

ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

MARK TREECE, CPA, CGFM
Audit Manager

AMY SOSVILLE, CPA
Auditor 4

ASHLEY CLARK
STEPHEN ALRED
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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Summary of Audit Findings

Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2015.

Results

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

Our audit resulted in four findings and recommendations, which we have reviewed with Morgan County management. Details of the findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings

The following is a summary of the audit findings:

OFFICE OF TRUSTEE

- ◆ Some bank statements were not reconciled with the general ledger in a timely manner.
 - ◆ The trustee did not require a depository to adequately collateralize funds.
-

OFFICE OF REGISTER OF DEEDS

- ◆ Warranty deeds filed in the office did not appear to reflect an accurate value of the property.
-

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Morgan County Officials

June 30, 2015

Officials

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

Board of County Commissioners

Lee Smith, Chairman
David Hennessee
Terry Jackson
Pat Goad
Michael McGrath
Bill Shannon
David Hamby
Earl Headrick
Freddie Seavers
Mark Sweat

Travis Gosnell
Steve Walls
Randy Roberts
Jerry Zorsch
Dennis Freels
Paul Scarbrough
Fred Snow
Janet Adkisson

Board of Education

Randy Harlan, Chairman
Wade Summers
Tony Dagley

Deborah Landrum
Glen Moore
William Ward

Financial Management Committee

Earl Headrick, Chairman
Don Edwards, County Executive
Dr. Edward Diden, Director of Schools
Joseph Miller, Road Superintendent

Pat Goad
David Hamby
Janet Adkisson

Audit Committee

Jim Rivers, Chairman
Phyllis Langely
Brian Taylor

Carla LaRue
Teresa Ryon
Mickey Tucker

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions; GASB Statement No. 69, Government Combinations and Disposals of Government Operations; and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9 to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position of the primary government by \$316,591 and the beginning net position of the discretely presented Morgan County School Department by \$4,554,861. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit(s) plan(s) on pages 83-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a

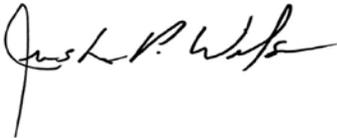
discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of Morgan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 18, 2015

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Position
June 30, 2015

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Morgan County School Department</u>
<u>ASSETS</u>		
Cash	\$ 1,318	\$ 308
Equity in Pooled Cash and Investments	7,076,868	4,256,312
Accounts Receivable	405,652	94,186
Allowance for Uncollectible Accounts Receivable	(104,388)	0
Due from Other Governments	753,255	374,894
Due from Component Units	206,616	0
Property Taxes Receivable	6,619,286	2,924,800
Allowance for Uncollectible Property Taxes	(371,027)	(163,942)
Prepaid Items	125,253	0
Net Pension Asset - Agent	168,617	265,963
Net Pension Asset - Cost-sharing Plan	0	48,605
Capital Assets:		
Assets Not Depreciated:		
Land	627,952	1,112,193
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,678,684	18,849,096
Infrastructure	1,041,405	0
Other Capital Assets	823,694	3,466,987
Total Assets	<u>\$ 22,053,185</u>	<u>\$ 31,229,402</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Changes in Experience	\$ 0	\$ 118,003
Pension Contributions after Measurement Date	335,246	1,351,044
Accumulated Decrease in Fair Value of Hedging Derivatives	1,740,174	0
Total Deferred Outflow of Resources	<u>\$ 2,075,420</u>	<u>\$ 1,469,047</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 35,308	\$ 74,943
Accrued Payroll	96,824	0
Accrued Interest Payable	111,103	0
Payroll Deductions Payable	437	275,250
Due to Primary Government	0	206,616
Due to State of Tennessee	0	3,923
Contracts Payable	277,092	0
Derivative - Interest Rate Swap	1,740,174	0
Due to Litigants, Heirs, and Others	442	0
Noncurrent Liabilities:		
Due Within One Year	1,703,321	87,935
Due in More Than One Year (net of unamortized premium on debt)	18,366,892	687,448
Total Liabilities	<u>\$ 22,331,593</u>	<u>\$ 1,336,115</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Units Morgan County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 5,918,780	\$ 2,615,274
Pension Changes in Experience	84,623	133,477
Pension Changes in Investment Earnings	410,771	4,652,736
Pension Other Deferrals	0	150,514
Total Deferred Inflows of Resources	<u>\$ 6,414,174</u>	<u>\$ 7,552,001</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 4,930,916	\$ 23,428,276
Restricted for:		
General Government	38,570	0
Administration of Justice	21,518	0
Public Safety	49,367	0
Public Health and Welfare	233,859	0
Highway/Public Works	2,968,403	0
Education	0	1,315,632
Other Purposes	8,469	0
Unrestricted	<u>(12,868,264)</u>	<u>(933,575)</u>
Total Net Position	<u>\$ (4,617,162)</u>	<u>\$ 23,810,333</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, 2015

