
ANNUAL FINANCIAL REPORT MORGAN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

MORGAN COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2012.

Results

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

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 and Best Practice

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

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

- ◆ Duties were not segregated adequately.

BEST PRACTICE

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

INTRODUCTORY SECTION

Morgan County Officials

June 30, 2012

Officials

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

Board of County Commissioners

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

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

Board of Education

Terry Armes, Chairman
Wendell Collins
Randy Harlan

Paul Hudson
Glen Moore
Richard Spurling

Financial Management Committee

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

Perry Spurling
David Hennessee
Kay Johnson

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 8, 2013

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Morgan County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Morgan County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Morgan County Emergency Communications District, which represent 5.6 percent and 1.3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morgan County Emergency Communications District, is based on the report of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

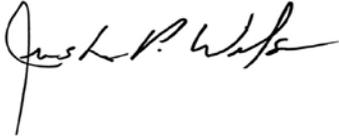
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 64 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government Governmental Activities	Component Units	
		Morgan County School Department	Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 2,556	\$ 1,844	\$ 250,412
Equity in Pooled Cash and Investments	6,195,987	3,994,457	0
Deferred Outflow - Interest Rate Swap	2,764,531	0	0
Accounts Receivable	483,293	7,652	808
Allowance for Uncollectible Accounts Receivable	(127,797)	0	0
Due from Other Governments	1,394,262	457,406	8,480
Property Taxes Receivable	6,574,370	2,904,954	0
Allowance for Uncollectible Property Taxes	(359,074)	(158,661)	0
Prepaid Items	76,296	0	11,319
Deferred Charges - Debt Issuance Costs	210,014	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	534,352	1,112,193	90,000
Construction in Progress	1,493,557	14,591	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	3,052,762	21,698,896	1,405,608
Infrastructure	1,179,309	0	0
Other Capital Assets	294,927	5,426,869	322,513
Total Assets	<u>\$ 23,769,345</u>	<u>\$ 35,460,201</u>	<u>\$ 2,089,140</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 58,725	\$ 23,969	\$ 46,784
Accrued Payroll	66,519	0	0
Accrued Interest Payable	96,975	18,133	0
Payroll Deductions Payable	0	191,629	0
Due to the State of Tennessee	17,328	6,858	0
Due to Litigant, Heirs, and Others	10,000	0	0
Other Current Liabilities	715,573	0	0
Derivative - Interest Rate Swap	2,764,531	0	0
Unearned Revenue - Current Property Taxes	5,826,605	2,574,546	0
Noncurrent Liabilities:			
Due Within One Year	1,226,545	89,987	18,389
Due in More Than One Year (net of unamortized premium on debt)	21,794,413	795,447	1,433,526
Total Liabilities	<u>\$ 32,577,214</u>	<u>\$ 3,700,569</u>	<u>\$ 1,498,699</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	<u>Component Units</u>	
		<u>Morgan County School Department</u>	<u>Emergency Communications District</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 3,746,290	\$ 27,867,861	\$ 366,206
Restricted for:			
General Government	36,734	0	0
Administration of Justice	12,776	0	0
Public Safety	92,912	0	0
Highway/Public Works	3,178,846	0	0
Capital Projects	300,949	0	0
Education	0	1,721,203	0
Unrestricted	<u>(16,176,376)</u>	<u>2,170,568</u>	<u>224,235</u>
Total Net Assets (Deficit)	<u>\$ (8,807,869)</u>	<u>\$ 31,759,632</u>	<u>\$ 590,441</u>

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

Exhibit B

Morgan County, Tennessee
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Primary Government					Component Units				
	Program Revenues					Morgan County				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	School Department	Emergency Communications District			
Primary Government:										
Governmental Activities:										
General Government	\$ 955,259	\$ 139,781	\$ 30,658	\$ 49,695	\$ (735,125)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	722,455	383,384	0	0	(339,071)	0	0	0	0	0
Administration of Justice	764,154	355,035	12,426	0	(396,693)	0	0	0	0	0
Public Safety	2,980,176	255,559	60,924	18,131	(2,645,562)	0	0	0	0	0
Public Health and Welfare	3,621,497	1,156,692	132,469	1,119,385	(1,212,951)	0	0	0	0	0
Social, Cultural, and Recreational Services	120,794	4,841	20,376	0	(95,577)	0	0	0	0	0
Agriculture and Natural Resources	68,689	0	0	0	(68,689)	0	0	0	0	0
Other Operations	261,377	0	0	0	(261,377)	0	0	0	0	0
Highways	2,248,671	44,802	1,732,189	627,812	156,132	0	0	0	0	0
Interest on Long-term Debt	980,124	0	0	0	(980,124)	0	0	0	0	0
Debt Service	62,035	0	0	0	(62,035)	0	0	0	0	0
Total Primary Government	\$ 12,785,231	\$ 2,340,094	\$ 1,989,042	\$ 1,815,023	\$ (6,641,072)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Morgan County School Department	\$ 28,653,583	\$ 505,143	\$ 4,708,977	\$ 0	\$ 0	\$ (23,439,463)	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	448,839	171,654	143,067	0	0	0	0	0	(134,118)	0
Total Component Units	\$ 29,102,422	\$ 676,797	\$ 4,852,044	\$ 0	\$ 0	\$ (23,439,463)	\$ 0	\$ (134,118)	\$ 0	\$ 0

(Continued)

Exhibit B

Morgan County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Morgan County School Department	Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 4,362,164	\$ 2,583,675	\$ 0
Property Taxes Levied for Solid Waste/Sanitation				808,157	0	0
Property Taxes Levied for Highway/Public Works				62,521	0	0
Property Taxes Levied for General Debt Service				649,955	0	0
Local Option Sales Taxes				895,820	0	0
Mineral Severance Tax				116,027	0	0
Other Local Taxes				132,405	66,964	0
Grants and Contributions Not Restricted to Specific Programs				1,114,469	18,595,476	39,242
Unrestricted Investment Income				16,998	27,557	475
Miscellaneous				10,680	26,083	2,400
Total General Revenues				\$ 8,169,196	\$ 21,299,755	\$ 42,117
Change in Net Assets				\$ 1,528,124	\$ (2,139,708)	\$ (92,001)
Net Assets (Deficit), July 1, 2011				(10,335,993)	33,899,340	682,442
Net Assets (Deficit), June 30, 2012				\$ (8,807,869)	\$ 31,759,632	\$ 590,441

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, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
Cash	\$ 0	\$ 0	\$ 168	\$ 0	\$ 0	\$ 2,388	\$ 2,556
Equity in Pooled Cash and Investments	956,530	178,137	2,767,492	1,926,853	305,812	61,163	6,195,987
Accounts Receivable	461,574	10,842	10,877	0	0	0	483,293
Allowance for Uncollectibles	(127,797)	0	0	0	0	0	(127,797)
Due from Other Governments	48,487	21,698	473,779	137,207	713,091	0	1,394,262
Due from Other Funds	3,506	0	0	0	0	0	3,506
Property Taxes Receivable	4,861,976	908,181	70,330	733,883	0	0	6,574,370
Allowance for Uncollectible Property Taxes	(265,548)	(49,602)	(3,841)	(40,083)	0	0	(359,074)
Prepaid Items	62,135	4,837	9,324	0	0	0	76,296
Total Assets	\$ 6,000,863	\$ 1,074,093	\$ 3,328,129	\$ 2,757,860	\$ 1,018,903	\$ 63,551	\$ 14,243,399

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	\$ 418	\$ 25,756	\$ 32,551	\$ 0	\$ 0	\$ 0	\$ 58,725
Accounts Payable	44,476	14,530	7,513	0	0	0	66,519
Accrued Payroll	0	0	0	1,118	0	2,388	3,506
Due to Other Funds	15,043	1,459	826	0	0	0	17,328
Due to State of Tennessee	0	0	0	0	0	10,000	10,000
Due to Litigants, Heirs, and Others	2,482	0	0	0	713,091	0	715,573
Other Current Liabilities	4,308,977	804,885	62,331	650,412	0	0	5,826,605
Deferred Revenue - Current Property Taxes	268,542	50,162	3,884	40,534	0	0	363,122
Deferred Revenue - Delinquent Property Taxes	139,768	0	149,322	68,617	0	0	357,707
Other Deferred Revenues	\$ 4,779,706	\$ 896,792	\$ 256,427	\$ 760,681	\$ 713,091	\$ 12,388	\$ 7,419,085
Total Liabilities	\$ 62,135	\$ 4,837	\$ 9,324	\$ 0	\$ 0	\$ 0	\$ 76,296
Fund Balances	36,734	0	0	0	0	0	36,734
Nonspendable:							
Prepaid Items							
Restricted:							
Restricted for General Government							

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
\$	12,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,776
Restricted for Administration of Justice	41,749	0	0	0	0	51,163	92,912
Restricted for Public Safety	0	0	3,041,745	0	0	0	3,041,745
Restricted for Highways/Public Works	0	0	0	0	300,949	0	300,949
Committed:							
Committed for Public Safety	5,773	0	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	172,464	0	0	4,863	0	178,377
Committed for Social, Cultural, and Recreational Services	24,363	0	0	0	0	0	24,363
Committed for Highways/Public Works	0	0	20,633	0	0	0	20,633
Committed for Debt Service	0	0	0	1,997,179	0	0	1,997,179
Assigned:							
Assigned for General Government	5,210	0	0	0	0	0	5,210
Assigned for Finance	1,088	0	0	0	0	0	1,088
Assigned for Administration of Justice	2,432	0	0	0	0	0	2,432
Assigned for Public Safety	8,430	0	0	0	0	0	8,430
Assigned for Public Health and Welfare	3,411	0	0	0	0	0	3,411
Assigned for Social, Cultural, and Recreational Services	3,623	0	0	0	0	0	3,623
Assigned for Agriculture and Natural Resources	341	0	0	0	0	0	341
Unassigned	1,012,042	0	0	0	0	0	1,012,042
Total Fund Balances	\$ 1,221,157	\$ 177,301	\$ 3,071,702	\$ 1,997,179	\$ 305,812	\$ 51,163	\$ 6,824,314
Total Liabilities and Fund Balances	\$ 6,000,863	\$ 1,074,093	\$ 3,328,129	\$ 2,757,860	\$ 1,018,903	\$ 63,551	\$ 14,243,399

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

Exhibit C-2

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	6,824,314
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	534,352	
Add: construction in progress		1,493,557	
Add: infrastructure net of accumulated depreciation		1,179,309	
Add: buildings and improvements net of accumulated depreciation		3,052,762	
Add: other capital assets net of accumulated depreciation		<u>294,927</u>	6,554,907
(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	\$	(7,540,000)	
Less: notes payable		(429,794)	
Less: other loans payable		(14,461,000)	
Add: deferred charges - debt issuance costs		210,014	
Less: compensated absences payable		(144,760)	
Less: landfill closure/postclosure care costs		(323,556)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(96,975)	
Less: other deferred revenue - premium on debt		<u>(121,848)</u>	(22,907,919)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>720,829</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(8,807,869)</u></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, 2012

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
<u>Revenues</u>								
Local Taxes	\$ 4,460,137	\$ 808,572	\$ 178,167	\$ 1,530,644	\$ 0	\$ 0	\$ 29,408	\$ 7,006,928
Licenses and Permits	39,686	0	0	0	0	0	0	39,686
Fines, Forfeitures, and Penalties	69,026	0	0	0	0	0	53,979	123,005
Charges for Current Services	948,706	183,700	14,222	0	0	0	4,300	1,150,928
Other Local Revenues	40,302	43,303	35,976	0	0	0	0	119,581
Fees Received from County Officials	682,855	0	0	0	0	0	0	682,855
State of Tennessee	680,492	37,791	1,908,790	0	250,462	0	0	2,877,535
Federal Government	18,168	0	0	0	1,293,898	0	0	1,312,066
Other Governments and Citizens Groups	235,273	50	0	642,469	104,562	0	0	982,354
Total Revenues	\$ 7,174,645	\$ 1,073,416	\$ 2,137,155	\$ 2,173,113	\$ 1,648,922	\$ 87,687	\$ 87,687	\$ 14,294,938
<u>Expenditures</u>								
Current:								
General Government	\$ 857,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 857,915
Finance	725,480	0	0	0	0	0	0	725,480
Administration of Justice	715,174	0	0	0	0	0	33,708	748,882
Public Safety	2,969,072	0	0	0	0	0	50,557	3,019,629
Public Health and Welfare	1,412,190	1,042,909	0	0	0	0	0	2,455,099
Social, Cultural, and Recreational Services	97,803	0	0	0	0	0	0	97,803
Agriculture and Natural Resources	68,057	0	0	0	0	0	0	68,057
Other Operations	142,910	18,953	0	0	552,601	0	0	714,464
Highways	0	0	2,192,041	0	0	0	0	2,192,041
Debt Service:								
Principal on Debt	21,661	0	0	1,083,133	0	0	0	1,104,794
Interest on Debt	1,289	0	0	960,635	0	0	0	961,924
Other Debt Service	1,144	0	0	45,157	0	0	0	46,301
Capital Projects	0	0	0	0	1,247,898	0	0	1,247,898
Total Expenditures	\$ 7,012,695	\$ 1,061,862	\$ 2,192,041	\$ 2,088,925	\$ 1,800,499	\$ 84,265	\$ 84,265	\$ 14,240,287
Excess (Deficiency) of Revenues Over Expenditures	\$ 161,950	\$ 11,554	\$ (54,886)	\$ 84,188	\$ (151,577)	\$ 3,422	\$ 3,422	\$ 54,651

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$ 23,460	\$ 314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,774
Transfers In	0	0	0	0	32,642	0	0	32,642
Transfers Out	(32,642)	0	0	0	0	0	0	(32,642)
Total Other Financing Sources (Uses)	\$ (9,182)	\$ 314	\$ 0	\$ 0	\$ 32,642	\$ 0	\$ 0	\$ 23,774
Net Change in Fund Balances	\$ 152,768	\$ 11,868	\$ (54,886)	\$ 84,188	\$ (118,935)	\$ 3,422	\$ 78,425	\$ 78,425
Fund Balance, July 1, 2011	1,068,389	165,433	3,126,588	1,912,991	424,747	47,741	6,745,889	6,745,889
Fund Balance, June 30, 2012	\$ 1,221,157	\$ 177,301	\$ 3,071,702	\$ 1,997,179	\$ 305,812	\$ 51,163	\$ 6,824,314	\$ 6,824,314

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, 2012

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)		\$	78,425
(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	\$	874,521	
Less: current-year depreciation expense		<u>(359,090)</u>	515,431
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: net book value of assets disposed			(137,632)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$	720,829	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(712,132)</u>	8,697
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: change in premium on debt issuances	\$	9,720	
Less: change in deferred debt issuance costs		(15,734)	
Add: principal payments on bonds		920,000	
Add: principal payments on notes		94,133	
Add: principal payments on other loans		69,000	
Add: principal payments on capital leases		<u>21,661</u>	1,098,780
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(18,200)	
Change in compensated absences payable		(9,794)	
Change in landfill closure/postclosure care costs		<u>(7,583)</u>	<u>(35,577)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,528,124</u>

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

Exhibit D

Morgan County, Tennessee
Statement of Fiduciary Assets and Liabilities
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 618,680
Due from Other Governments	53,701
Property Taxes Receivable	<u>59,840</u>
Total Assets	<u>\$ 732,221</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 113,541
Due to Litigants, Heirs, and Others	<u>618,680</u>
Total Liabilities	<u>\$ 732,221</u>

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

MORGAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morgan County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Morgan County:

A. Reporting Entity

Morgan County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Morgan County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Morgan County School Department operates the public school system in the county, and the voters of Morgan County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Morgan County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Morgan County, and the Morgan County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Morgan County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Morgan County Emergency
Communications District
P.O. Box 69
Wartburg, TN 37887

Related Organization – The Morgan County Industrial Development Board is a related organization of Morgan County. The county executive nominates and the Morgan County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

B. Government-wide and Fund Financial Statements

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

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

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, 2012

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Morgan County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Morgan County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Morgan County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Morgan County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions related to the county’s garbage collection service. Local taxes and general service charges are the foundational revenues of this fund.

