	
Social Security		2,881	
State Retirement		3,708	
Employee and Dependent Insurance		10,833	
Employer Medicare		674	
Other Contracted Services		9,263	
Diesel Fuel		140,315	
Equipment and Machinery Parts		60,201	
Garage Supplies		3,511	
Gasoline		52,538	
Lubricants		1,949	
Small Tools		25	
Tires and Tubes		12,287	
Uniforms		6,751	
Total Operation and Maintenance of Equipment			354,837

Other Charges

Communication	\$	3,935	
Electricity		6,522	
Natural Gas		4,050	
Water and Sewer		701	
Liability Insurance		32,488	
Trustee's Commission		19,621	
Other Charges		18	
Total Other Charges			67,335

Employee Benefits

Life Insurance	\$	278	
Unemployment Compensation		810	
Workers' Compensation Insurance		27,182	
Total Employee Benefits			28,270

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Highway Equipment	\$ 145,480	
Land	94,479	
Building Purchases	581,400	
Total Capital Outlay		\$ 821,359

Total Highway/Public Works Fund \$ 3,317,966

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 212,950	
Principal on Notes	71,211	
Principal on Other Loans	76,000	
Total General Government		\$ 360,161

Education

Principal on Bonds	\$ 782,050	
Principal on Notes	24,952	
Principal on Capital Leases	59,309	
Total Education		866,311

Interest on Debt

General Government

Interest on Bonds	\$ 14,446	
Interest on Other Loans	142,160	
Total General Government		156,606

Education

Interest on Bonds	\$ 168,729	
Interest on Notes	4,882	
Interest on Capital Leases	16,677	
Interest on Other Loans	549,077	
Total Education		739,365

Other Debt Service

General Government

Fiscal Agent Charges	\$ 17,643	
Trustee's Commission	18,193	
Total General Government		35,836

Total General Debt Service Fund 2,158,279

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Other Equipment	\$ 7,550	
Total Administration of Justice Projects		\$ 7,550

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Public Safety Projects

Other Charges	\$	8,605	
Building Improvements		41,105	
Other Equipment		74,773	
Total Public Safety Projects	\$		124,483

Public Health and Welfare Projects

Building Improvements	\$	38,537	
Other Equipment		11,905	
Other Construction		64,893	
Total Public Health and Welfare Projects			115,335

Social, Cultural, and Recreation Projects

Building Construction	\$	577	
Other Equipment		4,530	
Other Construction		874	
Total Social, Cultural, and Recreation Projects			5,981

Other General Government Projects

Data Processing Equipment	\$	6,653	
Total Other General Government Projects			6,653

Total General Capital Projects Fund \$ 260,002

Total Governmental Funds - Primary Government \$ 14,163,454

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, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,012,155	
Career Ladder Program	78,542	
Career Ladder Extended Contracts	33,000	
Homebound Teachers	3,140	
Educational Assistants	254,813	
Bonus Payments	77,121	
Certified Substitute Teachers	114,984	
Non-certified Substitute Teachers	108,459	
Social Security	473,710	
State Retirement	658,564	
Life Insurance	5,952	
Medical Insurance	1,174,134	
Dental Insurance	41,373	
Unemployment Compensation	209	
Employer Medicare	110,359	
Instructional Supplies and Materials	43,826	
Textbooks	201,021	
Fee Waivers	34,376	
Other Charges	30,788	
Total Regular Instruction Program		\$ 10,456,526

Special Education Program

Teachers	\$ 817,066	
Career Ladder Program	6,500	
Homebound Teachers	2,560	
Educational Assistants	105,000	
Bonus Payments	8,118	
Other Salaries and Wages	1,633	
Certified Substitute Teachers	1,500	
Non-certified Substitute Teachers	18,442	
Social Security	57,739	
State Retirement	81,853	
Life Insurance	781	
Medical Insurance	118,441	
Dental Insurance	4,830	
Employer Medicare	13,504	
Contracts with Private Agencies	67,000	
Other Contracted Services	208,506	
Instructional Supplies and Materials	1,114	
Special Education Equipment	1,095	
Total Special Education Program		1,515,682

Vocational Education Program

Teachers	\$ 593,377
Career Ladder Program	3,000
Secretary(ies)	18,675

(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.)