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Primary	Component Unit
						Government	Morgan County School Department
Primary Government:							
Governmental Activities:							
General Government	\$ 1,147,307	\$ 191,210	\$ 32,909	\$ 0	\$ (923,188)	\$	0
Finance	773,910	485,077	0	0	(288,833)		0
Administration of Justice	832,437	403,879	180	0	(428,378)		0
Public Safety	3,006,982	289,637	75,296	84,631	(2,557,418)		0
Public Health and Welfare	3,097,238	1,058,449	50,740	456,137	(1,531,912)		0
Social, Cultural, and Recreational Services	90,172	14,425	23,814	0	(51,933)		0
Agriculture and Natural Resources	56,955	0	0	0	(56,955)		0
Highways	1,317,224	108,039	1,767,031	0	557,846		0
Interest on Long-term Debt	909,205	0	0	0	(909,205)		0
Total Primary Government	\$ 11,231,430	\$ 2,550,716	\$ 1,949,970	\$ 540,768	\$ (6,189,976)		\$ 0
Component Unit:							
Morgan County School Department	\$ 27,404,753	\$ 209,641	\$ 4,648,164	\$ 0	\$ 0		\$ (22,546,948)
Total Component Units	\$ 27,404,753	\$ 209,641	\$ 4,648,164	\$ 0	\$ 0		\$ (22,546,948)

(Continued)

Exhibit B

Morgan County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
					Total Governmental Activities	Morgan County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 4,811,130	\$ 2,841,766	
Property Taxes Levied for Solid Waste/Sanitation				952,014	0	
Property Taxes Levied for Highway/Public Works				83,361	0	
Property Taxes Levied for General Debt Service				622,372	0	
Local Option Sales Taxes				918,416	0	
Mineral Severance Tax				104,233	0	
Other Local Taxes				136,113	51,577	
Grants and Contributions Not Restricted to Specific Programs				1,136,199	19,532,914	
Interest Income				3,318	9,527	
Miscellaneous				56,821	116,070	
Pension Income				0	66,772	
Total General Revenues				<u>\$ 8,823,977</u>	<u>\$ 22,618,626</u>	
Change in Net Position				\$ 2,634,001	\$ 71,678	
Net Position, July 1, 2014				(6,934,572)	28,293,516	
Restatement - See Note I.D. 9				(316,591)	(4,554,861)	
Net Position, June 30, 2015				<u>\$ (4,617,162)</u>	<u>\$ 23,810,333</u>	

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

Exhibit C-1

Morgan County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS						
Cash	\$ 0	\$ 0	\$ 168	\$ 0	\$ 1,150	\$ 1,318
Equity in Pooled Cash and Investments	1,704,447	252,811	2,714,156	2,297,074	108,380	7,076,868
Accounts Receivable	388,173	16,892	587	0	0	405,652
Allowance for Uncollectibles	(104,388)	0	0	0	0	(104,388)
Due from Other Governments	35,408	6,402	309,128	159,890	242,427	753,255
Due from Other Funds	1,878	0	0	0	0	1,878
Property Taxes Receivable	4,925,980	975,960	70,811	646,535	0	6,619,286
Allowance for Uncollectible Property Taxes	(276,113)	(54,705)	(3,969)	(36,240)	0	(371,027)
Prepaid Items	106,108	9,308	9,837	0	0	125,253
Total Assets	\$ 6,781,493	\$ 1,206,668	\$ 3,100,718	\$ 3,067,259	\$ 351,957	\$ 14,508,095
LIABILITIES						
Accounts Payable	\$ 2,728	\$ 32,580	\$ 0	\$ 0	\$ 0	\$ 35,308
Accrued Payroll	63,599	17,833	15,392	0	0	96,824
Payroll Deductions Payable	437	0	0	0	0	437
Contracts Payable	0	0	0	0	277,092	277,092
Due to Other Funds	0	0	0	0	1,878	1,878
Due to Litigants, Heirs, and Others	0	0	0	0	442	442
Total Liabilities	\$ 66,764	\$ 50,413	\$ 15,392	\$ 0	\$ 279,412	\$ 411,981
DEFERRED INFLOWS OF RESOURCES						
Deferred Current Property Taxes	\$ 4,404,673	\$ 872,676	\$ 63,317	\$ 578,114	\$ 0	\$ 5,918,780
Deferred Delinquent Property Taxes	222,554	44,093	3,200	29,209	0	299,056