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

General Capital Projects Fund – This fund is used to account for general construction projects of the county and for the receipt of debt issued by Morgan County and contributed to the School Department for various capital projects.

Additionally, Morgan County reports the following fund type:

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

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

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Morgan County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund and to the discretely presented School Department's General Purpose School Fund. Morgan County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State

Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectibles for the ambulance service receivables reflected in the General Fund consists of various amounts estimated based on the categories of the payee (Medicare, Medicaid, insurance companies, and individuals). The allowance for uncollectible property taxes is equal to three percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements. The balance in the account Other Current Liabilities on the Statement of Net Assets consists primarily of \$713,091 payable to a private company that advanced funds to the county to pay for project expenditures, which will ultimately be reimbursed by grant proceeds in the General Capital Projects Fund.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	3 - 40
Other Capital Assets	3 - 30
Infrastructure	15 - 40

5. Compensated Absences

Primary Government

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Morgan County School Department

It is the School Department's policy to permit support personnel with at least ten years of service to accumulate a limited amount of earned but unused sick pay benefits, which will be paid to those employees upon separation from service. A liability for sick pay is accrued when

incurred in the government-wide financial statements for the School Department. A liability for sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave of professional employees since there is no policy to pay any amounts when those employees separate from service. There is also no liability for unpaid vacation pay for any School Department employees since vacation benefits do not accumulate.

6. Long-term Obligations

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

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

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

7. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any

bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2012, Morgan County had \$17,134,748 in outstanding debt for capital purposes for the discretely presented Morgan County School Department and \$2,500,000 in outstanding debt that benefits a joint venture industrial development board. The debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the other entities. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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 (\$316,380) and amounts appropriated for use in the 2012-13 budget (\$250,000).

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Assets.

Discretely Presented Morgan County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Morgan County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statements of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (a special revenue fund), which is not budgeted, and the General Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

At June 30, 2012, the Morgan County School Department reported the following significant encumbrances:

Funds	Description	Amount
School Department:		
General Purpose School	Roof Repairs	\$ 155,000
Central Cafeteria	Cafeteria Equipment	317,480

B. Cash Shortage – Prior Year

Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 at December 14, 2010. The state Comptroller’s Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk, deposited \$47,200.71, leaving an unpaid cash shortage of \$7,410.62 at December 22, 2010. On February 18, 2011, the Criminal Court of Morgan County accepted a plea of guilty to charges of official misconduct and violation of the three-day deposit law. Ms. Hamby was ordered to pay the remaining cash shortage, the cost of the extended audit (\$11,562), and court costs. Also, on February 18, 2011, Ms. Hamby resigned as Morgan County Clerk and submitted payment of \$6,500 to be applied toward the agreed obligations. On March 17, 2011, Ms. Hamby paid the remaining cash shortage balance of \$910.90 and \$610.50 in court costs. There have been no payments made toward the extended audit cost of \$11,562. During January 2013, the court credited Ms. Hamby with \$2,804 toward the amount owed for the extended audit costs, leaving a balance of \$8,758 to be paid by her.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Morgan County and the Morgan County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount

of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2012.

B. Derivative Instrument

At June 30, 2012, Morgan County had the following derivative instrument outstanding:

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

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2012, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2012 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2012</u>		6-30-12
	Classification	Amount	Classification	Amount	Notional Amount
Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$(910,293)	Debt	\$ (2,764,531)	\$10,000,000

Derivative Swap Agreement Detail

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

Objective of the Interest Rate Swap. To provide a hedge against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million, Series A-2-D variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series A-2-D bonds have since been refunded with a portion of the proceeds of the Series VII-A-3 bonds, and the interest rate swap is now associated with the Series VII-A-3 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.33 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (SIFMA). The bonds and the related swap agreement both mature on June 1, 2026. As of June 30, 2012, 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>-0.32</u>
Net interest rate swap payments		4.01 %
Variable-rate bond coupon payments		<u>0.52</u>
Synthetic interest rate on bonds		<u><u>4.53 %</u></u>

Fair Value. As of June 30, 2012, the swap had a negative fair value of \$2,764,531. 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, 2012, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated A+ by Standard and Poor's as of June 30, 2012, 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 derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. As of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As

rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2013	\$ 0	\$ 52,000	\$ 400,800	\$	452,800
2014	0	52,000	400,800		452,800
2015	0	52,000	400,800		452,800
2016	660,000	52,000	400,800		1,112,800
2017	710,000	48,568	374,347		1,132,915
2018-2022	4,235,000	182,936	1,410,014		5,827,950
2023-2026	4,395,000	58,786	453,105		4,906,891
Total	\$ 10,000,000	\$ 498,290	\$ 3,840,666	\$	14,338,956

C. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 534,352	\$ 0	\$ 0	\$ 534,352
Construction in Progress	800,719	692,838	0	1,493,557
Total Capital Assets Not Depreciated	\$ 1,335,071	\$ 692,838	\$ 0	\$ 2,027,909
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,261,208	\$ 52,861	\$ (90,399)	\$ 4,223,670
Infrastructure	1,435,825	1	0	1,435,826
Other Capital Assets	4,368,258	128,821	(89,798)	4,407,281
Total Capital Assets Depreciated	\$ 10,065,291	\$ 181,683	\$ (180,197)	\$ 10,066,777
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,055,585	\$ 115,323	\$ 0	\$ 1,170,908
Infrastructure	210,549	45,968	0	256,517
Other Capital Assets	3,957,120	197,799	(42,565)	4,112,354
Total Accumulated Depreciation	\$ 5,223,254	\$ 359,090	\$ (42,565)	\$ 5,539,779

Total Capital Assets

(Continued)

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Total Capital Assets				
Depreciated, Net	\$ 4,842,037	\$ (177,407)	\$ (137,632)	\$ 4,526,998
Governmental Activities				
Capital Assets, Net	\$ 6,177,108	\$ 515,431	\$ (137,632)	\$ 6,554,907

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

Governmental Activities:

General Government	\$ 104,081
Administration of Justice	2,529
Public Safety	51,248
Public Health and Welfare	100,545
Highway/Public Works	<u>100,687</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 359,090</u>

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

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 1,112,193	\$ 0	\$ 0	\$ 1,112,193
Construction in Progress	0	14,591	0	14,591
Total Capital Assets Not Depreciated	<u>\$ 1,112,193</u>	<u>\$ 14,591</u>	<u>\$ 0</u>	<u>\$ 1,126,784</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 47,860,427	\$ 55,000	\$ 0	\$ 47,915,427
Other Capital Assets	11,998,449	347,926	(5,500)	12,340,875
Total Capital Assets Depreciated	<u>\$ 59,858,876</u>	<u>\$ 402,926</u>	<u>\$ (5,500)</u>	<u>\$ 60,256,302</u>

(Continued)

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 25,081,156	\$ 1,135,374	\$ 0	\$ 26,216,530
Other Capital Assets	5,898,303	1,021,204	(5,500)	6,914,007
Total Accumulated Depreciation	<u>\$ 30,979,459</u>	<u>\$ 2,156,578</u>	<u>\$ (5,500)</u>	<u>\$ 33,130,537</u>
Total Capital Assets Depreciated, Net	<u>\$ 28,879,417</u>	<u>\$ (1,753,652)</u>	<u>\$ 0</u>	<u>\$ 27,125,765</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,991,610</u>	<u>\$ (1,739,061)</u>	<u>\$ 0</u>	<u>\$ 28,252,549</u>

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

Governmental Activities:

Instruction	\$ 50,846
Support Services	2,067,156
Operation of Non-Instructional Services	<u>38,576</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,156,578</u></u>

D. Construction Commitments

At June 30, 2012, Morgan County had uncompleted construction contracts of \$91,353 in the General Capital Projects Fund for a visitors center. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 2,388
"	General Debt Service	1,118

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Primary Government

	Transfer In
Transfer Out	General Capital Projects Fund
General Fund	\$ 32,642

Discretely Presented Morgan County School Department

	Transfer In
Transfer Out	General Purpose School Fund
School Federal Projects Fund	\$ 7,468

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

F. Capital Leases

Discretely Presented Morgan County School Department

On April 7, 2008, the Morgan County School Department entered into a ten-year lease-purchase agreement for football field lighting improvements for various school facilities. The terms of the agreement require total lease payments of \$601,414 plus interest of 2.63 percent. Title to the equipment transfers to the School Department immediately upon acceptance of each item.

The assets acquired through capital leases outstanding as of June 30, 2012, are as follows:

	Governmental Funds <u>School Department</u>
Machinery and Equipment	\$ 684,414
Less: Accumulated Depreciation	<u>(268,061)</u>
Total Book Value	<u>\$ 416,353</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds <u>School Department</u>
2013	\$ 75,986
2014	75,986
2015	75,987
2016	75,986
2017	75,985
2018	<u>75,986</u>
Total Minimum Lease Payments	\$ 455,916
Less: Amount Representing Interest	<u>(71,228)</u>
Present Value of Minimum Lease Payments	<u>\$ 384,688</u>

G. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities and to refund other debt. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, seven years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included

in long-term debt as of June 30, 2012, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	2 to 3 %	4-1-26	\$ 6,900,000	\$ 5,790,000
General Obligation Bonds - Refunding	3 to 4	6-1-15	3,740,000	1,750,000
Capital Outlay Notes	0 to 4.25	12-1-17	678,478	429,794
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	11,961,000

Morgan County has entered into loan agreements with the Sevier County Public Building Authority, Blount County Public Building Authority, and City of Clarksville Public Building Authority (PBAs) to finance capital projects for Morgan County and the discretely presented Morgan County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Morgan County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with these loans. The following table summarizes loan agreements outstanding at June 30, 2012:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-12	Interest Type	Interest Rates as of 6-30-12	Approximate Fee Rates as of 6-30-12
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,750,000	Fixed	5.6 to 6 %	0 %
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	0
City of Clarksville PBA:					
Series 2009	2,000,000	1,866,000	Variable	.50	1.00
Sevier County PBA:					
Series VII-A-3	10,095,000	10,095,000	Variable	4.53 (1)	1.10

(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, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 955,000	\$ 211,000	\$ 1,166,000
2014	995,000	183,175	1,178,175
2015	970,000	151,135	1,121,135
2016	365,000	119,535	484,535
2017	375,000	112,235	487,235
2018-2022	2,030,000	429,818	2,459,818
2023-2026	1,850,000	139,210	1,989,210
Total	\$ 7,540,000	\$ 1,346,108	\$ 8,886,108

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 95,135	\$ 5,910	\$ 101,045
2014	96,163	4,882	101,045
2015	97,236	3,810	101,046
2016	98,347	2,699	101,046
2017	28,307	1,527	29,834
2018	14,606	311	14,917
Total	\$ 429,794	\$ 19,139	\$ 448,933

Year Ending June 30	Other Loans			Total
	Principal	Interest (1)	Other Fees	
2013	\$ 72,000	\$ 577,115	\$ 129,705	\$ 778,820
2014	76,000	576,754	128,985	781,739
2015	205,000	576,375	128,225	909,600
2016	903,000	569,037	127,425	1,599,462
2017	958,000	531,680	119,225	1,608,905
2018-2022	5,694,000	2,013,143	453,675	8,160,818
2023-2027	6,245,000	685,076	160,490	7,090,566
2028-2029	308,000	2,330	4,660	314,990
Total	\$ 14,461,000	\$ 5,531,510	\$ 1,252,390	\$ 21,244,900

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

There is \$1,997,179 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$343, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,020, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2011	\$ 8,460,000	\$ 523,927	\$ 14,530,000
Additions	0	0	0
Reductions	(920,000)	(94,133)	(69,000)
Balance, June 30, 2012	<u>\$ 7,540,000</u>	<u>\$ 429,794</u>	<u>\$ 14,461,000</u>
Balance Due Within One Year	<u>\$ 955,000</u>	<u>\$ 95,135</u>	<u>\$ 72,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2011	\$ 21,661	\$ 134,966	\$ 315,973
Additions	0	121,697	7,583
Reductions	(21,661)	(111,903)	0
Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 144,760</u>	<u>\$ 323,556</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 86,856</u>	<u>\$ 17,554</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 22,899,110
Add: Unamortized Premium on Debt	121,848
Less: Balance Due Within One Year	<u>(1,226,545)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 21,794,413</u>
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Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Morgan County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Morgan County School Department for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Capital Leases	Compensated Absences
Balance July 1, 2011	\$ 318,266	\$ 438,400	\$ 92,409
Additions	241,217	0	27,062
Reductions	(142,602)	(53,712)	(35,606)
Balance June 30, 2012	<u>\$ 416,881</u>	<u>\$ 384,688</u>	<u>\$ 83,865</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 56,441</u>	<u>\$ 33,546</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 885,434
Less: Balance Due Within One Year	<u>(89,987)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 795,447</u>

During the year, the School Department contributed \$642,469 to the primary government's General Debt Service Fund to be applied toward the retirement of school debt.

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$47,486 and \$15,846, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Internal Financing

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

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Capital projects	\$ 300,000	0%	9-10-10	9-10-13
	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
Capital projects	\$ 300,000	\$ 0	\$ 0	\$ 300,000

J. Short-term Debt

Morgan County issued tax anticipation notes in advance of property tax collections in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2012, was as follows:

Tax Anticipation Notes:

Fund	Balance 7-1-11	Issued	Paid	Balance 6-30-12
Solid Waste/Sanitation (Borrowed from General Debt Service)	\$ 0	\$ 200,000	\$ (200,000)	\$ 0
General Fund (Borrowed from General Debt Service)	0	1,000,000	(1,000,000)	0

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. Pre-65 age retirees are not allowed to participate in the health plan. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Morgan County School Department

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

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

B. **Subsequent Events**

Subsequent to June 30, 2012, certain county funds issued tax anticipation notes to provide temporary operating funds as noted in the following table:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
8-1-12	Solid Waste/Sanitation	\$ 150,000
8-1-12	General	1,200,000

C. **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.

D. 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 \$323,556 reported as postclosure care liability at June 30, 2012, represents amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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, 2012, 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, 2012.

F. 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 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, 2012, was 7.46 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of \$552,474 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the 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 post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six years. An actuarial valuation was performed as of July 1, 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
6-30-12	\$552,474	100%	\$0
6-30-11	457,286	100	0
6-30-10	528,315	100	0

Funded Status and Funding Progress

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

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five 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, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were \$1,097,306, \$1,119,592, and \$805,034 respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

The Morgan County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state’s website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees’ premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The Morgan County School Department does not pay any premiums for retiree health insurance. However, since pre-65 retirees are allowed to remain on the plan, an implicit rate subsidy exists and is accounted for as other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	\$ 242,000
Interest on the NPO	12,731
Adjustment to the ARC	(13,514)
Annual OPEB cost	<u>\$ 241,217</u>
Amount of contribution	(142,602)
Increase/decrease in NPO	\$ 98,615
Net OPEB obligation, 7-1-11	<u>318,266</u>
Net OPEB obligation, 6-30-12	<u><u>\$ 416,881</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 192,512	73 %	\$ 267,259
6-30-11	"	200,635	75	318,266
6-30-12	"	241,217	59	416,881

Funded Status and Funding Progress

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. Termination Benefits

In May 2012, the Morgan County Board of Education made available a one-time incentive for employees eligible to retire. During the 2011-12 year, 11 employees took the \$5,000 early retirement offer. The financial statements of this report reflect expenditures of \$55,000 in the School Federal Projects Fund for the retirement incentive payments, and there is no further liability under the incentive plan.