Educational Assistants	\$	16,123	
Bonus Payments		6,765	
Social Security		38,320	
State Retirement		55,942	
Life Insurance		583	
Medical Insurance		114,562	
Dental Insurance		4,022	
Employer Medicare		8,962	
Travel		2,075	
Instructional Supplies and Materials		15,000	
Total Vocational Education Program			\$ 877,406

Support Services

Attendance

Supervisor/Director	\$	66,209	
Career Ladder Program		1,000	
Bonus Payments		451	
Social Security		4,131	
State Retirement		5,928	
Life Insurance		35	
Medical Insurance		6,592	
Dental Insurance		269	
Employer Medicare		966	
Communication		727	
Travel		2,115	
Other Contracted Services		109,790	
Other Charges		12,750	
Total Attendance			210,963

Health Services

Career Ladder Program	\$	500	
Medical Personnel		43,534	
Secretary(ies)		24,745	
Bonus Payments		3,608	
Other Salaries and Wages		194,606	
Social Security		16,271	
State Retirement		20,834	
Life Insurance		292	
Medical Insurance		39,651	
Dental Insurance		1,588	
Employer Medicare		3,805	
Communication		577	
Travel		7,091	
Drugs and Medical Supplies		7,581	
Instructional Supplies and Materials		998	
Other Supplies and Materials		1,893	
Other Charges		1,398	
Total Health Services			368,972

(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

Career Ladder Program	\$	2,000	
Guidance Personnel		331,208	
Bonus Payments		3,157	
Social Security		20,599	
State Retirement		28,193	
Life Insurance		226	
Medical Insurance		32,553	
Dental Insurance		1,636	
Employer Medicare		4,817	
Contracts with Government Agencies		59,204	
Evaluation and Testing		11,936	
Travel		6,188	
In Service/Staff Development		200	
Other Charges		4,156	
Total Other Student Support	\$		506,073

Regular Instruction Program

Supervisor/Director	\$	40,305	
Career Ladder Program		8,000	
Librarians		297,880	
Instructional Computer Personnel		138,554	
Secretary(ies)		39,697	
Educational Assistants		16,960	
Bonus Payments		4,961	
Other Salaries and Wages		8,850	
Social Security		33,704	
State Retirement		46,174	
Life Insurance		389	
Medical Insurance		70,376	
Dental Insurance		2,713	
Employer Medicare		7,882	
Communication		2,730	
Travel		5,392	
Other Contracted Services		42,215	
Library Books/Media		15,755	
In Service/Staff Development		5,923	
Other Charges		5,831	
Other Equipment		478,889	
Total Regular Instruction Program			1,273,180

Special Education Program

Supervisor/Director	\$	65,409
Career Ladder Program		3,000
Clerical Personnel		339
Bonus Payments		451
Social Security		4,283

(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.)

State Retirement	\$	6,140	
Life Insurance		35	
Medical Insurance		6,592	
Dental Insurance		269	
Employer Medicare		1,002	
Communication		977	
Postal Charges		150	
Travel		10,051	
Other Contracted Services		103,841	
Other Charges		36,206	
Total Special Education Program			\$ 238,745

Vocational Education Program

Supervisor/Director	\$	69,761	
Bonus Payments		451	
Social Security		4,304	
State Retirement		6,235	
Life Insurance		35	
Medical Insurance		6,619	
Dental Insurance		233	
Employer Medicare		1,007	
Travel		1,400	
Total Vocational Education Program			90,045

Other Programs

On-behalf Payments to OPEB	\$	78,429	
Total Other Programs			78,429

Board of Education

Board and Committee Members Fees	\$	17,175	
Social Security		1,065	
Unemployment Compensation		39,619	
Employer Medicare		249	
Payments to Retirees		88,000	
Audit Services		9,700	
Dues and Memberships		6,648	
Legal Services		2,454	
Travel		10,977	
Other Contracted Services		9,450	
Liability Insurance		187,694	
Trustee's Commission		95,718	
Workers' Compensation Insurance		168,568	
Other Charges		28,330	
Total Board of Education			665,647