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>DEFERRED INFLOWS OF RESOURCES (Cont.)</u>						
Other Deferred/Unavailable Revenue	\$ 119,013	\$ 0	\$ 151,322	\$ 79,692	\$ 0	\$ 350,027
Total Deferred Inflows of Resources	\$ 4,746,240	\$ 916,769	\$ 217,839	\$ 687,015	\$ 0	\$ 6,567,863
<u>FUND BALANCES</u>						
Nonspendable:						
Prepaid Items	\$ 106,108	\$ 9,308	\$ 9,837	\$ 0	\$ 0	\$ 125,253
Restricted:						
Restricted for General Government	38,570	0	0	0	0	38,570
Restricted for Administration of Justice	21,518	0	0	0	0	21,518
Restricted for Public Safety	5,241	0	0	0	44,126	49,367
Restricted for Public Health and Welfare	0	230,178	0	0	0	230,178
Restricted for Highways/Public Works	0	0	2,827,233	0	0	2,827,233
Committed:						
Committed for Public Safety	5,773	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	0	0	0	0	1,050
Committed for Social, Cultural, and Recreational Services	21,161	0	0	0	0	21,161
Committed for Highways/Public Works	0	0	30,417	0	0	30,417
Committed for Debt Service	0	0	0	2,380,244	0	2,380,244
Committed for Capital Projects	0	0	0	0	28,419	28,419
Assigned:						
Assigned for General Government	16,386	0	0	0	0	16,386
Assigned for Finance	1,020	0	0	0	0	1,020
Assigned for Administration of Justice	1,335	0	0	0	0	1,335
Assigned for Public Safety	14,050	0	0	0	0	14,050
Assigned for Public Health and Welfare	1,600	0	0	0	0	1,600

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Other Govern- mental Funds	
<u>FUND BALANCES (Cont.)</u>					
Assigned (Cont.):					
Assigned for Social, Cultural, and Recreational Services	\$ 1,525	\$ 0	\$ 0	\$ 0	\$ 1,525
Assigned for Agriculture and Natural Resources	565	0	0	0	565
Unassigned	1,732,587	0	0	0	1,732,587
Total Fund Balances	\$ 1,968,489	\$ 239,486	\$ 2,867,487	\$ 72,545	\$ 7,528,251
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,781,493	\$ 1,206,668	\$ 3,100,718	\$ 351,957	\$ 14,508,095

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

Exhibit C-2

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	7,528,251
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	627,952	
Add: infrastructure net of accumulated depreciation		1,041,405	
Add: buildings and improvements net of accumulated depreciation		4,678,684	
Add: other capital assets net of accumulated depreciation		<u>823,694</u>	7,171,735
(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	\$	(4,620,000)	
Less: notes payable		(141,261)	
Less: other loans payable		(14,108,000)	
Less: capital leases payable		(627,371)	
Add: capital lease to be paid by School Department contributions		206,616	
Less: compensated absences payable		(193,903)	
Less: landfill closure/postclosure care costs		(286,992)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(111,103)	
Less: unamortized premium on debt		<u>(92,686)</u>	(19,974,700)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			649,083
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	335,246	
Less: deferred inflows of resources related to pensions		<u>(495,394)</u>	(160,148)
(5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			168,617
Net position of governmental activities (Exhibit A)		\$	<u><u>(4,617,162)</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, 2015

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,998,552	\$ 953,719	\$ 187,717	\$ 1,534,371	\$ 0	\$ 7,674,359
Licenses and Permits	47,434	0	0	0	0	47,434
Fines, Forfeitures, and Penalties	100,168	0	0	0	66,622	166,790
Charges for Current Services	899,548	222,112	17,587	0	26,395	1,165,642
Other Local Revenues	126,895	16,993	91,767	0	0	235,655
Fees Received from County Officials	772,617	0	0	0	0	772,617
State of Tennessee	651,669	34,454	1,765,031	0	26,655	2,477,809
Federal Government	2,400	0	0	0	514,113	516,513
Other Governments and Citizens Groups	178,132	0	0	717,555	0	895,687
Total Revenues	\$ 7,777,415	\$ 1,227,278	\$ 2,062,102	\$ 2,251,926	\$ 633,785	\$ 13,952,506
<u>Expenditures</u>						
Current:						
General Government	\$ 867,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 867,171
Finance	809,556	0	0	0	0	809,556
Administration of Justice	797,259	0	0	0	26,395	823,654
Public Safety	3,249,436	0	0	0	35,522	3,284,958
Public Health and Welfare	1,522,384	1,118,190	0	0	0	2,640,574
Social, Cultural, and Recreational Services	87,172	0	0	0	0	87,172
Agriculture and Natural Resources	56,955	0	0	0	0	56,955
Other Operations	170,664	22,837	0	0	0	193,501
Highways	0	0	1,315,492	0	0	1,315,492
Debt Service:						
Principal on Debt	73,607	37,540	0	1,334,557	0	1,445,704
Interest on Debt	1,956	4,581	0	878,878	0	885,415
Other Debt Service	0	0	0	34,776	0	34,776