I. 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.

J. Purchasing Law

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

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

A. Summary of Significant Accounting Policies

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

budget with Morgan County each year. Any bond issued by the district is subject to approval by Morgan County.

The district uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

1. Depreciation

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

<u>Assets</u>	<u>Method</u>	<u>Estimated Useful Life (Years)</u>	<u>2012 Depreciation</u>
Building and Improvements	S/L	3 - 40	\$ 38,579
Communications Equipment	S/L	5, 7 and 10	58,050
Furniture and Fixtures	S/L	3, 5 and 10	9,016
Office Equipment	S/L	5, 7 and 10	5,144
Vehicle	S/L	5	0
Total			<u>\$ 110,789</u>

2. Major Sources of Revenue

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

3. Operating Income

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

include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

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

B. Deposits and Investments

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

The following is a schedule of bank accounts at June 30, 2012:

<u>Account</u>	<u>Depository</u>	<u>Amount</u>
Checking	Citizen's First Bank	\$ 136,497
Certificate of Deposit - 3 Months	"	57,729
Certificate of Deposit - 5 Months	"	<u>56,186</u>
Total		<u><u>\$ 250,412</u></u>

At June 30, 2012, the carrying amount of the district's cash deposits was \$250,412. The district's deposit accounts are covered up to \$250,000 by the FDIC. Any amounts over \$250,000 are covered by the government collateralization pool of which Citizen's First Bank is a member. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

C. Bonding and Insurance

The district had a bond covering certain members of the board at June 30, 2012. They also had a general liability policy that covers all capital assets. There have been no losses or settlements during the past three years.

D. Capital Assets

The following is a schedule of capital assets at June 30, 2012:

Assets	Cost	Accumulated Depreciation	Net
Buildings and Improvements	\$ 1,487,156	\$ 81,548	\$ 1,405,608
Communications Equipment	516,153	260,641	255,512
Furniture and Fixtures	77,760	25,045	52,715
Office Equipment	36,648	22,362	14,286
Vehicles	21,888	21,888	0
Land	90,000	0	90,000
Total	\$ 2,229,605	\$ 411,484	\$ 1,818,121

Assets	Balance 6-30-11	Additions	Retirements	Balance 6-30-12
Buildings and Improvements	\$ 1,487,155	\$ 0	\$ 0	\$ 1,487,155
Communications Equipment	516,153	0	0	516,153
Furniture and Fixtures	77,761	0	0	77,761
Office Equipment	36,648	0	0	36,648
Vehicles	21,888	0	0	21,888
Land	90,000	0	0	90,000
Total	\$ 2,229,605	\$ 0	\$ 0	\$ 2,229,605

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	\$ 774
Due from State ECB	State ECB	<u>8,480</u>
Total		<u>\$ 9,254</u>

G. Compensated Absences

There were no employees at June 30, 2012.

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

Net Book Value	\$ 1,818,121
Current and Noncurrent Debt	<u>(1,451,915)</u>
Invested in Capital Assets	<u><u>\$ 366,206</u></u>

I. Budgetary Information

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

J. Construction Loan

On July 31, 2008, the district opened a 12-month construction loan at Citizen's First Bank totaling \$1,500,000. As of June 30, 2009, the district had drawn the full \$1,500,000. The district applied for a \$1,500,000 bond with USDA. The bond was approved on August 1, 2009, to be paid over 38 years at an interest rate of 4.25 percent. Monthly payments are to be made at \$6,645 per month starting August 1, 2009. The current portion of long-term debt due in one year is \$18,389. Current-year activity is as follows:

Balance 7-1-11	New Loans	Principal Payments	Balance 6-30-12
\$1,469,540	\$0	(\$17,625)	\$1,451,915

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 18,389	\$ 61,351
2014	19,186	60,554
2015	20,018	59,722
2016	20,885	58,855
2017	21,790	57,950
2018-2022	123,961	274,739
2023-2027	153,253	245,447
2028-2032	189,467	209,233
2033-2037	234,239	164,461
2038-2042	289,590	109,110
2043-2047	358,021	40,679
2048	3,116	11
Total	<u><u>\$ 1,451,915</u></u>	<u><u>\$ 1,342,112</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,460,137	\$ 0	\$ 0	\$ 4,460,137	\$ 4,310,260	\$ 4,395,260	\$ 64,877
Licenses and Permits	39,686	0	0	39,686	40,500	40,500	(814)
Fines, Forfeitures, and Penalties	69,026	0	0	69,026	70,400	75,900	(6,874)
Charges for Current Services	948,706	0	0	948,706	941,900	946,738	1,968
Other Local Revenues	40,302	0	0	40,302	18,454	24,222	16,080
Fees Received from County Officials	682,855	0	0	682,855	731,000	646,000	36,855
State of Tennessee	680,492	0	0	680,492	577,150	597,239	83,253
Federal Government	18,168	0	0	18,168	0	0	18,168
Other Governments and Citizens Groups	235,273	0	0	235,273	259,617	260,657	(25,384)
Total Revenues	\$ 7,174,645	\$ 0	\$ 0	\$ 7,174,645	\$ 6,949,281	\$ 6,986,516	\$ 188,129

<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 79,868	\$ 0	\$ 248	\$ 80,116	\$ 78,240	\$ 84,892	\$ 4,776
County Mayor/Executive	153,762	0	0	153,762	157,889	157,878	4,116
County Attorney	10,500	0	0	10,500	10,500	10,500	0
Election Commission	130,674	0	1,819	132,493	143,034	143,034	10,541
Register of Deeds	112,675	(4,840)	543	108,378	118,542	118,542	10,164
County Buildings	370,436	(2,067)	2,600	370,969	371,225	386,505	15,536
<u>Finance</u>							
Accounting and Budgeting	225,339	(2,368)	0	222,971	225,106	225,106	2,135
Property Assessor's Office	189,072	(3,167)	0	185,905	187,711	188,986	3,081
Reappraisal Program	550	0	0	550	3,600	2,325	1,775
County Trustee's Office	159,363	0	301	159,664	164,071	164,071	4,407
County Clerk's Office	151,156	(501)	787	151,442	171,405	171,405	19,963

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 231,489	\$ (328)	0	231,161	\$ 233,126	\$ 236,426	\$ 5,265
Criminal Court	7,338	0	0	7,338	9,600	9,600	2,262
General Sessions Court	42,912	(1,643)	1,091	42,360	46,062	46,062	3,702
General Sessions Judge	133,908	0	0	133,908	134,835	134,835	927
Drug Court	50,996	(439)	873	51,430	56,362	66,167	14,737
Chancery Court	154,718	(649)	0	154,069	151,751	156,217	2,148
Juvenile Court	25,221	(580)	468	25,109	26,105	26,105	996
Courtroom Security	68,592	0	0	68,592	61,433	68,621	29
<u>Public Safety</u>							
Sheriff's Department	1,216,290	(4,291)	6,600	1,218,599	1,136,796	1,225,714	7,115
Jail	1,217,440	(1,802)	1,600	1,217,238	1,143,271	1,227,264	10,026
Juvenile Services	500	0	0	500	1,000	1,000	500
Fire Prevention and Control	131,546	0	0	131,546	131,546	131,546	0
Civil Defense	17,553	(200)	150	17,503	17,620	21,828	4,325
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	353,412	0	0	353,412	359,690	359,690	6,278
County Coroner/Medical Examiner	23,384	0	0	23,384	25,085	25,085	1,701
Other Public Safety	5,947	0	80	6,027	7,800	7,800	1,773
<u>Public Health and Welfare</u>							
Local Health Center	43,351	(6,982)	1,782	38,151	48,547	40,373	2,222
Ambulance/Emergency Medical Services	1,307,367	(6,800)	1,629	1,302,196	1,323,464	1,325,275	23,079
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577
Other Local Health Services	56,112	0	0	56,112	91,500	91,500	35,388

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	\$ 3,397	\$ 0	\$ 0	\$ 3,397	\$ 4,200	\$ 4,200	\$ 803
Libraries	94,406	(990)	1,685	95,101	63,165	95,411	310
Parks and Fair Boards	0	0	1,938	1,938	2,500	2,500	562
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	63,057	(183)	341	63,215	63,303	63,303	88
Soil Conservation	5,000	0	0	5,000	5,000	5,000	0
<u>Other Operations</u>							
Tourism	0	0	0	0	3,000	3,000	3,000
Other Economic and Community Development	20,000	0	0	20,000	20,000	20,000	0
Veterans' Services	511	0	0	511	500	511	0
Miscellaneous	122,399	0	0	122,399	117,700	125,700	3,301
<u>Principal on Debt</u>							
General Government	21,661	0	0	21,661	20,445	21,662	1
Interest on Debt							
General Government	1,289	0	0	1,289	2,506	1,289	0
Other Debt Service							
General Government	1,144	0	0	1,144	1,109	1,145	1
Total Expenditures	\$ 7,012,695	\$ (37,830)	\$ 24,535	\$ 6,999,400	\$ 6,949,281	\$ 7,207,010	\$ 207,610
Excess (Deficiency) of Revenues Over Expenditures	\$ 161,950	\$ 37,830	\$ (24,535)	\$ 175,245	\$ 0	\$ (220,494)	\$ 395,739
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 23,460	\$ 0	\$ 0	\$ 23,460	\$ 0	\$ 23,460	\$ 0

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ (32,642) \$	0 \$	0 \$	(32,642) \$	0 \$	(32,642) \$	0
Total Other Financing Sources (Uses)	\$ (9,182) \$	0 \$	0 \$	(9,182) \$	0 \$	(9,182) \$	0
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 152,768 \$ 1,068,389	37,830 \$ (37,830)	(24,535) \$ 0	166,063 \$ 1,030,559	0 \$ 1,086,110	(229,676) \$ 1,086,110	395,739 (55,551)
Fund Balance, June 30, 2012	\$ 1,221,157 \$	0 \$	(24,535) \$	1,196,622 \$	1,086,110 \$	856,434 \$	340,188

Exhibit E-2

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)		Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				7/1/2011	6/30/2012	Original	Final	
Revenues								
Local Taxes	\$ 808,572	\$ 0	\$ 0	\$ 808,572	\$ 802,338	\$ 802,338	\$ 6,234	
Charges for Current Services	183,700	0	0	183,700	185,000	185,000	(1,300)	
Other Local Revenues	43,303	0	0	43,303	55,000	62,000	(18,697)	
State of Tennessee	37,791	0	0	37,791	31,674	32,111	5,680	
Other Governments and Citizens Groups	50	0	0	50	0	0	50	
Total Revenues	\$ 1,073,416	\$ 0	\$ 0	\$ 1,073,416	\$ 1,074,012	\$ 1,081,449	\$ (8,033)	
Expenditures								
Public Health and Welfare								
Sanitation Management	\$ 87,442	\$ 0	\$ 0	\$ 87,442	\$ 83,428	\$ 89,807	\$ 2,365	
Sanitation Education/Information	32,193	(236)	0	31,957	31,674	32,111	154	
Waste Pickup	509,712	(16,271)	13,244	506,685	528,944	526,212	19,527	
Convenience Centers	254,702	(6,750)	5,208	253,160	283,401	288,401	35,241	
Recycling Center	66,287	0	0	66,287	59,287	66,287	0	
Landfill Operation and Maintenance	92,573	(20,775)	12,625	84,423	131,248	124,748	40,325	
Other Operations								
Other Charges	17,884	0	0	17,884	19,000	19,000	1,116	
Miscellaneous	1,069	0	0	1,069	1,850	1,850	781	
Total Expenditures	\$ 1,061,862	\$ (44,032)	\$ 31,077	\$ 1,048,907	\$ 1,138,832	\$ 1,148,416	\$ 99,509	
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,554	\$ 44,032	\$ (31,077)	\$ 24,509	\$ (64,820)	\$ (66,967)	\$ 91,476	
Other Financing Sources (Uses)								
Insurance Recovery	\$ 314	\$ 0	\$ 0	\$ 314	\$ 0	\$ 0	\$ 314	
Total Other Financing Sources (Uses)	\$ 314	\$ 0	\$ 0	\$ 314	\$ 0	\$ 0	\$ 314	
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 11,868	\$ 44,032	\$ (31,077)	\$ 24,823	\$ (64,820)	\$ (66,967)	\$ 91,790	
	165,433	(44,032)	0	121,401	192,715	192,715	(71,314)	
Fund Balance, June 30, 2012	\$ 177,301	\$ 0	\$ (31,077)	\$ 146,224	\$ 127,895	\$ 125,748	\$ 20,476	

Exhibit E-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 178,167	\$ 0	\$ 0	\$ 178,167	\$ 148,042	\$ 155,042	\$ 23,125
Charges for Current Services	14,222	0	0	14,222	1,200	1,200	13,022
Other Local Revenues	35,976	0	0	35,976	6,750	6,750	29,226
State of Tennessee	1,908,790	0	0	1,908,790	2,159,000	2,159,000	(250,210)
Total Revenues	\$ 2,137,155	\$ 0	\$ 0	\$ 2,137,155	\$ 2,314,992	\$ 2,321,992	\$ (184,837)
Expenditures							
<u>Highways</u>							
Administration	\$ 107,321	\$ 0	\$ 128	\$ 107,449	\$ 118,361	\$ 118,361	\$ 10,912
Highway and Bridge Maintenance	1,581,488	(180,194)	130,477	1,531,771	2,684,718	2,558,218	1,026,447
Operation and Maintenance of Equipment	396,030	(15,217)	17,066	397,879	341,290	464,740	66,861
Other Charges	48,209	(213)	0	47,996	52,800	52,850	4,854
Employee Benefits	29,528	0	0	29,528	29,350	39,472	9,944
Capital Outlay	29,465	0	0	29,465	595,200	598,200	568,735
Total Expenditures	\$ 2,192,041	\$ (195,624)	\$ 147,671	\$ 2,144,088	\$ 3,821,719	\$ 3,831,841	\$ 1,687,753
Excess (Deficiency) of Revenues Over Expenditures	\$ (54,886)	\$ 195,624	\$ (147,671)	\$ (6,933)	\$ (1,506,727)	\$ (1,509,849)	\$ 1,502,916
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (54,886)	\$ 195,624	\$ (147,671)	\$ (6,933)	\$ (1,506,727)	\$ (1,509,849)	\$ 1,502,916
Fund Balance, June 30, 2012	\$ 3,126,588	\$ (195,624)	\$ 0	\$ 2,930,964	\$ 3,311,329	\$ 3,311,329	\$ (380,365)
Fund Balance, June 30, 2012	\$ 3,071,702	\$ 0	\$ (147,671)	\$ 2,924,031	\$ 1,804,602	\$ 1,801,480	\$ 1,122,551

Exhibit E-4

Morgan County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Morgan County School Department
June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 13,286	\$ 14,280	\$ 994	93.04	% \$ 6,675	14.9 %
7-1-09	10,759	10,759	0	100	6,328	0
7-1-07	10,119	10,119	0	100	5,582	0

Exhibit E-5

Morgan County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Morgan County School Department
June 30, 2012

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 0	\$ 1,715	\$ 1,715	\$ 0	\$ 12,231	14.02 %
7-1-10	0	1,782	1,782	0	12,039	14.8
7-1-11	0	2,046	2,046	0	11,948	17.12

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Morgan County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, County Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the Morgan County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit F-1