(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

County Official/Administrative Officer	\$	97,222	
Assistant(s)		70,810	
Career Ladder Program		4,000	
Secretary(ies)		29,777	
Bonus Payments		902	
Other Salaries and Wages		4,000	
Social Security		12,684	
State Retirement		17,924	
Life Insurance		90	
Medical Insurance		19,694	
Dental Insurance		467	
Employer Medicare		2,966	
Communication		12,020	
Dues and Memberships		89	
Travel		6,044	
Other Contracted Services		22,563	
Office Supplies		1,285	
Other Charges		4,131	
Total Director of Schools			\$ 306,668

Office of the Principal

Principals	\$	459,398	
Career Ladder Program		14,917	
Career Ladder Extended Contracts		1,000	
Assistant Principals		334,168	
Secretary(ies)		135,255	
Clerical Personnel		82,275	
Bonus Payments		5,863	
Other Salaries and Wages		10,000	
Social Security		63,521	
State Retirement		89,184	
Life Insurance		680	
Medical Insurance		90,316	
Dental Insurance		2,401	
Employer Medicare		14,856	
Communication		20,000	
Travel		3,016	
Other Contracted Services		58,457	
Other Charges		3,810	
Total Office of the Principal			1,389,117

Operation of Plant

Custodial Personnel	\$	584,608
Bonus Payments		451
Other Salaries and Wages		45,414
Social Security		38,734

(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.)

Operation of Plant (Cont.)

State Retirement	\$	46,302	
Life Insurance		545	
Medical Insurance		12,939	
Dental Insurance		231	
Employer Medicare		9,059	
Other Contracted Services		25,526	
Custodial Supplies		70,918	
Electricity		681,068	
Natural Gas		154,452	
Water and Sewer		62,182	
Other Charges		798	
Total Operation of Plant			\$ 1,733,227

Maintenance of Plant

Supervisor/Director	\$	38,117	
Maintenance Personnel		91,247	
Bonus Payments		451	
Social Security		8,019	
State Retirement		9,645	
Life Insurance		115	
Medical Insurance		6,893	
Dental Insurance		1,144	
Employer Medicare		1,876	
Architects		3,360	
Communication		2,210	
Maintenance and Repair Services - Buildings		95,766	
Travel		50	
Other Contracted Services		64,893	
Other Supplies and Materials		3,852	
Other Charges		61,324	
Maintenance Equipment		8,765	
Total Maintenance of Plant			397,727

Transportation

Supervisor/Director	\$	41,000
Mechanic(s)		52,453
Bus Drivers		445,879
Bonus Payments		451
Social Security		33,312
State Retirement		37,143
Life Insurance		577
Medical Insurance		12,960
Dental Insurance		359
Employer Medicare		7,729
Communication		1,813
Travel		709

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Contracted Services	\$	9,203	
Diesel Fuel		140,172	
Equipment and Machinery Parts		7,639	
Gasoline		44,168	
Lubricants		2,477	
Natural Gas		5,134	
Propane Gas		13,125	
Tires and Tubes		19,637	
Vehicle Parts		35,477	
Other Supplies and Materials		148	
Other Charges		18,259	
Transportation Equipment		91,383	
Total Transportation			\$ 1,021,207

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	9,192	
Teachers		10,112	
Educational Assistants		5,004	
Social Security		1,564	
State Retirement		1,717	
Life Insurance		9	
Medical Insurance		2,050	
Dental Insurance		67	
Employer Medicare		366	
Travel		6,233	
Other Contracted Services		2,293	
Instructional Supplies and Materials		483	
Other Supplies and Materials		3,562	
Other Charges		818	
Total Community Services			43,470

Early Childhood Education

Teachers	\$	394,786	
Bus Drivers		9,000	
Educational Assistants		163,688	
Bonus Payments		4,059	
Non-certified Substitute Teachers		8,584	
Social Security		34,995	
State Retirement		47,759	
Life Insurance		480	
Medical Insurance		46,388	
Dental Insurance		1,965	
Employer Medicare		8,184	
Travel		42,256	
Other Contracted Services		3,362	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Instructional Supplies and Materials	\$	34,302	
Other Supplies and Materials		5,376	
Other Charges		24,970	
Other Equipment		17,122	
Total Early Childhood Education			\$ 847,276