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	578,796	\$ 578,796
Total Expenditures	\$ 7,636,160	\$ 1,183,148	\$ 1,315,492	\$ 2,248,211	\$ 640,713	\$ 13,023,724
Excess (Deficiency) of Revenues Over Expenditures	\$ 141,255	\$ 44,130	\$ 746,610	\$ 3,715	\$ (6,928)	\$ 928,782
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 337,270	\$ 0	\$ 0	\$ 0	\$ 0	\$ 337,270
Insurance Recovery	5,945	0	2,491	0	0	8,436
Transfers In	39,130	0	0	0	43,821	82,951
Transfers Out	0	(2,430)	(41,391)	0	(39,130)	(82,951)
Total Other Financing Sources (Uses)	\$ 382,345	\$ (2,430)	\$ (38,900)	\$ 0	\$ 4,691	\$ 345,706
Net Change in Fund Balances	\$ 523,600	\$ 41,700	\$ 707,710	\$ 3,715	\$ (2,237)	\$ 1,274,488
Fund Balance, July 1, 2014	1,444,889	197,786	2,159,777	2,376,529	74,782	6,253,763
Fund Balance, June 30, 2015	\$ 1,968,489	\$ 239,486	\$ 2,867,487	\$ 2,380,244	\$ 72,545	\$ 7,528,251

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, 2015

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,274,488
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 455,626	
Less: current-year depreciation expense	<u>(489,340)</u>	(33,714)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 649,083	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(673,837)</u>	(24,754)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: capital lease proceeds	\$ (337,270)	
Add: change in unamortized premium on debt issuances	9,721	
Add: principal payments on bonds	970,000	
Add: principal payments on notes	97,235	
Add: principal payments on other loans	205,000	
Add: principal payments on capital leases	173,469	
Less: contributions from the School Department for capital lease payments	<u>(62,322)</u>	1,055,833
<p>(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.</p>		
Change in accrued interest payable	\$ 1,266	
Change in compensated absences payable	(11,835)	
Change in landfill closure/postclosure care costs	47,658	
Change in net pension liability/asset	485,207	
Change in deferred outflows related to pensions	335,246	
Change in deferred inflows related to pensions	<u>(495,394)</u>	362,148
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,634,001</u>

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

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,998,552	\$ 0	\$ 0	\$ 4,998,552	\$ 4,678,362	\$ 4,678,362	\$ 320,190
Licenses and Permits	47,434	0	0	47,434	38,500	38,500	8,934
Fines, Forfeitures, and Penalties	100,168	0	0	100,168	105,250	105,250	(5,082)
Charges for Current Services	899,548	0	0	899,548	931,600	947,816	(48,268)
Other Local Revenues	126,895	0	0	126,895	67,704	104,067	22,828
Fees Received from County Officials	772,617	0	0	772,617	711,500	715,500	57,117
State of Tennessee	651,669	0	0	651,669	606,167	623,357	28,312
Federal Government	2,400	0	0	2,400	0	0	2,400
Other Governments and Citizens Groups	178,132	0	0	178,132	184,847	209,847	(31,715)
Total Revenues	\$ 7,777,415	\$ 0	\$ 0	\$ 7,777,415	\$ 7,323,930	\$ 7,422,699	\$ 354,716
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 65,277	\$ 0	\$ 0	\$ 65,277	\$ 73,464	\$ 77,526	\$ 12,249
County Mayor/Executive	152,286	0	0	152,286	153,450	153,450	1,164
County Attorney	7,104	0	0	7,104	10,500	10,500	3,396
Election Commission	137,403	0	5,654	143,057	143,167	143,167	110
Register of Deeds	130,386	(4,052)	3,232	129,566	132,265	132,265	2,699
County Buildings	374,715	0	7,500	382,215	380,719	382,406	191
<u>Finance</u>							
Accounting and Budgeting	249,224	0	1,020	250,244	251,596	251,596	1,352
Property Assessor's Office	196,204	(435)	0	195,769	197,856	197,855	2,086
Reappraisal Program	3,893	0	0	3,893	4,100	4,100	207
County Trustee's Office	175,295	0	0	175,295	179,532	179,532	4,237
County Clerk's Office	184,940	(101)	0	184,839	188,413	192,413	7,574
<u>Administration of Justice</u>							
Circuit Court	271,157	0	0	271,157	274,563	274,563	3,406
Criminal Court	4,470	0	0	4,470	9,300	9,300	4,830
General Sessions Court	48,971	(307)	380	49,044	50,090	50,090	1,046
General Sessions Judge	142,746	0	0	142,746	143,099	143,099	353
Drug Court	55,707	0	0	55,707	70,100	70,100	14,393