Morgan County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,388	\$ 2,388
Equity in Pooled Cash and Investments	61,163	0	61,163
Total Assets	<u>\$ 61,163</u>	<u>\$ 2,388</u>	<u>\$ 63,551</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Due to Other Funds	\$ 0	\$ 2,388	\$ 2,388
Due to Litigants, Heirs, and Others	10,000	0	10,000
Total Liabilities	<u>\$ 10,000</u>	<u>\$ 2,388</u>	<u>\$ 12,388</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Public Safety	\$ 51,163	\$ 0	\$ 51,163
Total Fund Balances	<u>\$ 51,163</u>	<u>\$ 0</u>	<u>\$ 51,163</u>
Total Liabilities and Fund Balances	<u>\$ 61,163</u>	<u>\$ 2,388</u>	<u>\$ 63,551</u>

Exhibit F-2

Morgan County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 29,408	\$ 29,408
Fines, Forfeitures, and Penalties	53,979	0	53,979
Charges for Current Services	0	4,300	4,300
Total Revenues	<u>\$ 53,979</u>	<u>\$ 33,708</u>	<u>\$ 87,687</u>
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0	\$ 33,708	\$ 33,708
Public Safety	50,557	0	50,557
Total Expenditures	<u>\$ 50,557</u>	<u>\$ 33,708</u>	<u>\$ 84,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,422</u>	<u>\$ 0</u>	<u>\$ 3,422</u>
Net Change in Fund Balances	\$ 3,422	\$ 0	\$ 3,422
Fund Balance, July 1, 2011	47,741	0	47,741
Fund Balance, June 30, 2012	<u><u>\$ 51,163</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 51,163</u></u>

Exhibit F-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 53,979 \$	0 \$	53,979 \$	17,500 \$	39,500 \$	14,479
Total Revenues	\$ 53,979 \$	0 \$	53,979 \$	17,500 \$	39,500 \$	14,479
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 50,557 \$	(1,533) \$	49,024 \$	28,210 \$	61,720 \$	12,696
Total Expenditures	\$ 50,557 \$	(1,533) \$	49,024 \$	28,210 \$	61,720 \$	12,696
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,422 \$	1,533 \$	4,955 \$	(10,710) \$	(22,220) \$	27,175
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 3,422 \$	1,533 \$	4,955 \$	(10,710) \$	(22,220) \$	27,175
	47,741	(1,533)	46,208	41,472	41,472	4,736
Fund Balance, June 30, 2012	\$ 51,163 \$	0 \$	51,163 \$	30,762 \$	19,252 \$	31,911

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,530,644	\$ 1,453,060	\$ 1,453,060	\$ 77,584
Other Governments and Citizens Groups	642,469	487,635	717,470	(75,001)
Total Revenues	<u>\$ 2,173,113</u>	<u>\$ 1,940,695</u>	<u>\$ 2,170,530</u>	<u>\$ 2,583</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 322,711	\$ 69,000	\$ 322,712	\$ 1
Education	760,422	340,000	760,422	0
<u>Interest on Debt</u>				
General Government	225,749	322,978	254,647	28,898
Education	734,886	667,528	738,772	3,886
<u>Other Debt Service</u>				
General Government	45,157	695,189	47,977	2,820
Total Expenditures	<u>\$ 2,088,925</u>	<u>\$ 2,094,695</u>	<u>\$ 2,124,530</u>	<u>\$ 35,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 84,188</u>	<u>\$ (154,000)</u>	<u>\$ 46,000</u>	<u>\$ 38,188</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 200,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 200,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 84,188	\$ 46,000	\$ 46,000	\$ 38,188
Fund Balance, July 1, 2011	1,912,991	2,214,027	2,214,027	(301,036)
Fund Balance, June 30, 2012	<u>\$ 1,997,179</u>	<u>\$ 2,260,027</u>	<u>\$ 2,260,027</u>	<u>\$ (262,848)</u>

Fiduciary Funds

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Morgan County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 618,680	\$ 618,680
Due from Other Governments	53,701	0	0	53,701
Property Taxes Receivable	0	59,840	0	59,840
Total Assets	<u>\$ 53,701</u>	<u>\$ 59,840</u>	<u>\$ 618,680</u>	<u>\$ 732,221</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 53,701	\$ 59,840	\$ 0	\$ 113,541
Due to Litigants, Heirs, and Others	0	0	618,680	618,680
Total Liabilities	<u>\$ 53,701</u>	<u>\$ 59,840</u>	<u>\$ 618,680</u>	<u>\$ 732,221</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 384,326	\$ 384,326	\$ 0
Due from Other Governments	54,517	53,701	54,517	53,701
Total Assets	\$ 54,517	\$ 438,027	\$ 438,843	\$ 53,701
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 54,517	\$ 438,027	\$ 438,843	\$ 53,701
Total Liabilities	\$ 54,517	\$ 438,027	\$ 438,843	\$ 53,701
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 50,848	\$ 50,848	\$ 0
Property Taxes Receivable	57,563	59,840	57,563	59,840
Total Assets	\$ 57,563	\$ 110,688	\$ 108,411	\$ 59,840
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 57,563	\$ 110,688	\$ 108,411	\$ 59,840
Total Liabilities	\$ 57,563	\$ 110,688	\$ 108,411	\$ 59,840
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 390,727	\$ 2,900,982	\$ 2,673,029	\$ 618,680
Total Assets	\$ 390,727	\$ 2,900,982	\$ 2,673,029	\$ 618,680
<u>Liabilities</u>				
Due to Litigants, Heirs and Others	\$ 390,727	\$ 2,900,982	\$ 2,673,029	\$ 618,680
Total Liabilities	\$ 390,727	\$ 2,900,982	\$ 2,673,029	\$ 618,680

(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	\$ 390,727	\$ 2,900,982	\$ 2,673,029	\$ 618,680
Equity in Pooled Cash and Investments	0	435,174	435,174	0
Due from Other Governments	54,517	53,701	54,517	53,701
Property Taxes Receivable	57,563	59,840	57,563	59,840
Total Assets	<u>\$ 502,807</u>	<u>\$ 3,449,697</u>	<u>\$ 3,220,283</u>	<u>\$ 732,221</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 112,080	\$ 548,715	\$ 547,254	\$ 113,541
Due to Litigants, Heirs, and Others	390,727	2,900,982	2,673,029	618,680
Total Liabilities	<u>\$ 502,807</u>	<u>\$ 3,449,697</u>	<u>\$ 3,220,283</u>	<u>\$ 732,221</u>

Morgan County School Department

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

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

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

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

Exhibit I-1

Morgan County, Tennessee
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 14,929,392	\$ 11,858	\$ 2,364,153	\$ (12,553,381)
Support Services	10,254,353	0	215,246	(10,039,107)
Operation of Non-Instructional Services	2,806,696	493,285	2,129,578	(183,833)
Interest on Long-term Debt	20,033	0	0	(20,033)
Debt Service	643,109	0	0	(643,109)
Total Governmental Activities	\$ 28,653,583	\$ 505,143	\$ 4,708,977	\$ (23,439,463)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,583,675
Other Local Taxes				66,964
Grants and Contributions Not Restricted to Specific Programs				18,595,476
Unrestricted Investment Income				27,557
Miscellaneous				26,083
Total General Revenues				\$ 21,299,755
Change in Net Assets				\$ (2,139,708)
Net Assets, July 1, 2011				33,899,340
Net Assets, June 30, 2012				\$ 31,759,632

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2012

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 684	\$ 104	\$ 1,056	\$ 1,844
Equity in Pooled Cash and Investments	2,057,294	281,838	1,655,325	3,994,457
Accounts Receivable	7,652	0	0	7,652
Due from Other Governments	352,405	35,650	69,351	457,406
Property Taxes Receivable	2,904,954	0	0	2,904,954
Allowance for Uncollectible Property Taxes	(158,661)	0	0	(158,661)
Total Assets	\$ 5,164,328	\$ 317,592	\$ 1,725,732	\$ 7,207,652
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 7,004	\$ 103	\$ 16,862	\$ 23,969
Payroll Deductions Payable	189,630	1,999	0	191,629
Due to State of Tennessee	3,701	3,157	0	6,858
Deferred Revenue - Current Property Taxes	2,574,546	0	0	2,574,546
Deferred Revenue - Delinquent Property Taxes	160,449	0	0	160,449
Other Deferred Revenues	18,992	0	0	18,992
Total Liabilities	\$ 2,954,322	\$ 5,259	\$ 16,862	\$ 2,976,443
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 12,333	\$ 1,708,870	\$ 1,721,203
Committed:				
Committed for Education	851,993	300,000	0	1,151,993
Assigned:				
Assigned for Education	566,380	0	0	566,380
Unassigned	791,633	0	0	791,633
Total Fund Balances	\$ 2,210,006	\$ 312,333	\$ 1,708,870	\$ 4,231,209
Total Liabilities and Fund Balances	\$ 5,164,328	\$ 317,592	\$ 1,725,732	\$ 7,207,652

Exhibit I-3

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Morgan County School Department
June 30, 2012

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

Total fund balances - balance sheet- governmental funds (Exhibit I-2)		\$ 4,231,209
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,112,193	
Add: construction in progress	14,591	
Add: buildings and improvements net of accumulated depreciation	21,698,896	
Add: other capital assets net of accumulated depreciation	<u>5,426,869</u>	28,252,549
(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	\$ (384,688)	
Less: accrued interest on debt	(18,133)	
Less: other postemployment benefits liability	(416,881)	
Less: compensated absences payable	<u>(83,865)</u>	(903,567)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>179,441</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 31,759,632</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, 2012

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,642,532	\$ 0	\$ 0	\$ 2,642,532
Licenses and Permits	550	0	0	550
Charges for Current Services	10,905	0	494,238	505,143
Other Local Revenues	335,150	0	11,652	346,802
State of Tennessee	18,921,556	0	19,070	18,940,626
Federal Government	107,091	2,474,033	1,448,778	4,029,902
Total Revenues	\$ 22,017,784	\$ 2,474,033	\$ 1,973,738	\$ 26,465,555
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,831,435	\$ 1,958,312	\$ 0	\$ 14,789,747
Support Services	7,921,587	610,835	0	8,532,422
Operation of Non-Instructional Services	992,170	0	1,800,107	2,792,277
Capital Outlay	40,784	0	0	40,784
Debt Service:				
Principal on Debt	53,712	0	0	53,712
Interest on Debt	22,274	0	0	22,274
Other Debt Service	643,109	0	0	643,109
Capital Projects	6,079	0	0	6,079
Total Expenditures	\$ 22,511,150	\$ 2,569,147	\$ 1,800,107	\$ 26,880,404
Excess (Deficiency) of Revenues Over Expenditures	\$ (493,366)	\$ (95,114)	\$ 173,631	\$ (414,849)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 25,472	\$ 0	\$ 0	\$ 25,472
Transfers In	7,468	0	0	7,468
Transfers Out	0	(7,468)	0	(7,468)
Total Other Financing Sources (Uses)	\$ 32,940	\$ (7,468)	\$ 0	\$ 25,472
Net Change in Fund Balances	\$ (460,426)	\$ (102,582)	\$ 173,631	\$ (389,377)
Fund Balance, July 1, 2011	2,670,432	414,915	1,535,239	4,620,586
Fund Balance, June 30, 2012	\$ 2,210,006	\$ 312,333	\$ 1,708,870	\$ 4,231,209

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, 2012

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)		\$ (389,377)
(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	\$ 417,517	
Less: current-year depreciation expense	<u>(2,156,578)</u>	(1,739,061)
(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, 2011	\$ (156,593)	
Add: deferred delinquent property taxes and other deferred June 30, 2012	<u>179,441</u>	22,848
(3) The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payments on capital leases		53,712
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest on debt	\$ 2,241	
Change in other postemployment benefits liability	(98,615)	
Change in compensated absences payable	<u>8,544</u>	<u>(87,830)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,139,708)</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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
					Original	Final	
Revenues							
Local Taxes	\$ 2,642,532	\$ 0	\$ 0	\$ 2,642,532	\$ 2,675,741	\$ 2,675,741	\$ (33,209)
Licenses and Permits	550	0	0	550	700	700	(150)
Charges for Current Services	10,905	0	0	10,905	41,000	41,000	(30,095)
Other Local Revenues	335,150	0	0	335,150	310,916	480,504	(145,354)
State of Tennessee	18,921,556	0	0	18,921,556	18,941,350	19,075,094	(153,538)
Federal Government	107,091	0	0	107,091	0	10,091	97,000
Total Revenues	\$ 22,017,784	\$ 0	\$ 0	\$ 22,017,784	\$ 21,969,707	\$ 22,283,130	\$ (265,346)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,114,170	\$ (599)	\$ 0	\$ 10,113,571	\$ 10,134,821	\$ 10,179,559	\$ 65,988
Special Education Program	1,711,233	0	0	1,711,233	1,554,313	1,711,233	0
Vocational Education Program	1,006,032	(1,092)	1,358	1,006,298	971,186	1,013,186	6,888
<u>Support Services</u>							
Attendance	177,223	(7,800)	0	169,423	172,618	178,895	9,472
Health Services	367,950	0	13,628	381,578	406,256	408,654	27,076
Other Student Support	553,789	0	914	554,703	495,994	565,825	11,122
Regular Instruction Program	965,939	(11,428)	30,768	985,279	970,951	1,024,326	39,047
Special Education Program	162,430	0	0	162,430	155,843	162,430	0
Vocational Education Program	82,995	0	0	82,995	85,357	85,357	2,362
Other Programs	63,332	0	0	63,332	0	63,332	0
Board of Education	504,064	(172)	0	503,892	600,277	528,529	24,637
Director of Schools	294,419	(350)	0	294,069	306,249	310,708	16,639
Office of the Principal	1,285,455	0	0	1,285,455	1,310,916	1,312,402	26,947

(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:		Add: 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2011	Encumbrances			Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Support Services (Cont.)</u>								
Operation of Plant	\$ 1,579,386	\$ (1,550)	\$ 3,775	\$ 1,581,611	\$ 1,645,826	\$ 1,625,826	\$ 44,215	
Maintenance of Plant	579,913	(117,383)	253,739	716,269	616,649	791,195	74,926	
Transportation	1,304,692	(81,839)	12,198	1,235,051	1,020,881	1,390,839	155,788	
<u>Operation of Non-Instructional Services</u>								
Community Services	44,693	0	0	44,693	50,000	74,396	29,703	
Early Childhood Education	947,477	(28,633)	0	918,844	911,370	1,126,868	208,024	
<u>Capital Outlay</u>								
Regular Capital Outlay	40,784	(16,625)	0	24,159	75,000	24,256	97	
Principal on Debt	53,712	0	0	53,712	22,983	53,712	0	
Education	22,274	0	0	22,274	6,931	22,274	0	
Interest on Debt								
Education	643,109	0	0	643,109	687,635	643,189	80	
Other Debt Service								
Education	6,079	0	0	6,079	0	6,079	0	
Capital Projects								
Education Capital Projects	\$ 22,511,150	(267,471)	316,380	22,560,059	22,202,056	23,303,070	743,011	
Total Expenditures								
Excess (Deficiency) of Revenues Over Expenditures	\$ (493,366)	\$ 267,471	\$ (316,380)	\$ (542,275)	\$ (232,349)	\$ (1,019,940)	\$ 477,665	
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$ 25,472	\$ 0	\$ 0	\$ 25,472	\$ 0	\$ 22,200	\$ 3,272	

(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:		Add: 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2011	Encumbrances 6/30/2012			Original	Final	
Other Financing Sources (Uses) (Cont.)								
Transfers In	\$ 7,468	\$ 0	\$ 0	\$ 7,468	\$ 7,469	\$ 7,469	\$ (1)	
Total Other Financing Sources (Uses)	\$ 32,940	\$ 0	\$ 0	\$ 32,940	\$ 29,669	\$ 29,669	\$ 3,271	
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (460,426)	\$ 267,471	\$ (316,380)	\$ (509,335)	\$ (990,271)	\$ (990,271)	\$ 480,936	
	2,670,432	(267,471)	0	2,402,961	2,282,489	2,282,489	120,472	
Fund Balance, June 30, 2012	\$ 2,210,006	\$ 0	\$ (316,380)	\$ 1,893,626	\$ 1,992,218	\$ 1,992,218	\$ 601,408	