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	132,041	
Total Regular Capital Outlay			132,041

Other Debt Service

Education

Fiscal Agent Charges	\$	706	
Debt Service Contribution to Primary Government		794,655	
Total Education			<u>795,361</u>

Total General Purpose School Fund \$ 22,947,762

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	427,886	
Educational Assistants		93,892	
Bonus Payments		3,254	
Certified Substitute Teachers		306	
Non-certified Substitute Teachers		4,217	
Social Security		32,447	
State Retirement		43,966	
Life Insurance		372	
Medical Insurance		65,349	
Dental Insurance		2,312	
Unemployment Compensation		3,150	
Employer Medicare		7,589	
Other Contracted Services		64,880	
Instructional Supplies and Materials		27,489	
Other Charges		2,387	
Regular Instruction Equipment		95,982	
Total Regular Instruction Program			\$ 875,478

Special Education Program

Educational Assistants	\$	374,003
Other Salaries and Wages		606
Certified Substitute Teachers		2,000
Non-certified Substitute Teachers		3,602
Social Security		22,571

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	25,836	
Life Insurance		484	
Unemployment Compensation		3,976	
Employer Medicare		5,279	
Other Contracted Services		115,420	
Instructional Supplies and Materials		4,605	
Total Special Education Program	\$		558,382

Vocational Education Program

Instructional Supplies and Materials	\$	7,300	
Vocational Instruction Equipment		23,129	
Total Vocational Education Program			30,429

Support Services

Other Student Support

Other Salaries and Wages	\$	10,685	
Social Security		662	
State Retirement		796	
Life Insurance		20	
Unemployment Compensation		95	
Employer Medicare		155	
Travel		18,793	
Other Contracted Services		1,826	
Other Supplies and Materials		94	
Other Charges		3,312	
Total Other Student Support			36,438

Regular Instruction Program

Supervisor/Director	\$	71,626	
Secretary(ies)		18,726	
Bonus Payments		2,609	
Other Salaries and Wages		229,214	
Certified Substitute Teachers		4,874	
Social Security		19,807	
State Retirement		28,248	
Life Insurance		223	
Medical Insurance		43,040	
Dental Insurance		1,296	
Unemployment Compensation		1,172	
Employer Medicare		4,632	
Communication		1,354	
Postal Charges		18	
Travel		46,513	
Other Supplies and Materials		4,913	
In Service/Staff Development		3,360	
Other Charges		4,100	
Regular Instruction Equipment		4,962	
Total Regular Instruction Program			490,687

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Clerical Personnel	\$	7,876	
Social Security		488	
State Retirement		585	
Life Insurance		6	
Unemployment Compensation		50	
Employer Medicare		114	
Travel		5,607	
Other Contracted Services		84,565	
Other Supplies and Materials		764	
In Service/Staff Development		765	
Total Special Education Program			\$ 100,820

Vocational Education Program

Travel	\$	2,358	
Total Vocational Education Program			2,358

Total School Federal Projects Fund \$ 2,094,592

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	56,927	
Clerical Personnel		14,092	
Cafeteria Personnel		535,806	
Bonus Payments		451	
Social Security		37,402	
State Retirement		43,881	
Life Insurance		646	
Medical Insurance		6,616	
Dental Insurance		269	
Employer Medicare		8,732	
Maintenance and Repair Services - Equipment		27,477	
Travel		2,597	
Other Contracted Services		9,548	
Food Preparation Supplies		63,922	
Food Supplies		791,240	
Office Supplies		870	
Uniforms		1,172	
USDA - Commodities		89,689	
Other Supplies and Materials		55	
In Service/Staff Development		6,309	
Other Charges		1,621	
Food Service Equipment		813,205	
Total Food Service			\$ 2,512,527

(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.)