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Chancery Court	\$ 156,456	\$ (195)	\$ 920	\$ 157,181	\$ 158,022	\$ 158,022	\$ 841
Juvenile Court	36,554	(497)	35	36,092	36,917	36,792	700
Courtroom Security	81,198	0	0	81,198	89,569	89,569	8,371
<u>Public Safety</u>							
Sheriff's Department	1,433,465	(6,600)	6,700	1,433,565	1,226,493	1,450,918	17,353
Jail	1,241,923	(5,800)	7,000	1,243,123	1,203,165	1,254,265	11,142
Juvenile Services	1,125	0	0	1,125	1,000	1,125	0
Fire Prevention and Control	127,608	0	0	127,608	129,611	129,611	2,003
Civil Defense	18,241	0	0	18,241	18,085	18,605	364
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	380,221	0	0	380,221	360,284	385,284	5,063
County Coroner/Medical Examiner	37,084	0	0	37,084	25,085	44,585	7,501
Other Public Safety	6,769	0	350	7,119	7,800	7,800	681
<u>Public Health and Welfare</u>							
Local Health Center	47,067	0	0	47,067	42,708	72,478	25,411
Ambulance/Emergency Medical Services	1,439,156	(2,925)	1,600	1,437,831	1,359,162	1,446,041	8,210
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577
Other Local Health Services	30,801	0	0	30,801	47,300	47,300	16,499
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	3,993	0	0	3,993	4,200	4,200	207
Libraries	81,456	(132)	26	81,350	66,326	81,364	14
Parks and Fair Boards	1,723	(2,000)	1,499	1,222	2,500	2,500	1,278
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	42,955	(785)	565	42,735	67,348	67,348	24,613
Soil Conservation	14,000	0	0	14,000	14,000	14,000	0
<u>Other Operations</u>							
Other Economic and Community Development	23,000	0	0	23,000	23,000	23,000	0
Veterans' Services	14,364	0	0	14,364	15,500	15,500	1,136
Miscellaneous	133,300	0	0	133,300	138,800	138,800	5,500

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 73,607	\$ 0	\$ 0	\$ 73,607	\$ 38,556	\$ 73,608	\$ 1
<u>Interest on Debt</u>							
General Government	1,956	0	0	1,956	1,234	2,025	69
Total Expenditures	\$ 7,636,160	\$ (23,829)	\$ 36,481	\$ 7,648,812	\$ 7,347,816	\$ 7,845,639	\$ 196,827
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 141,255	\$ 23,829	\$ (36,481)	\$ 128,603	\$ (23,886)	\$ (422,940)	\$ 551,543
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 337,270	\$ 0	\$ 0	\$ 337,270	\$ 0	\$ 337,275	\$ (5)
Insurance Recovery	5,945	0	0	5,945	0	5,945	0
Transfers In	39,130	0	0	39,130	23,886	39,130	0
Total Other Financing Sources	\$ 382,345	\$ 0	\$ 0	\$ 382,345	\$ 23,886	\$ 382,350	\$ (5)
Net Change in Fund Balance	\$ 523,600	\$ 23,829	\$ (36,481)	\$ 510,948	\$ 0	\$ (40,590)	\$ 551,538
Fund Balance, July 1, 2014	1,444,889	(23,829)	0	1,421,060	1,444,889	1,444,889	(23,829)
Fund Balance, June 30, 2015	\$ 1,968,489	\$ 0	\$ (36,481)	\$ 1,932,008	\$ 1,444,889	\$ 1,404,299	\$ 527,709