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,474,033 \$	0 \$	0 \$	2,474,033 \$	4,391,538 \$	2,679,098 \$	(205,065)
Total Revenues	\$ 2,474,033 \$	0 \$	0 \$	2,474,033 \$	4,391,538 \$	2,679,098 \$	(205,065)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,227,957 \$	(27,433) \$	294 \$	1,200,818 \$	1,225,805 \$	1,255,006 \$	54,188
Special Education Program	689,660	0	0	689,660	2,222,689	689,661	1
Vocational Education Program	40,695	(2,572)	2,190	40,313	39,844	42,891	2,578
<u>Support Services</u>							
Other Student Support	43,437	0	0	43,437	60,396	51,655	8,218
Regular Instruction Program	522,939	0	0	522,939	643,614	627,628	104,689
Special Education Program	42,676	0	0	42,676	195,483	42,676	0
Vocational Education Program	1,783	0	0	1,783	2,000	1,783	0
Transportation	0	0	0	0	30,839	0	0
Total Expenditures	\$ 2,569,147 \$	(30,005) \$	2,484 \$	2,541,626 \$	4,420,670 \$	2,711,300 \$	169,674
Excess (Deficiency) of Revenues Over Expenditures	\$ (95,114) \$	30,005 \$	(2,484) \$	(67,593) \$	(29,132) \$	(32,202) \$	(35,391)
<u>Other Financing Sources (Uses)</u>							
Transfers In	0 \$	0 \$	0 \$	0 \$	103,819 \$	0 \$	0
Transfers Out	(7,468)	0	0	(7,468)	(111,287)	(7,468)	0
Total Other Financing Sources (Uses)	\$ (7,468) \$	0 \$	0 \$	(7,468) \$	(7,468) \$	(7,468) \$	0
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (102,582) \$	30,005 \$	(2,484) \$	(75,061) \$	(36,600) \$	(39,670) \$	(35,391)
Fund Balance, July 1, 2011	414,915	(30,005)	0	384,910	308,566	308,566	76,344
Fund Balance, June 30, 2012	\$ 312,333 \$	0 \$	(2,484) \$	309,849 \$	271,966 \$	268,896 \$	40,953

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 494,238	\$ 0	\$ 0	\$ 494,238	\$ 572,000	\$ 572,000	\$ (77,762)
Other Local Revenues	11,652	0	0	11,652	32,108	32,108	(20,456)
State of Tennessee	19,070	0	0	19,070	0	0	19,070
Federal Government	1,448,778	0	0	1,448,778	1,263,916	1,367,986	80,792
Total Revenues	\$ 1,973,738	\$ 0	\$ 0	\$ 1,973,738	\$ 1,868,024	\$ 1,972,094	\$ 1,644
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 0	\$ 0	\$ 0	\$ 0	\$ 324	\$ 324	\$ 324
<u>Operation of Non-Instructional Services</u>							
Food Service	1,730,429	(46,427)	319,265	2,003,267	1,790,200	2,272,270	269,003
Community Services	69,678	(28,600)	31,738	72,816	77,500	97,500	24,684
Total Expenditures	\$ 1,800,107	\$ (75,027)	\$ 351,003	\$ 2,076,083	\$ 1,868,024	\$ 2,370,094	\$ 294,011
Excess (Deficiency) of Revenues Over Expenditures	\$ 173,631	\$ 75,027	\$ (351,003)	\$ (102,345)	\$ 0	\$ (398,000)	\$ 295,655
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 173,631	\$ 75,027	\$ (351,003)	\$ (102,345)	\$ 0	\$ (398,000)	\$ 295,655
	1,535,239	(75,027)	0	1,460,212	1,543,784	1,543,784	(83,572)
Fund Balance, June 30, 2012	\$ 1,708,870	\$ 0	\$ (351,003)	\$ 1,357,867	\$ 1,543,784	\$ 1,145,784	\$ 212,083

MISCELLANEOUS SCHEDULES

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>							
<u>BONDS PAYABLE</u>							
Payable through General Debt Service Fund							
General Obligation	\$ 500,000	2.8 %	4-22-03	6-1-14	\$ 155,000	\$ 50,000	\$ 105,000
General Obligation Refunding Series 2008	3,740,000	3 to 4	8-27-08	6-1-15	2,280,000	530,000	1,750,000
General Obligation School Series 2010	6,400,000 (1)	2 to 3	10-13-10	4-1-26	6,025,000	340,000	5,685,000
Total Bonds Payable					\$ 8,460,000	\$ 920,000	\$ 7,540,000
<u>NOTES PAYABLE</u>							
Payable through General Debt Service Fund							
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	\$ 356,057	\$ 71,211	\$ 284,846
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	167,870	22,922	144,948
Total Notes Payable					\$ 523,927	\$ 94,133	\$ 429,794
<u>OTHER LOANS PAYABLE</u>							
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	1,935,000	69,000	1,866,000
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					\$ 14,530,000	\$ 69,000	\$ 14,461,000

(Continued)

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans and Capital Leases
Primary Government and Discretely Presented Morgan County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT (CONT.)</u>							
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Fund Patrol Cars	\$ 61,403	5.95 %	8-25-09	8-25-11	\$ 21,661	\$ 21,661	\$ 0
Total Capital Leases Payable					\$ 21,661	\$ 21,661	\$ 0
<u>DISCRETELY PRESENTED MORGAN</u> <u>COUNTY SCHOOL DEPARTMENT</u>							
<u>CAPITAL LEASES PAYABLE</u>							
Payable through General Purpose School Fund Football Field Lighting	601,414	2.63	4-7-08	8-1-17	\$ 438,400	\$ 53,712	\$ 384,688
Total Capital Leases Payable					\$ 438,400	\$ 53,712	\$ 384,688

(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
Primary Government and Discretely Presented Morgan County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 955,000	\$ 211,000	\$ 1,166,000
2014	995,000	183,175	1,178,175
2015	970,000	151,135	1,121,135
2016	365,000	119,535	484,535
2017	375,000	112,235	487,235
2018	385,000	104,735	489,735
2019	390,000	96,073	486,073
2020	410,000	86,810	496,810
2021	420,000	76,560	496,560
2022	425,000	65,640	490,640
2023	440,000	54,165	494,165
2024	455,000	41,845	496,845
2025	470,000	28,650	498,650
2026	485,000	14,550	499,550
Total	\$ 7,540,000	\$ 1,346,108	\$ 8,886,108

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 95,135	\$ 5,910	\$ 101,045
2014	96,163	4,882	101,045
2015	97,236	3,810	101,046
2016	98,347	2,699	101,046
2017	28,307	1,527	29,834
2018	14,606	311	14,917
Total	\$ 429,794	\$ 19,139	\$ 448,933

(Continued)

Exhibit J-2

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

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 72,000	\$ 577,115	\$ 129,705	\$ 778,820
2014	76,000	576,754	128,985	781,739
2015	205,000	576,375	128,225	909,600
2016	903,000	569,037	127,425	1,599,462
2017	958,000	531,680	119,225	1,608,905
2018	1,002,000	492,093	110,425	1,604,518
2019	1,077,000	450,707	101,145	1,628,852
2020	1,131,000	405,429	91,320	1,627,749
2021	1,212,000	358,001	80,905	1,650,906
2022	1,272,000	306,913	69,880	1,648,793
2023	1,333,000	253,457	58,200	1,644,657
2024	1,418,000	197,628	45,855	1,661,483
2025	1,465,000	137,931	32,855	1,635,786
2026	1,536,000	78,930	19,070	1,634,000
2027	493,000	17,130	4,510	514,640
2028	150,000	1,540	3,080	154,620
2029	158,000	790	1,580	160,370
Total	<u>\$ 14,461,000</u>	<u>\$ 5,531,510</u>	<u>\$ 1,252,390</u>	<u>\$ 21,244,900</u>

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED MORGAN
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	\$ 56,441	\$ 19,545	\$ 75,986
2014	59,309	16,677	75,986
2015	62,323	13,664	75,987
2016	65,488	10,498	75,986
2017	68,815	7,170	75,985
2018	72,312	3,674	75,986
Total	\$ 384,688	\$ 71,228	\$ 455,916

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Capital Projects	Capital projects	\$ 32,642
Total Transfers Primary Government			<u>\$ 32,642</u>
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 7,468
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 7,468</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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 66,702	\$ 50,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and County Board of Education	93,991 (1)	50,000	"
Trustee	Section 8-24-102, TCA	57,751	925,000	"
Assessor of Property	Section 8-24-102, TCA	57,751	10,000	"
County Clerk	Section 8-24-102, TCA	57,751	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA and Chancery Court Judge	57,751 (2)	50,000	"
Register	Section 8-24-102, TCA	57,751	25,000	"
Sheriff	Section 8-24-102, TCA	63,527 (3)	25,000	"
Director of Finance	County Commission	60,127 (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 \$1,000 chief executive officer training supplement.

(2) Does not include special commissioner fees of \$4,300.

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

(4) Includes a \$900 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, 2012

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,930,660	\$ 731,868	\$ 0	\$ 0	\$ 56,674	\$ 591,406	\$ 0	\$ 5,310,608
Trustee's Collections - Prior Year	217,018	48,001	0	0	3,327	19,548	0	287,894
Circuit/Clerk & Master Collections - Prior Years	102,936	20,079	0	29,408	1,499	14,861	0	168,783
Interest and Penalty	41,655	8,539	0	0	633	4,103	0	54,930
Pick-up Taxes	458	85	0	0	7	69	0	619
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0	0	1
Payments in-Lieu-of Taxes - Local Utilities	22,521	0	0	0	0	0	0	22,521
Payments in-Lieu-of Taxes - Other	15,191	0	0	0	0	0	0	15,191
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	898,137	0	898,137
Litigation Tax - General	37,102	0	0	0	0	0	0	37,102
Litigation Tax - Special Purpose	73,799	0	0	0	0	0	0	73,799
Litigation Tax - Jail, Workhouse, or Courthouse	16,125	0	0	0	0	0	0	16,125
Mineral Severance Tax	0	0	0	0	116,027	0	0	116,027
Other County Local Option Taxes	1,386	0	0	0	0	0	0	1,386
<u>Statutory Local Taxes</u>								
Beer Privilege Tax	1,285	0	0	0	0	0	0	1,285
Interstate Telecommunications Tax	0	0	0	0	0	2,520	0	2,520
Total Local Taxes	\$ 4,460,137	\$ 808,572	\$ 0	\$ 29,408	\$ 178,167	\$ 1,530,644	\$ 0	\$ 7,006,928
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 665	0	0	0	0	0	0	665
Cable TV Franchise	38,783	0	0	0	0	0	0	38,783
<u>Permits</u>								
Beer Permits	238	0	0	0	0	0	0	238
Total Licenses and Permits	\$ 39,686	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,686

(Continued)

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
Fines, Forfeitures, and Penalties								
<u>Circuit Court</u>								
Fines	\$ 1,468	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,468
Officers Costs	3,089	0	0	0	0	0	0	3,089
Drug Control Fines	0	0	3,500	0	0	0	0	3,500
Drug Court Fees	0	0	1,016	0	0	0	0	1,016
Jail Fees	301	0	0	0	0	0	0	301
District Attorney General Fees	126	0	0	0	0	0	0	126
Data Entry Fee - Circuit Court	407	0	0	0	0	0	0	407
Victims Assistance Assessments	462	0	0	0	0	0	0	462
<u>General Sessions Court</u>								
Fines	13,954	0	0	0	0	0	0	13,954
Officers Costs	23,264	0	0	0	0	0	0	23,264
Game and Fish Fines	94	0	0	0	0	0	0	94
Drug Control Fines	6,840	0	22,794	0	0	0	0	29,634
Drug Court Fees	0	0	3,612	0	0	0	0	3,612
Jail Fees	4,828	0	0	0	0	0	0	4,828
DUI Treatment Fines	2,181	0	0	0	0	0	0	2,181
Data Entry Fee - General Sessions Court	3,096	0	0	0	0	0	0	3,096
Victims Assistance Assessments	4,304	0	0	0	0	0	0	4,304
<u>Juvenile Court</u>								
Fines	242	0	0	0	0	0	0	242
Officers Costs	2,460	0	0	0	0	0	0	2,460
Drug Court Fees	0	0	200	0	0	0	0	200
Data Entry Fee - Juvenile Court	230	0	0	0	0	0	0	230
<u>Chancery Court</u>								
Data Entry Fee - Chancery Court	1,476	0	0	0	0	0	0	1,476
Courtroom Security Fee	4	0	0	0	0	0	0	4
<u>Judicial District Drug Program</u>								
Data Entry Fee - Other Courts	200	0	0	0	0	0	0	200
Other Fines, Forfeitures, and Penalties								
Proceeds from Confiscated Property	0	0	22,857	0	0	0	0	22,857
Total Fines, Forfeitures, and Penalties	\$ 69,026	\$ 0	\$ 53,979	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,005

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Debt Service Fund	Capital Projects Fund	Capital Projects Fund		
									General	Capital	
Charges for Current Services											
<u>General Service Charges</u>											
Solid Waste Disposal Fees	\$ 0	\$ 183,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 183,700
Patient Charges	921,042	0	0	0	0	0	0	0	0	0	921,042
Other General Service Charges	827	0	0	0	19	0	0	0	0	0	846
<u>Fees</u>											
Copy Fees	8,058	0	0	0	0	0	0	0	0	0	8,058
Library Fees	4,841	0	0	0	0	0	0	0	0	0	4,841
Telephone Commissions	2,428	0	0	0	0	0	0	0	0	0	2,428
Special Commissioner Fees/Special Master Fees	0	0	0	4,300	0	0	0	0	0	0	4,300
Data Processing Fee - Register	6,250	0	0	0	0	0	0	0	0	0	6,250
Data Processing Fee - Sheriff	2,298	0	0	0	0	0	0	0	0	0	2,298
Sexual Offender Registration Fees - Sheriff	2,962	0	0	0	0	0	0	0	0	0	2,962
<u>Other Charges for Services</u>											
Other Charges for Services	0	0	0	0	14,203	0	0	0	0	0	14,203
Total Charges for Current Services	\$ 948,706	\$ 183,700	\$ 0	\$ 4,300	\$ 14,222	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,150,928
Other Local Revenues											
<u>Recurring Items</u>											
Investment Income	\$ 7,278	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,278
Lease/Rentals	46	0	0	0	0	0	0	0	0	0	46
Commissary Sales	9,281	0	0	0	0	0	0	0	0	0	9,281
Sale of Gasoline	0	0	0	0	29,565	0	0	0	0	0	29,565
Sale of Recycled Materials	0	42,227	0	0	1,015	0	0	0	0	0	43,242
Miscellaneous Refunds	0	530	0	0	270	0	0	0	0	0	800
<u>Nonrecurring Items</u>											
Sale of Equipment	1,600	546	0	0	4,276	0	0	0	0	0	6,422
Sale of Property	0	0	0	0	850	0	0	0	0	0	850
Damages Recovered from Individuals	1,466	0	0	0	0	0	0	0	0	0	1,466
Contributions and Gifts	8	0	0	0	0	0	0	0	0	0	8
<u>Other Local Revenues</u>											
Other Local Revenues	20,623	0	0	0	0	0	0	0	0	0	20,623
Total Other Local Revenues	\$ 40,302	\$ 43,303	\$ 0	\$ 0	\$ 35,976	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,581