Community Services

Part-time Personnel	\$	24,197	
Social Security		1,500	
State Retirement		1,726	
Employer Medicare		351	
Maintenance and Repair Services - Equipment		1,707	
Travel		810	
Food Preparation Supplies		483	
Food Supplies		33,523	
Total Community Services			\$ <u>64,297</u>

Total Central Cafeteria Fund \$ 2,576,824

Total Governmental Funds - Morgan County School Department \$ 27,619,178

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, 2014

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 43,963	\$ 43,963
Interest and Penalty	0	5,389	5,389
Local Option Sales Tax	382,859	966	383,825
Total Cash Receipts	<u>\$ 382,859</u>	<u>\$ 50,318</u>	<u>\$ 433,177</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 379,030	\$ 49,311	\$ 428,341
Trustee's Commission	3,829	1,007	4,836
Total Cash Disbursements	<u>\$ 382,859</u>	<u>\$ 50,318</u>	<u>\$ 433,177</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2013	0	0	0
Cash Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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## SINGLE AUDIT SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF 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, 2014, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements, and have issued our report thereon dated December 12, 2014. Our report includes a reference to other auditors who audited the financial statements of the Morgan County Emergency Communications District, as described in our report on Morgan County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2014-001.

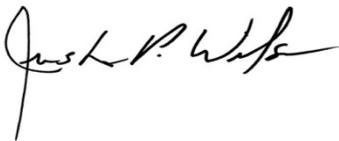
### **Compliance and Other Matters**

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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

December 12, 2014

JPW/kp



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, 2014. 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, 2014.

### **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

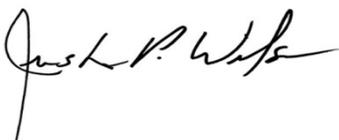
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2014, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements. We issued our report thereon dated December 12, 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 basic 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 basic 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 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, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

December 12, 2014

JPW/kp

Morgan County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants  
For the Year Ended June 30, 2014

<u>Federal/Pass-through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 437,781
National School Lunch Program	10.555	N/A	1,034,516 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	89,689 (3)
Total U.S. Department of Agriculture			<u>\$ 1,561,986</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 69,629
Total U.S. Department of Housing and Urban Development			<u>\$ 69,629</u>
U.S. Department of Transportation			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 4,005
Passed-through Governor's Highway Safety Office:			
Alcohol Open Container Requirements	20.607	(2)	5,000
Total U.S. Department of Transportation			<u>\$ 9,005</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 748,840
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	647,268
Special Education - Preschool Grants	84.173	(2)	29,300
Twenty-first Century Community Learning Centers	84.287	(2)	109,499
Rural Education	84.358	N/A	62,010
Improving Teacher Quality State Grants	84.367	N/A	177,867
Teacher Incentive Fund	84.374	(2)	131,495
Career and Technical Education - Basic Grants to States	84.048	N/A	48,334
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	270,871
Total U.S. Department of Education			<u>\$ 2,225,484</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grant	97.042	(2)	\$ 8,060
Homeland Security Grant Program	97.067	(2)	18,244
Total U.S. Department of Homeland Security			<u>\$ 26,304</u>
Total Expenditures of Federal Awards			<u>\$ 3,892,408</u>

<u>State Grants</u>		<u>Contract Number</u>		<u>Expenditures</u>
Health Department Program - State Department of Health	N/A	(2)	\$	21,203
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00		42,515
Youth Services Program - State Commission on Children and Youth	N/A	(2)		9,195
Litter Program - State Department of Transportation	N/A	(2)		43,993
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)		2,061

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants (Cont.)</u>			
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	\$ 3,810
Family Resource Center	N/A	(2)	29,612
Tennessee HSTW Implementation Grant - State Department of Education	N/A	(2)	2,450
Safe Schools - State Department of Education	N/A	(2)	22,100
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Internet Connectivity - State Department of Education	N/A	(2)	293,190
Energy Efficiency Schools Initiative - State Department of Education	N/A	(2)	11,974
ConnectTenn - State Department of Education	N/A	(2)	9,344
Early Childhood Education - State Department of Education	N/A	(2)	623,005
Drivers Education - State Department of Education	N/A	(2)	<u>13,080</u>
Total State Grants			<u>\$ 1,227,532</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,124,205.

Morgan County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2014

*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, 2013, 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
2013-003	148	Duties were not segregated adequately

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**MORGAN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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**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 a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Morgan County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An 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) 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

A finding and recommendation, as a result of our examination, are presented below. We reviewed this finding and recommendation with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

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

#### **FINDING 2014-001**

#### **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.

**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, 2014**

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