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

Exhibit C-6

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 953,719	\$ 0	\$ 0	\$ 953,719	\$ 890,240	\$ 890,240	\$ 63,479
Charges for Current Services	222,112	0	0	222,112	180,000	180,000	42,112
Other Local Revenues	16,993	0	0	16,993	35,000	36,043	(19,050)
State of Tennessee	34,454	0	0	34,454	35,751	35,751	(1,297)
Total Revenues	\$ 1,227,278	\$ 0	\$ 0	\$ 1,227,278	\$ 1,140,991	\$ 1,142,034	\$ 85,244
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 98,624	\$ 0	\$ 0	\$ 98,624	\$ 99,119	\$ 99,119	\$ 495
Sanitation Education/Information	34,715	0	490	35,205	35,751	35,751	546
Waste Pickup	527,665	(21,417)	13,736	519,984	560,089	545,889	25,905
Convenience Centers	304,241	(8,100)	16,936	313,077	303,599	318,842	5,765
Recycling Center	77,047	0	548	77,595	79,007	79,007	1,412
Landfill Operation and Maintenance	75,898	(5,350)	16,666	87,214	124,236	122,236	35,022
<u>Other Operations</u>							
Other Charges	20,900	0	0	20,900	20,000	22,000	1,100
Miscellaneous	1,937	0	0	1,937	2,050	2,050	113
<u>Principal on Debt</u>							
General Government	37,540	0	0	37,540	37,541	37,541	1
<u>Interest on Debt</u>							
General Government	4,581	0	0	4,581	4,581	4,581	0
Total Expenditures	\$ 1,183,148	\$ (34,867)	\$ 48,376	\$ 1,196,657	\$ 1,265,973	\$ 1,267,016	\$ 70,359
Excess (Deficiency) of Revenues Over Expenditures	\$ 44,130	\$ 34,867	\$ (48,376)	\$ 30,621	\$ (124,982)	\$ (124,982)	\$ 155,603
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (2,430)	\$ 0	\$ 0	\$ (2,430)	\$ 0	\$ (2,430)	\$ 0
Total Other Financing Sources	\$ (2,430)	\$ 0	\$ 0	\$ (2,430)	\$ 0	\$ (2,430)	\$ 0
Net Change in Fund Balance	\$ 41,700	\$ 34,867	\$ (48,376)	\$ 28,191	\$ (124,982)	\$ (127,412)	\$ 155,603
Fund Balance, July 1, 2014	197,786	(34,867)	0	162,919	162,618	162,618	301
Fund Balance, June 30, 2015	\$ 239,486	\$ 0	\$ (48,376)	\$ 191,110	\$ 37,636	\$ 35,206	\$ 155,904

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

Exhibit C-7

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 187,717	\$ 0	\$ 0	\$ 187,717	\$ 167,042	\$ 167,042	\$ 20,675
Charges for Current Services	17,587	0	0	17,587	200	14,537	3,050
Other Local Revenues	91,767	0	0	91,767	204,000	206,576	(114,809)
State of Tennessee	1,765,031	0	0	1,765,031	2,158,000	2,158,000	(392,969)
Total Revenues	\$ 2,062,102	\$ 0	\$ 0	\$ 2,062,102	\$ 2,529,242	\$ 2,546,155	\$ (484,053)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 130,519	\$ 0	\$ 0	\$ 130,519	\$ 143,609	\$ 143,909	\$ 13,390
Highway and Bridge Maintenance	764,362	(32,646)	374,250	1,105,966	2,720,260	2,731,797	1,625,831
Operation and Maintenance of Equipment	312,305	(9,465)	13,700	316,540	530,666	532,733	216,193
Other Charges	77,173	0	0	77,173	77,800	83,300	6,127
Employee Benefits	27,529	0	0	27,529	32,350	32,350	4,821
Capital Outlay	3,604	0	128,537	132,141	595,200	553,809	421,668
Total Expenditures	\$ 1,315,492	\$ (42,111)	\$ 516,487	\$ 1,789,868	\$ 4,099,885	\$ 4,077,898	\$ 2,288,030
Excess (Deficiency) of Revenues Over Expenditures	\$ 746,610	\$ 42,111	\$ (516,487)	\$ 272,234	\$ (1,570,643)	\$ (1,531,743)	\$ 1,803,977
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,491	\$ 0	\$ 0	\$ 2,491	\$ 0	\$ 2,491	\$ 0
Transfers Out	(41,391)	0	0	(41,391)	0	(41,391)	0
Total Other Financing Sources	\$ (38,900)	\$ 0	\$ 0	\$ (38,900)	\$ 0	\$ (38,900)	\$ 0
Net Change in Fund Balance	\$ 707,710	\$ 42,111	\$ (516,487)	\$ 233,334	\$ (1,570,643)	\$ (1,570,643)	\$ 1,803,977
Fund Balance, July 1, 2014	2,159,777	(42,111)	0	2,117,666	1,868,267	1,868,267	249,399
Fund Balance, June 30, 2015	\$ 2,867,487	\$ 0	\$ (516,487)	\$ 2,351,000	\$ 297,624	\$ 297,624	\$ 2,053,376