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	Capital Projects Fund	
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 120,907	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,907
Circuit Court Clerk	30,583	0	0	0	0	0	0	30,583
General Sessions Court Clerk	111,258	0	0	0	0	0	0	111,258
Clerk and Master	73,485	0	0	0	0	0	0	73,485
Juvenile Court Clerk	12,404	0	0	0	0	0	0	12,404
Register	64,956	0	0	0	0	0	0	64,956
Sheriff	7,450	0	0	0	0	0	0	7,450
Trustee	261,812	0	0	0	0	0	0	261,812
Total Fees Received from County Officials	\$ 682,855	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 682,855
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 4,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,665
Solid Waste Grants	0	3,188	0	0	0	0	0	3,188
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	10,800	0	0	0	0	0	0	10,800
Drug Control Grants	41,624	0	0	0	0	0	0	41,624
<u>Health and Welfare Grants</u>								
Health Department Programs	94,678	0	0	0	0	0	0	94,678
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	174,601	0	0	174,601
Litter Program	0	34,603	0	0	0	0	0	34,603
<u>Other State Revenues</u>								
Income Tax	26,124	0	0	0	0	0	0	26,124
Beer Tax	18,421	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	48,743	0	0	0	0	0	0	48,743
Mixed Drink Tax	564	0	0	0	0	0	0	564
State Revenue Sharing - T.V.A.	334,924	0	0	0	0	0	0	334,924
Contracted Prisoner Boarding	58,520	0	0	0	0	0	0	58,520
Gasoline and Motor Fuel Tax	0	0	0	0	1,718,324	0	0	1,718,324

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Highway / Public Works	General Debt Service	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees				
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,865	\$ 0	\$ 0	\$ 15,865
T.B.I. - Equipment Reimbursement	84	0	0	0	0	0	0	84
Registrar's Salary Supplement	18,955	0	0	0	0	0	0	18,955
Other State Grants	10,529	0	0	0	0	0	250,462	260,991
Other State Revenues	11,861	0	0	0	0	0	0	11,861
Total State of Tennessee	\$ 680,492	\$ 37,791	\$ 0	\$ 0	\$ 1,908,790	\$ 0	\$ 250,462	\$ 2,877,535
<u>Federal Government</u>								
<u>Federal Through State</u>								
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 463,091	\$ 463,091
Homeland Security Grants	0	0	0	0	0	0	18,131	18,131
ARRA Grant # 1	0	0	0	0	0	0	99,390	99,390
ARRA Grant # 2	0	0	0	0	0	0	453,211	453,211
Other Federal through State	0	0	0	0	0	0	235,075	235,075
<u>Direct Federal Revenue</u>								
ARRA Grant # 6	0	0	0	0	0	0	25,000	25,000
Other Direct Federal Revenue	18,168	0	0	0	0	0	0	18,168
Total Federal Government	\$ 18,168	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,293,898	\$ 1,312,066
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Prisoner Board	\$ 3,535	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,535
Contributions	9,847	0	0	0	0	642,469	98,483	750,799
Contracted Services	220,891	0	0	0	0	0	6,079	226,970
<u>Citizens Groups</u>								
Donations	1,000	50	0	0	0	0	0	1,050
Total Other Governments and Citizens Groups	\$ 235,273	\$ 50	\$ 0	\$ 0	\$ 0	\$ 642,469	\$ 104,562	\$ 982,354
Total	\$ 7,174,645	\$ 1,073,416	\$ 53,979	\$ 33,708	\$ 2,137,155	\$ 2,173,113	\$ 1,648,922	\$ 14,294,938

Exhibit J-6

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,340,988	\$ 0	\$ 0	\$ 2,340,988
Trustee's Collections - Prior Year	144,671	0	0	144,671
Circuit/Clerk & Master Collections - Prior Years	62,271	0	0	62,271
Interest and Penalty	27,365	0	0	27,365
Pick-up Taxes	273	0	0	273
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	66,964	0	0	66,964
Total Local Taxes	\$ 2,642,532	\$ 0	\$ 0	\$ 2,642,532
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 550	\$ 0	\$ 0	\$ 550
Total Licenses and Permits	\$ 550	\$ 0	\$ 0	\$ 550
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 9,930	\$ 0	\$ 0	\$ 9,930
Tuition - Other	975	0	0	975
Lunch Payments - Children	0	0	263,252	263,252
Lunch Payments - Adults	0	0	49,921	49,921
Income from Breakfast	0	0	103,134	103,134
A la carte Sales	0	0	76,978	76,978
<u>Other Charges for Services</u>				
Other Charges for Services	0	0	953	953
Total Charges for Current Services	\$ 10,905	\$ 0	\$ 494,238	\$ 505,143
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 16,014	\$ 0	\$ 11,543	\$ 27,557
Refund of Telecommunication & Internet Fees (E-Rate)	47,814	0	0	47,814
Miscellaneous Refunds	94,975	0	109	95,084
<u>Nonrecurring Items</u>				
Sale of Equipment	499	0	0	499
Damages Recovered from Individuals	3	0	0	3
<u>Other Local Revenues</u>				
Other Local Revenues	175,845	0	0	175,845
Total Other Local Revenues	\$ 335,150	\$ 0	\$ 11,652	\$ 346,802
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 63,332	\$ 0	\$ 0	\$ 63,332
<u>State Education Funds</u>				
Basic Education Program	17,435,000	0	0	17,435,000
Early Childhood Education	642,030	0	0	642,030
School Food Service	0	0	19,070	19,070
Driver Education	8,712	0	0	8,712
Other State Education Funds	173,666	0	0	173,666
Career Ladder Program	157,247	0	0	157,247

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 85,098	\$ 0	\$ 0	\$ 85,098
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	334,924	0	0	334,924
Other State Grants	1,847	0	0	1,847
Safe Schools - ARRA	19,700	0	0	19,700
Total State of Tennessee	\$ 18,921,556	\$ 0	\$ 19,070	\$ 18,940,626
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 972,803	\$ 972,803
USDA - Commodities	0	0	53,191	53,191
Breakfast	0	0	395,838	395,838
USDA - Other	0	0	26,946	26,946
Vocational Education - Basic Grants to States	0	54,228	0	54,228
Title I Grants to Local Education Agencies	0	825,002	0	825,002
Special Education - Grants to States	0	700,239	0	700,239
Special Education Preschool Grants	10,091	32,099	0	42,190
Rural Education	0	74,743	0	74,743
Eisenhower Professional Development State Grants	0	191,210	0	191,210
Race-to-the-Top - ARRA	0	239,378	0	239,378
Other Federal through State	97,000	357,134	0	454,134
Total Federal Government	\$ 107,091	\$ 2,474,033	\$ 1,448,778	\$ 4,029,902
Total	\$ 22,017,784	\$ 2,474,033	\$ 1,973,738	\$ 26,465,555

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	29,482	
Social Security		1,828	
Employer Medicare		428	
Audit Services		6,596	
Dues and Memberships		12,341	
Legal Services		12,000	
Legal Notices, Recording, and Court Costs		3,020	
Pauper Burials		500	
Postal Charges		453	
Other Contracted Services		5,400	
Office Supplies		999	
Other Supplies and Materials		199	
Premiums on Corporate Surety Bonds		6,555	
Other Charges		67	
Total County Commission			\$ 79,868

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Assistant(s)		24,613	
Clerical Personnel		15,098	
Part-time Personnel		1,604	
Social Security		6,228	
State Retirement		7,933	
Medical Insurance		23,258	
Employer Medicare		1,457	
Communication		3,315	
Postal Charges		103	
Travel		3,043	
Office Supplies		408	
Total County Mayor/Executive			153,762

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		20,038	
Temporary Personnel		1,795	
Longevity Pay		100	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	2,550	
Election Workers		6,880	
Social Security		4,566	
State Retirement		5,380	
Medical Insurance		7,100	
Employer Medicare		1,068	
Advertising		1,199	
Communication		2,020	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		9,744	
Postal Charges		4,100	
Rentals		1,100	
Travel		731	
Office Supplies		10,152	
Total Election Commission			\$ 130,674

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		20,522	
Longevity Pay		800	
Social Security		4,850	
State Retirement		5,899	
Medical Insurance		4,793	
Employer Medicare		1,134	
Communication		2,040	
Dues and Memberships		522	
Postal Charges		489	
Printing, Stationery, and Forms		5,133	
Rentals		1,650	
Office Supplies		348	
Office Equipment		6,744	
Total Register of Deeds			112,675

County Buildings

Custodial Personnel	\$	21,802	
Longevity Pay		300	
Social Security		1,356	
State Retirement		1,414	
Employer Medicare		317	
Communication		1,720	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance and Repair Services - Buildings	\$	49,800	
Pest Control		2,940	
Rentals		1,500	
Custodial Supplies		7,479	
Electricity		46,951	
Natural Gas		3,955	
Office Supplies		8,962	
Water and Sewer		8,093	
Other Supplies and Materials		50	
Liability Insurance		116,903	
Workers' Compensation Insurance		96,894	
Total County Buildings			\$ 370,436

Finance

Accounting and Budgeting

Supervisor/Director	\$	50,680	
Accountants/Bookkeepers		84,231	
Salary Supplements		8,547	
Longevity Pay		4,700	
Social Security		8,688	
State Retirement		11,053	
Medical Insurance		25,582	
Employer Medicare		2,032	
Communication		3,532	
Maintenance and Repair Services - Office Equipment		10,352	
Postal Charges		4,532	
Travel		936	
Office Supplies		6,895	
Data Processing Equipment		3,579	
Total Accounting and Budgeting			225,339

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		63,982	
Part-time Personnel		9,423	
Longevity Pay		3,000	
Board and Committee Members Fees		2,850	
Social Security		8,008	
State Retirement		9,302	
Medical Insurance		17,062	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employer Medicare	\$	1,873	
Advertising		280	
Audit Services		5,275	
Communication		1,268	
Data Processing Services		4,911	
Maintenance and Repair Services - Office Equipment		788	
Postal Charges		528	
Travel		1,447	
Office Supplies		1,232	
Motor Vehicles		92	
Total Property Assessor's Office			\$ 189,072

Reappraisal Program

Other Supplies and Materials	\$	550	
Total Reappraisal Program			550

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Accountants/Bookkeepers		18,003	
Secretary(ies)		19,550	
Part-time Personnel		6,699	
Longevity Pay		400	
Social Security		5,965	
State Retirement		7,139	
Medical Insurance		20,790	
Employer Medicare		1,395	
Advertising		1,012	
Communication		1,150	
Data Processing Services		10,124	
Dues and Memberships		497	
Postal Charges		6,763	
Travel		328	
Office Supplies		1,797	
Total County Trustee's Office			159,363

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Secretary(ies)		40,152	
Longevity Pay		1,100	
Social Security		5,684	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

State Retirement	\$	7,370	
Medical Insurance		24,095	
Employer Medicare		1,329	
Communication		2,320	
Dues and Memberships		497	
Postal Charges		3,567	
Travel		90	
Office Supplies		6,774	
Office Equipment		427	
Total County Clerk's Office			\$ 151,156

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		79,520	
Part-time Personnel		3,060	
Longevity Pay		2,100	
Overtime Pay		2,415	
Social Security		8,338	
State Retirement		10,535	
Medical Insurance		40,248	
Employer Medicare		1,933	
Communication		1,906	
Dues and Memberships		140	
Maintenance and Repair Services - Office Equipment		13,964	
Postal Charges		1,796	
Rentals		1,882	
Other Contracted Services		67	
Office Supplies		5,834	
Total Circuit Court			231,489

Criminal Court

Jury and Witness Expense	\$	7,038	
Postal Charges		300	
Total Criminal Court			7,338

General Sessions Court

Paraprofessionals	\$	5,736	
Clerical Personnel		19,449	
Longevity Pay		400	

(Continued)

Exhibit J-7

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

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

Social Security	\$	1,534	
State Retirement		1,909	
Medical Insurance		4,793	
Employer Medicare		359	
Communication		2,151	
Postal Charges		256	
Travel		3,427	
Office Supplies		2,898	
Total General Sessions Court			\$ 42,912

General Sessions Judge

Judge(s)	\$	105,942	
Social Security		6,317	
State Retirement		7,903	
Medical Insurance		12,269	
Employer Medicare		1,477	
Total General Sessions Judge			133,908

Drug Court

Assistant(s)	\$	17,684	
Guards		1,603	
Social Security		1,156	
State Retirement		1,319	
Medical Insurance		2,045	
Unemployment Compensation		141	
Employer Medicare		270	
Communication		2,979	
Postal Charges		250	
Travel		11,438	
Other Contracted Services		9,286	
Office Supplies		2,825	
Total Drug Court			50,996

Chancery Court

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		40,540	
Longevity Pay		2,700	
Social Security		5,895	
State Retirement		7,534	
Medical Insurance		25,582	

(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.)

Employer Medicare	\$	1,379	
Communication		2,159	
Maintenance and Repair Services - Office Equipment		163	
Postal Charges		1,476	
Travel		397	
Other Contracted Services		2,260	
Office Supplies		<u>6,882</u>	
Total Chancery Court	\$		154,718

Juvenile Court

Social Workers	\$	19,449	
Longevity Pay		500	
Social Security		1,232	
State Retirement		1,488	
Employer Medicare		288	
Travel		1,247	
Office Supplies		<u>1,017</u>	
Total Juvenile Court			25,221

Courtroom Security

Supervisor/Director	\$	9,517	
Guards		43,823	
Longevity Pay		400	
Overtime Pay		133	
Other Salaries and Wages		3,888	
Social Security		3,495	
State Retirement		1,559	
Medical Insurance		4,793	
Employer Medicare		817	
Law Enforcement Equipment		<u>167</u>	
Total Courtroom Security			68,592

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Assistant(s)		20,522	
Deputy(ies)		445,350	
Salary Supplements		10,800	
Clerical Personnel		17,718	
Part-time Personnel		31,124	

(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.)