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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 378,634
Due from Other Governments	52,438
Property Taxes Receivable	<u>64,982</u>
Total Assets	<u>\$ 496,054</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 117,420
Due to Litigants, Heirs, and Others	<u>378,634</u>
Total Liabilities	<u>\$ 496,054</u>

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

MORGAN COUNTY, TENNESSEE

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MORGAN COUNTY, TENNESSEE
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MORGAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Morgan County School Department operates the public school system in the county, and the voters of Morgan County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of

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

Administrative Office:

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

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

B. Government-wide and Fund Financial Statements

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

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

Morgan County issues all debt for the discretely presented Morgan County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Morgan County reports the following major governmental funds:

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

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

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

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

Additionally, Morgan County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Morgan County, and property taxes collected for the City of Sunbright. Agency funds are custodial in nature (assets equal liabilities) and do not

involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

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

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

1. Deposits and Investments

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

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

amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide statement of Net Position. These items are for pension changes in experience, pension contributions after the measurement date, and the accumulated decrease in fair values of hedging derivatives.

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

6. Compensated Absences

Primary Government

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when

incurred in the government-wide financial statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Morgan County School Department

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

7. Long-term Obligations

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

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

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

costs, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

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

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

As of June 30, 2015, Morgan County had \$14,890,714 in outstanding debt for capital purposes for the discretely presented Morgan County School Department and \$2,375,000 in outstanding debt that benefits a joint venture industrial development board. This debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the other entities. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts assigned for encumbrances. Assigned fund balance in the School Department's General Purpose School Fund consists of amounts assigned for encumbrances (\$306,311) and amounts appropriated for use in the 2015-16 budget (\$261,480).

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

9. Restatement

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Morgan County's beginning net position has been recognized on the Statement of Activities totaling \$316,591. In addition, a restatement decreasing the discretely presented School Department's beginning net position totaling \$4,554,861 has been recognized in the Statement of Activities

for liabilities of the pension agent plan (\$499,365) and the pension cost-sharing plan (\$4,055,496).

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Morgan County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Morgan County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Morgan County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Morgan County School Department

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

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

Primary Government

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

Discretely Presented Morgan County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2015, Morgan County and the Morgan County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Major Fund:		
Highway/Public Works	Road materials	\$ 373,200
Highway/Public Works	Equipment	128,537
School Department		
Major Fund:		
General Purpose School	Transportation equipment	\$ 248,049

B. Cash Shortage – Prior Year

Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 on December 14, 2010. The state Comptroller’s Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk during the period examined, liquidated the cash shortage. However, Ms. Hamby was also ordered by the Criminal Court of Morgan County to repay \$8,758 to Morgan County for a portion of the extended audit costs associated with the cash shortage. Ms. Hamby has paid \$1,385 toward this amount, leaving a balance owed of \$7,373.

C. The County had Deposits Exposed to Custodial Credit Risk

As further discussed in the Schedule of Findings and Questioned Costs in the Single Audit Section of this report and in Note IV.A., the county had bank balances of \$549,411 which were uninsured and uncollateralized at June 30, 2015. Uninsured and uncollateralized deposits are a violation of state statutes.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Morgan County's deposits may not be returned to it. Morgan County does have a formal policy that limits custodial credit risk for deposits. As of June 30, 2015, bank balances of \$549,411 were uninsured and uncollateralized. This entire amount was in the pooled bank balance. Uninsured and uncollateralized deposits are a violation of state statute.

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, 2015.

B. Derivative Instrument

At June 30, 2015, Morgan County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 10,000,000	6-7-13	6-1-26	Pay 4.33% receive 70% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instrument for the year then ended as reported in the 2015 financial statements are as follows:

Type	<u>Changes in Fair Value</u> Classification	Amount	<u>Fair Value at June 30, 2015</u> Classification	Amount	6-30-15 Notional Amount
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Governmental Activities:

Cash Flow Hedge:

Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	\$ 150,875	Debt	\$ (1,740,174)	\$10,000,000

Derivative Swap Agreement Detail

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.33 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The

bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement both mature on June 1, 2026. As of June 30, 2015, 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	-0.20
Net interest rate swap payments		<u>4.13 %</u>
Variable-rate bond coupon payments		<u>1.22</u>
Synthetic interest rate on bonds		<u><u>5.35 %</u></u>

Fair Value. As of June 30, 2015, the swap had a negative fair value of \$1,740,174. 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, 2015, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moody's, Standard & Poor's and Fitch, respectively.