School Resource Officer	\$	49,087	
Longevity Pay		5,900	
Overtime Pay		59,898	
Other Salaries and Wages		21,846	
Board and Committee Members Fees		1,200	
In-Service Training		4,564	
Social Security		43,021	
State Retirement		51,766	
Medical Insurance		146,661	
Employer Medicare		10,061	
Contracts with Other Public Agencies		494	
Dues and Memberships		1,400	
Maintenance and Repair Services - Equipment		471	
Maintenance and Repair Services - Vehicles		4,662	
Postal Charges		2,239	
Travel		982	
Other Contracted Services		3,975	
Gasoline		114,409	
Law Enforcement Supplies		1,946	
Office Supplies		4,327	
Uniforms		3,627	
Vehicle Parts		28,199	
Other Supplies and Materials		1,368	
Communication Equipment		9,625	
Data Processing Equipment		8,403	
Law Enforcement Equipment		7,277	
Motor Vehicles		39,841	
Total Sheriff's Department			\$ 1,216,290

Jail

Supervisor/Director	\$	25,249
Guards		476,765
Clerical Personnel		20,718
Cafeteria Personnel		18,325
Maintenance Personnel		2,654
Temporary Personnel		2,619
Longevity Pay		7,300
Overtime Pay		22,280
Other Salaries and Wages		22,272
In-Service Training		2,777

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Social Security	\$	35,821	
State Retirement		41,345	
Medical Insurance		121,660	
Employer Medicare		8,378	
Communication		26,691	
Maintenance and Repair Services - Buildings		8,140	
Maintenance and Repair Services - Equipment		5,903	
Maintenance and Repair Services - Office Equipment		2,708	
Medical and Dental Services		187,245	
Pest Control		360	
Travel		319	
Other Contracted Services		6,296	
Custodial Supplies		19,839	
Drugs and Medical Supplies		327	
Electricity		36,732	
Food Supplies		73,700	
Natural Gas		8,640	
Office Supplies		2,893	
Prisoners Clothing		7,807	
Uniforms		1,360	
Water and Sewer		14,985	
Other Supplies and Materials		3,427	
Law Enforcement Equipment		1,905	
Total Jail			\$ 1,217,440

Juvenile Services

Other Contracted Services	\$	500	
Total Juvenile Services			500

Fire Prevention and Control

Medical Insurance	\$	10,080	
Contracts with Government Agencies		2,000	
Contributions		54,500	
Vehicle and Equipment Insurance		37,236	
Workers' Compensation Insurance		7,230	
Other Charges		20,500	
Total Fire Prevention and Control			131,546

Civil Defense

Supervisor/Director	\$	8,063	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Social Security	\$	500	
Employer Medicare		117	
Communication		4,213	
Dues and Memberships		360	
Maintenance and Repair Services - Equipment		282	
Travel		1,794	
Food Supplies		364	
Gasoline		946	
Office Supplies		674	
Other Supplies and Materials		240	
Total Civil Defense			\$ 17,553

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$	16,810	
Supervisor/Director		39,284	
Data Processing Personnel		10,000	
Dispatchers/Radio Operators		114,757	
Part-time Personnel		53,995	
Longevity Pay		5,400	
Overtime Pay		26,869	
Other Salaries and Wages		6,422	
Social Security		16,255	
State Retirement		16,451	
Medical Insurance		41,934	
Unemployment Compensation		1,434	
Employer Medicare		3,801	
Total Other Emergency Management			353,412

County Coroner/Medical Examiner

Supervisor/Director	\$	15,900	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		7,300	
Total County Coroner/Medical Examiner			23,384

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety

Contributions	\$	5,800	
Road Signs		147	
Total Other Public Safety			\$ 5,947

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,450	
Social Security		276	
Employer Medicare		65	
Communication		3,481	
Contributions		24,067	
Maintenance and Repair Services - Buildings		419	
Maintenance and Repair Services - Equipment		1,107	
Postal Charges		630	
Custodial Supplies		438	
Drugs and Medical Supplies		458	
Electricity		4,890	
Natural Gas		442	
Office Supplies		1,284	
Water and Sewer		878	
Other Charges		143	
Office Equipment		323	
Total Local Health Center			43,351

Ambulance/Emergency Medical Services

Supervisor/Director	\$	43,239	
Accountants/Bookkeepers		21,593	
Medical Personnel		372,023	
Temporary Personnel		28,455	
Longevity Pay		14,500	
Overtime Pay		290,112	
Other Salaries and Wages		14,292	
In-Service Training		2,632	
Social Security		46,627	
State Retirement		55,000	
Medical Insurance		150,472	
Employer Medicare		10,899	
Communication		8,148	
Dues and Memberships		410	
Licenses		1,750	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Equipment	\$	10,611	
Maintenance and Repair Services - Vehicles		41,620	
Postal Charges		2,483	
Travel		1,915	
Other Contracted Services		6,000	
Custodial Supplies		3,318	
Drugs and Medical Supplies		54,448	
Electricity		7,135	
Gasoline		55,538	
Natural Gas		2,402	
Office Supplies		3,564	
Uniforms		4,552	
Water and Sewer		1,869	
Liability Insurance		22,338	
Other Charges		6,506	
Attendance Equipment		18,650	
Communication Equipment		1,484	
Data Processing Equipment		2,782	
Total Ambulance/Emergency Medical Services			\$ 1,307,367

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$	21,278	
Clerical Personnel		21,450	
Longevity Pay		1,400	
Social Security		2,710	
State Retirement		2,894	
Medical Insurance		4,371	
Employer Medicare		634	
Travel		1,375	
Total Other Local Health Services			56,112

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$	3,397	
Total Senior Citizens Assistance			3,397

(Continued)

Exhibit J-7

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

General Fund (Cont.)Social, Cultural, and Recreational Services (Cont.)Libraries

Librarians	\$	45,124	
Social Security		2,798	
Employer Medicare		654	
Communication		7,387	
Postal Charges		366	
Rentals		1,137	
Travel		881	
Instructional Supplies and Materials		563	
Office Supplies		785	
Periodicals		2,591	
Other Charges		30,998	
Data Processing Equipment		1,122	
Total Libraries			\$ 94,406

Agriculture and Natural ResourcesAgriculture Extension Service

Communication	\$	2,659	
Maintenance and Repair Services - Office Equipment		750	
Travel		1,190	
Other Contracted Services		54,103	
Office Supplies		1,144	
Other Supplies and Materials		2,611	
Office Equipment		600	
Total Agriculture Extension Service			63,057

Soil Conservation

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

Other OperationsOther Economic and Community Development

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

Veterans' Services

Contributions	\$	511	
Total Veterans' Services			511

Miscellaneous

Life Insurance	\$	2,706	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Unemployment Compensation	\$	14,496	
Remittance of Revenue Collected		4,766	
Trustee's Commission		100,431	
Total Miscellaneous			\$ 122,399

Principal on Debt

General Government

Principal on Capital Leases	\$	21,661	
Total General Government			21,661

Interest on Debt

General Government

Interest on Capital Leases	\$	1,289	
Total General Government			1,289

Other Debt Service

General Government

Other Debt Issuance Charges	\$	1,144	
Total General Government			1,144

Total General Fund \$ 7,012,695

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	44,902	
Longevity Pay		2,700	
Social Security		2,918	
State Retirement		3,551	
Medical Insurance		4,793	
Employer Medicare		682	
Communication		2,265	
Liability Insurance		4,697	
Workers' Compensation Insurance		20,934	
Total Sanitation Management			\$ 87,442

Sanitation Education/Information

Supervisor/Director	\$	7,962	
Attendants		6,317	
Social Security		885	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Employer Medicare	\$	207	
Advertising		4,230	
Travel		1,007	
Other Contracted Services		2,963	
Gasoline		1,723	
Instructional Supplies and Materials		2,630	
Vehicle Parts		1,077	
Other Supplies and Materials		3,127	
Other Charges		65	
Total Sanitation Education/Information			\$ 32,193

Waste Pickup

Truck Drivers	\$	57,293	
Part-time Personnel		6,626	
Longevity Pay		1,700	
Overtime Pay		4,100	
Social Security		4,181	
State Retirement		5,074	
Medical Insurance		24,664	
Employer Medicare		978	
Other Contracted Services		367,215	
Equipment and Machinery Parts		6,760	
Gasoline		16,230	
Tires and Tubes		4,595	
Solid Waste Equipment		10,296	
Total Waste Pickup			509,712

Convenience Centers

Attendants	\$	167,415	
Longevity Pay		3,700	
Overtime Pay		482	
Other Salaries and Wages		5,520	
Social Security		8,254	
State Retirement		9,901	
Medical Insurance		44,735	
Employer Medicare		1,930	
Rentals		2,700	
General Construction Materials		8,219	
Gravel and Chert		1,077	
Other Supplies and Materials		769	
Total Convenience Centers			254,702

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center

Supervisor/Director	\$	23,075	
Part-time Personnel		26,035	
Social Security		3,045	
State Retirement		2,455	
Employer Medicare		712	
Communication		1,748	
Electricity		1,279	
Gasoline		4,143	
Vehicle Parts		1,834	
Water and Sewer		493	
Other Supplies and Materials		1,468	
Total Recycling Center			\$ 66,287

Landfill Operation and Maintenance

Attendants	\$	4,363	
Social Security		381	
Employer Medicare		63	
Communication		5,210	
Maintenance and Repair Services - Equipment		16,505	
Rentals		4,856	
Electricity		12,354	
Equipment and Machinery Parts		10,429	
Gasoline		26,472	
General Construction Materials		1,605	
Lubricants		4,168	
Natural Gas		329	
Office Supplies		481	
Water and Sewer		3,029	
Site Development		2,328	
Total Landfill Operation and Maintenance			92,573

Other Operations

Other Charges

Trustee's Commission	\$	17,884	
Total Other Charges			17,884

Miscellaneous

Life Insurance	\$	312	
Unemployment Compensation		757	
Total Miscellaneous			1,069

Total Solid Waste/Sanitation Fund \$ 1,061,862

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	1,766	
Contributions		250	
Confidential Drug Enforcement Payments		5,400	
Rentals		4,200	
Tow-in Services		824	
Travel		560	
Veterinary Services		380	
Other Contracted Services		6,230	
Animal Food and Supplies		572	
Instructional Supplies and Materials		871	
Uniforms		1,016	
Other Supplies and Materials		2,190	
Trustee's Commission		602	
Law Enforcement Equipment		25,696	
Total Drug Enforcement			\$ 50,557

Total Drug Control Fund \$ 50,557

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,300	
Constitutional Officers' Operating Expenses		29,408	
Total Chancery Court			\$ 33,708

Total Constitutional Officers - Fees Fund 33,708

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Secretary(ies)		18,239	
Social Security		4,989	
State Retirement		6,282	
Employee and Dependent Insurance		8,904	
Employer Medicare		1,167	
Dues and Memberships		2,720	
Legal Notices, Recording, and Court Costs		463	
Postal Charges		13	
Travel		153	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Supplies	\$	748	
Other Charges		<u>116</u>	
Total Administration	\$		107,321

Highway and Bridge Maintenance

Foremen	\$	69,193	
Equipment Operators		49,994	
Truck Drivers		83,400	
Laborers		93,692	
Longevity Pay		18,125	
Social Security		18,439	
State Retirement		22,193	
Employee and Dependent Insurance		71,880	
Employer Medicare		4,312	
Other Contracted Services		228,222	
Asphalt - Hot Mix		422,433	
Asphalt - Liquid		306,272	
Crushed Stone		158,973	
Other Road Supplies		159	
Pipe - Metal		33,733	
Road Signs		<u>468</u>	
Total Highway and Bridge Maintenance			1,581,488

Operation and Maintenance of Equipment

Mechanic(s)	\$	33,260	
Laborers		30,853	
Longevity Pay		5,875	
Social Security		4,109	
State Retirement		5,221	
Employee and Dependent Insurance		15,500	
Employer Medicare		961	
Other Contracted Services		26,347	
Diesel Fuel		119,695	
Equipment and Machinery Parts		94,383	
Garage Supplies		3,233	
Gasoline		39,066	
Lubricants		207	
Small Tools		26	
Tires and Tubes		9,756	
Uniforms		<u>7,538</u>	
Total Operation and Maintenance of Equipment			396,030

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	3,842	
Electricity		2,748	
Natural Gas		1,912	
Water and Sewer		578	
Liability Insurance		18,135	
Trustee's Commission		19,950	
Other Charges		<u>1,044</u>	
Total Other Charges	\$		48,209

Employee Benefits

Life Insurance	\$	334	
Unemployment Compensation		513	
Workers' Compensation Insurance		<u>28,681</u>	
Total Employee Benefits			29,528

Capital Outlay

Highway Equipment	\$	22,247	
Motor Vehicles		18	
Right-of-Way		<u>7,200</u>	
Total Capital Outlay			<u>29,465</u>

Total Highway/Public Works Fund \$ 2,192,041

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	182,500	
Principal on Notes		71,211	
Principal on Other Loans		<u>69,000</u>	
Total General Government	\$		322,711

Education

Principal on Bonds	\$	737,500	
Principal on Notes		<u>22,922</u>	
Total Education			760,422

Interest on Debt

General Government

Interest on Bonds	\$	25,784	
Interest on Other Loans		<u>199,965</u>	
Total General Government			225,749

(Continued)

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Bonds	\$ 211,966	
Interest on Notes	6,913	
Interest on Other Loans	<u>516,007</u>	
Total Education		\$ 734,886

Other Debt Service

General Government

Fiscal Agent Charges	\$ 23,659	
Trustee's Commission	<u>21,498</u>	
Total General Government		<u>45,157</u>

Total General Debt Service Fund

\$ 2,088,925

General Capital Projects Fund

Other Operations

ARRA Grant # 1

Other Construction	\$ <u>99,390</u>	
Total ARRA Grant # 1		\$ 99,390

ARRA Grant # 2

Building Construction	\$ <u>453,211</u>	
Total ARRA Grant # 2		453,211

Capital Projects

Administration of Justice Projects

Other Contracted Services	\$ <u>13,300</u>	
Total Administration of Justice Projects		13,300

Public Safety Projects

Other Charges	\$ 27,676	
Other Equipment	<u>4,000</u>	
Total Public Safety Projects		31,676

Public Health and Welfare Projects

Other Construction	\$ <u>1,122,937</u>	
Total Public Health and Welfare Projects		1,122,937

Social, Cultural, and Recreation Projects

Building Construction	\$ <u>79,229</u>	
Total Social, Cultural, and Recreation Projects		79,229

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Agriculture and Natural Resource Projects

Advertising	\$ 407	
Other Supplies and Materials	<u>225</u>	
Total Agriculture and Natural Resource Projects		\$ 632

Other General Government Projects

Other Construction	<u>\$ 124</u>	
Total Other General Government Projects		<u>124</u>

Total General Capital Projects Fund \$ 1,800,499

Total Governmental Funds - Primary Government \$ 14,240,287

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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,912,292	
Career Ladder Program		110,500	
Career Ladder Extended Contracts		48,000	
Homebound Teachers		5,350	
Educational Assistants		222,898	
Certified Substitute Teachers		110,268	
Non-certified Substitute Teachers		115,952	
Social Security		427,032	
State Retirement		657,007	
Life Insurance		5,725	
Medical Insurance		1,026,454	
Dental Insurance		28,490	
Employer Medicare		108,606	
Instructional Supplies and Materials		46,655	
Textbooks		220,388	
Other Supplies and Materials		599	
Fee Waivers		39,876	
Other Charges		28,078	
Total Regular Instruction Program			\$ 10,114,170

Special Education Program

Teachers	\$	943,987	
Career Ladder Program		7,050	
Homebound Teachers		2,345	
Educational Assistants		81,335	
Certified Substitute Teachers		1,320	
Non-certified Substitute Teachers		5,182	
Social Security		62,852	
State Retirement		91,934	
Life Insurance		744	
Medical Insurance		132,489	
Dental Insurance		4,305	
Employer Medicare		14,699	
Contracts with Private Agencies		124,198	
Other Contracted Services		226,114	
Instructional Supplies and Materials		9,585	
Special Education Equipment		3,094	
Total Special Education Program			1,711,233

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	691,455	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		600	
Secretary(ies)		15,550	
Educational Assistants		13,774	
Social Security		43,634	
State Retirement		65,338	
Life Insurance		487	
Medical Insurance		107,205	
Dental Insurance		2,874	
Employer Medicare		10,205	
Travel		27,456	
Instructional Supplies and Materials		19,454	
Total Vocational Education Program	\$		1,006,032

Support Services

Attendance

Supervisor/Director	\$	64,840	
Career Ladder Program		1,000	
Social Security		4,026	
State Retirement		5,877	
Life Insurance		27	
Medical Insurance		5,747	
Dental Insurance		208	
Employer Medicare		942	
Communication		618	
Travel		2,079	
Other Contracted Services		87,359	
Other Charges		4,500	
Total Attendance			177,223

Health Services

Medical Personnel	\$	42,039	
Secretary(ies)		19,800	
Other Salaries and Wages		175,885	
Social Security		14,547	
State Retirement		21,145	
Life Insurance		246	
Medical Insurance		52,488	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Dental Insurance	\$	1,020	
Employer Medicare		3,402	
Communication		1,143	
Travel		7,120	
Drugs and Medical Supplies		6,802	
Instructional Supplies and Materials		11,339	
Other Supplies and Materials		5,114	
Other Charges		5,860	
Total Health Services			\$ 367,950

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		338,792	
Social Security		20,513	
State Retirement		30,725	
Life Insurance		192	
Medical Insurance		44,019	
Dental Insurance		910	
Employer Medicare		4,797	
Contracts with Government Agencies		77,764	
Evaluation and Testing		25,753	
Travel		8,510	
Instructional Supplies and Materials		194	
In Service/Staff Development		125	
Other Charges		495	
Total Other Student Support			553,789

Regular Instruction Program

Supervisor/Director	\$	38,770	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		10,000	
Librarians		296,346	
Instructional Computer Personnel		133,509	
Secretary(ies)		52,083	
Educational Assistants		10,491	
Social Security		33,305	
State Retirement		48,274	
Life Insurance		313	
Medical Insurance		69,099	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Dental Insurance	\$	1,772	
Employer Medicare		7,789	
Communication		3,356	
Travel		2,518	
Other Contracted Services		11,621	
Library Books/Media		15,830	
In Service/Staff Development		7,710	
Other Charges		10,898	
Other Equipment		207,255	
Total Regular Instruction Program			\$ 965,939

Special Education Program

Supervisor/Director	\$	60,040	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		10,612	
Other Salaries and Wages		577	
Social Security		4,823	
State Retirement		7,150	
Life Insurance		35	
Medical Insurance		5,747	
Dental Insurance		198	
Employer Medicare		880	
Communication		2,050	
Maintenance and Repair Services - Equipment		478	
Travel		9,763	
Other Contracted Services		53,077	
Total Special Education Program			162,430

Vocational Education Program

Supervisor/Director	\$	62,200	
Career Ladder Program		1,000	
Social Security		3,712	
State Retirement		5,720	
Life Insurance		27	
Medical Insurance		8,229	
Dental Insurance		174	
Employer Medicare		868	
Travel		1,065	
Total Vocational Education Program			82,995

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 63,332	
Total Other Programs		\$ 63,332

Board of Education

Board and Committee Members Fees	\$ 13,875	
Social Security	860	
Unemployment Compensation	49,530	
Employer Medicare	201	
Payments to Retirees	17,272	
Audit Services	9,350	
Dues and Memberships	8,371	
Legal Services	2,976	
Travel	5,838	
Other Contracted Services	6,228	
Liability Insurance	157,818	
Trustee's Commission	97,602	
Workers' Compensation Insurance	121,444	
Other Charges	12,699	
Total Board of Education		504,064

Director of Schools

County Official/Administrative Officer	\$ 92,991	
Assistant(s)	69,363	
Career Ladder Program	4,000	
Career Ladder Extended Contracts	4,000	
Secretary(ies)	25,429	
Social Security	12,062	
State Retirement	17,314	
Life Insurance	72	
Medical Insurance	19,157	
Dental Insurance	421	
Employer Medicare	2,821	
Communication	9,941	
Dues and Memberships	2,216	
Travel	4,855	
Other Contracted Services	23,880	
Office Supplies	1,247	
Other Charges	4,650	
Total Director of Schools		294,419

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	453,965	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		8,000	
Assistant Principals		316,101	
Secretary(ies)		110,926	
Clerical Personnel		73,353	
Social Security		58,210	
State Retirement		84,273	
Life Insurance		520	
Medical Insurance		84,732	
Dental Insurance		2,081	
Employer Medicare		13,614	
Communication		20,000	
Travel		194	
Other Contracted Services		50,000	
Other Charges		1,486	
Total Office of the Principal			\$ 1,285,455

Operation of Plant

Custodial Personnel	\$	533,756	
Other Salaries and Wages		44,556	
Social Security		35,111	
State Retirement		45,706	
Life Insurance		371	
Medical Insurance		11,296	
Dental Insurance		149	
Employer Medicare		8,212	
Other Contracted Services		26,868	
Electricity		731,785	
Natural Gas		79,368	
Water and Sewer		61,228	
Other Charges		980	
Total Operation of Plant			1,579,386

Maintenance of Plant

Supervisor/Director	\$	34,764	
Maintenance Personnel		104,706	
Social Security		8,581	
State Retirement		10,404	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Life Insurance	\$	87	
Medical Insurance		5,784	
Dental Insurance		166	
Employer Medicare		2,007	
Communication		1,026	
Maintenance and Repair Services - Buildings		232,206	
Travel		1,244	
Other Contracted Services		19,474	
Other Supplies and Materials		97,475	
Other Charges		51,903	
Maintenance Equipment		10,086	
Total Maintenance of Plant			\$ 579,913

Transportation

Supervisor/Director	\$	40,500	
Mechanic(s)		48,163	
Bus Drivers		448,610	
Social Security		32,790	
State Retirement		37,113	
Life Insurance		388	
Medical Insurance		7,696	
Dental Insurance		216	
Employer Medicare		7,688	
Communication		2,867	
Travel		867	
Other Contracted Services		4,565	
Diesel Fuel		160,974	
Equipment and Machinery Parts		6,712	
Gasoline		35,748	
Lubricants		7,095	
Tires and Tubes		26,117	
Vehicle Parts		58,117	
Other Charges		23,141	
Building Improvements		5,430	
Transportation Equipment		293,295	
Building Purchases		56,600	
Total Transportation			1,304,692

(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

Community Services

Supervisor/Director	\$	6,718	
Secretary(ies)		2,337	
Educational Assistants		2,440	
Social Security		713	
State Retirement		822	
Employer Medicare		167	
Travel		3,443	
Other Contracted Services		7,602	
Other Supplies and Materials		6,748	
Other Charges		13,703	
Total Community Services			\$ 44,693

Early Childhood Education

Teachers	\$	360,270	
Educational Assistants		150,171	
Non-certified Substitute Teachers		6,953	
Social Security		31,367	
State Retirement		43,008	
Life Insurance		345	
Medical Insurance		45,880	
Dental Insurance		1,115	
Employer Medicare		7,336	
Travel		16,396	
Instructional Supplies and Materials		77,048	
Other Supplies and Materials		48,345	
Other Charges		94,538	
Other Equipment		64,705	
Total Early Childhood Education			947,477

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	40,784	
Total Regular Capital Outlay			40,784

Principal on Debt

Education

Principal on Capital Leases	\$	53,712	
Total Education			53,712

(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.)

Interest on Debt

Education

Interest on Capital Leases	\$ 22,274	
Total Education		\$ 22,274

Other Debt Service

Education

Fiscal Agent Charges	\$ 640	
Debt Service Contribution to Primary Government	642,469	
Total Education		643,109

Capital Projects

Education Capital Projects

Contributions	\$ 6,079	
Total Education Capital Projects		<u>6,079</u>

Total General Purpose School Fund \$ 22,511,150

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 550,306	
Educational Assistants	165,419	
Certified Substitute Teachers	2,671	
Social Security	42,664	
State Retirement	60,165	
Life Insurance	463	
Medical Insurance	72,908	
Dental Insurance	2,685	
Unemployment Compensation	2,145	
Employer Medicare	10,013	
Payments to Retirees	55,000	
Travel	45	
Other Contracted Services	115,028	
Instructional Supplies and Materials	54,535	
Other Charges	5,449	
Regular Instruction Equipment	88,461	
Total Regular Instruction Program		\$ 1,227,957

Special Education Program

Educational Assistants	\$ 442,590
------------------------	------------

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	2,374	
Social Security		27,232	
State Retirement		31,979	
Life Insurance		453	
Unemployment Compensation		2,498	
Employer Medicare		6,369	
Contracts with Private Agencies		1,620	
Other Contracted Services		158,062	
Instructional Supplies and Materials		7,015	
Other Supplies and Materials		1,029	
Special Education Equipment		8,439	
Total Special Education Program			\$ 689,660

Vocational Education Program

Educational Assistants	\$	11,548	
Social Security		716	
State Retirement		862	
Life Insurance		15	
Unemployment Compensation		90	
Employer Medicare		167	
Other Contracted Services		1,000	
Instructional Supplies and Materials		6,650	
Vocational Instruction Equipment		19,647	
Total Vocational Education Program			40,695

Support Services

Other Student Support

Bus Drivers	\$	377	
Other Salaries and Wages		16,827	
Social Security		1,067	
State Retirement		1,283	
Life Insurance		17	
Unemployment Compensation		75	
Employer Medicare		249	
Travel		13,422	
Other Supplies and Materials		259	
Other Charges		9,861	
Total Other Student Support			43,437

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	62,668	
Secretary(ies)		20,347	
Other Salaries and Wages		227,148	
Certified Substitute Teachers		10,596	
Social Security		19,565	
State Retirement		27,686	
Life Insurance		193	
Medical Insurance		37,224	
Dental Insurance		1,302	
Unemployment Compensation		588	
Employer Medicare		4,517	
Communication		1,015	
Consultants		3,400	
Postal Charges		122	
Travel		53,910	
Other Contracted Services		26,760	
Other Supplies and Materials		3,943	
In Service/Staff Development		15,319	
Other Charges		6,636	
Total Regular Instruction Program			\$ 522,939

Special Education Program

Other Salaries and Wages	\$	18,300	
Social Security		1,098	
State Retirement		1,656	
Life Insurance		27	
Medical Insurance		4,558	
Dental Insurance		174	
Unemployment Compensation		72	
Employer Medicare		257	
Communication		527	
Postal Charges		30	
Travel		3,790	
Other Contracted Services		12,187	
Total Special Education Program			42,676

Vocational Education Program

Travel	\$	1,783	
Total Vocational Education Program			1,783

Total School Federal Projects Fund \$ 2,569,147

(Continued)

Exhibit J-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	54,335	
Clerical Personnel		21,913	
Cafeteria Personnel		531,944	
Social Security		37,071	
State Retirement		42,488	
Life Insurance		193	
Medical Insurance		4,796	
Dental Insurance		186	
Employer Medicare		8,649	
Maintenance and Repair Services - Equipment		23,317	
Travel		2,517	
Other Contracted Services		8,814	
Food Preparation Supplies		62,084	
Food Supplies		840,558	
Office Supplies		970	
Uniforms		5,203	
USDA - Commodities		53,191	
Other Supplies and Materials		272	
In Service/Staff Development		5,389	
Other Charges		1,471	
Food Service Equipment		<u>25,068</u>	
Total Food Service	\$		<u>1,730,429</u>

Community Services

Part-time Personnel	\$	26,161	
Social Security		1,622	
State Retirement		1,909	
Employer Medicare		379	
Travel		717	
Food Preparation Supplies		459	
Food Supplies		<u>38,431</u>	
Total Community Services			<u>69,678</u>

Total Central Cafeteria Fund \$ 1,800,107

Total Governmental Funds - Morgan County School Department \$ 26,880,404

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, 2012

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 47,892	\$ 47,892
Prior Year Property Tax	0	2,507	2,507
Interest and Penalty	0	449	449
Local Option Sales Tax	384,326	0	384,326
Total Cash Receipts	<u>\$ 384,326</u>	<u>\$ 50,848</u>	<u>\$ 435,174</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 380,483	\$ 49,831	\$ 430,314
Trustee's Commission	3,843	1,017	4,860
Total Cash Disbursements	<u>\$ 384,326</u>	<u>\$ 50,848</u>	<u>\$ 435,174</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2011	0	0	0
Cash Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



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

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

February 8, 2013

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Morgan County's basic financial statements and have issued our report thereon dated February 8, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Morgan County Emergency Communications District as described in our report on Morgan County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

The management of Morgan County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Morgan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: 12.01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

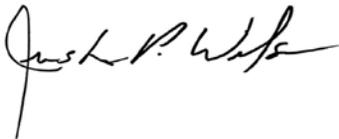
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, the county executive, road superintendent, director of schools, director of finance, Financial Management Committee, County Commission, Board of Education, others within Morgan County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

February 8, 2013

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited Morgan County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Morgan County's management. Our responsibility is to express an opinion on Morgan County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test

basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Morgan County's compliance with those requirements.

In our opinion, Morgan County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morgan County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

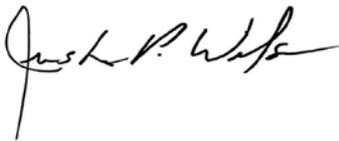
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County as of and for the year ended June 30, 2012, and have issued our report thereon dated February 8, 2013. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county executive, road superintendent, director of schools, director of finance, Financial Management Committee, County Commission, Board of Education, others within Morgan County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 395,838
National School Lunch Program	10.555	N/A	984,948 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	14,801
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	53,191 (3)
Passed-through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	GG-11-32998-00	118,261
Direct Program:			
Rural Business Enterprise Grant - ARRA	10.783	N/A	25,000
Total U.S. Department of Agriculture			\$ 1,592,039
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	\$ 226,575
Total U.S. Department of Housing and Urban Development			\$ 226,575
Bureau of Land Management, Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	(2)	\$ 10,057
Total Bureau of Land Management, Department of Interior			\$ 10,057
U.S. Department of Justice:			
Direct Program:			
Drug Court Discretionary Grant Program	16.585	N/A	\$ 7,760
Total U.S. Department of Justice			\$ 7,760
U.S. Department of Economic Development Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction, Recovery Act	20.205	(2)	\$ 453,211
Passed-through State Department of Economic and Community Development:			
Appalachian Area Development	23.002	(2)	463,091
Total U.S. Department of Economic Development Administration			\$ 916,302
U.S. Department of Energy:			
Direct Program:			
Energy Efficiency and Conservation Block Grant Program (EECBG) - Recovery Act	81.128	N/A	\$ 99,390
Total U.S. Department of Energy:			\$ 99,390
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 873,458
Title I Grants to Local Educational Agencies, Recovery Act	84.389	(2)	7,089
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	710,330
Special Education - Preschool Grants	84.173	(2)	32,099
Career and Technical Education - Basic Grants to States	84.048	(2)	54,604
Twenty-first Century Community Learning Centers	84.287	(2)	97,000
Education Technology Cluster:			
Education Technology State Grants	84.318	N/A	1,691
Education Technology State Grants, Recovery Act	84.386	N/A	19,914
Rural Education	84.358	N/A	75,174
Improving Teacher Quality State Grants	84.367	N/A	191,041

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(2)	\$ 19,700
State Fiscal Stabilization Funds (SFSF) - Race-To-The-Top Incentive Grants, Recovery Act	84.395	(2)	235,363
Education Jobs	84.410	N/A	354,769
Total U.S. Department of Education			\$ 2,672,232
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 8,500
Homeland Security Grant Program	97.067	(2)	18,131
Total U.S. Department of Homeland Security			\$ 26,631
Total Expenditures of Federal Awards			\$ 5,550,986
<u>Contract Number</u>			
<u>State Grants</u>			
Health Department Program - State Department of Health	N/A	(2)	\$ 94,678
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	41,624
Youth Services Program - State Commission on Children and Youth	N/A	(2)	4,665
Litter Program - State Department of Transportation	N/A	(2)	34,603
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	3,188
Early Childhood Education - State Department of Education	N/A	(2)	642,030
Drivers Education - State Department of Education	N/A	(2)	8,712
Total State Grants			\$ 829,500

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 \$1,038,139.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which has not been corrected.

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

Finding Number	Page Number	Subject
11.03	157	Duties were not segregated adequately

MORGAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Morgan County is unqualified.
2. The audit of the financial statements of Morgan County disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Morgan County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title 1 Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389), the Special Education Cluster: Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), Highway Planning and Construction, Recovery Act (CFDA No. 20.205), Appalachian Area Development (CFDA No. 23.002), and the Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Morgan County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

A finding and recommendation, as a result of our examination, is 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, AND SHERIFF

FINDING 12.01 **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, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

BEST PRACTICE

MORGAN COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

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

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

There were no findings and questioned costs for federal awards.

MORGAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2012

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