Basis Risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination Risk. The swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority

would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2016	\$ 660,000	\$ 124,335	\$ 413,176	\$ 1,197,511
2017	710,000	116,128	385,906	1,212,034
2018	750,000	107,301	356,571	1,213,872
2019	795,000	97,975	325,583	1,218,558
2020	845,000	88,091	292,735	1,225,826
2021-2025	5,045,000	269,744	896,385	6,211,129
2026	1,195,000	14,858	49,375	1,259,233
Total	<u>\$ 10,000,000</u>	<u>\$ 818,432</u>	<u>\$ 2,719,731</u>	<u>\$ 13,538,163</u>

C. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 627,952	\$ 0	\$ 0	\$ 627,952
Total Capital Assets Not Depreciated	<u>\$ 627,952</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 627,952</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,391,018	\$ 0	\$ 0	\$ 6,391,018
Infrastructure	1,435,826	0	0	1,435,826
Other Capital Assets	4,760,202	455,626	(18,000)	5,197,828
Total Capital Assets Depreciated	<u>\$ 12,587,046</u>	<u>\$ 455,626</u>	<u>\$ (18,000)</u>	<u>\$ 13,024,672</u>

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,516,210	\$ 196,124	\$ 0	\$ 1,712,334
Infrastructure	348,453	45,968	0	394,421
Other Capital Assets	4,144,886	247,248	(18,000)	4,374,134
Total Accumulated Depreciation	<u>\$ 6,009,549</u>	<u>\$ 489,340</u>	<u>\$ (18,000)</u>	<u>\$ 6,480,889</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,577,497</u>	<u>\$ (33,714)</u>	<u>\$ 0</u>	<u>\$ 6,543,783</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,205,449</u>	<u>\$ (33,714)</u>	<u>\$ 0</u>	<u>\$ 7,171,735</u>

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

Governmental Activities:

General Government	\$ 120,628
Administration of Justice	43,214
Public Safety	72,619
Public Health and Welfare	141,737
Highway/Public Works	<u>111,142</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 489,340</u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 1,112,193	\$ 0	\$ 0	\$ 1,112,193
Total Capital Assets Not Depreciated	<u>\$ 1,112,193</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,112,193</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 48,480,539	\$ 52,000	\$ 0	\$ 48,532,539
Other Capital Assets	13,261,010	80,319	(248,582)	13,092,747
Total Capital Assets Depreciated	<u>\$ 61,741,549</u>	<u>\$ 132,319</u>	<u>\$ (248,582)</u>	<u>\$ 61,625,286</u>

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 28,518,234	\$ 1,165,209	\$ 0	\$ 29,683,443
Other Capital Assets	8,911,470	962,872	(248,582)	9,625,760
Total Accumulated Depreciation	<u>\$ 37,429,704</u>	<u>\$ 2,128,081</u>	<u>\$ (248,582)</u>	<u>\$ 39,309,203</u>
Total Capital Assets Depreciated, Net	<u>\$ 24,311,845</u>	<u>\$ (1,995,762)</u>	<u>\$ 0</u>	<u>\$ 22,316,083</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,424,038</u>	<u>\$ (1,995,762)</u>	<u>\$ 0</u>	<u>\$ 23,428,276</u>

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

Governmental Activities:

Instruction	\$ 24,545
Support Services	1,987,679
Operation of Non-instructional Services	<u>115,857</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,128,081</u></u>

D. Committed Construction

At June 30, 2015, the General Capital Projects Fund (a nonmajor governmental fund) had uncompleted construction projects of approximately \$535,585 for water line expansions and \$35,541 for solar panels at the Highway Department. These future expenditures are being funded primarily by federal grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 1,878

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

Due to/from Primary Government and Component Units:

On the government-wide Statement of Net Position, Due from Component Units of \$206,616 is reflected in the governmental activities of the primary government. This amount represents capital lease obligations, which are being retired by the School Department. Of that amount, \$141,128 is not expected to be received within one year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Funds
Solid Waste/Sanitation Fund	\$ 0	\$ 2,430
Highway/Public Works Fund	0	41,391
Nonmajor governmental funds	39,130	0
Total	\$ 39,130	\$ 43,821

Discretely Presented Morgan County School Department

Transfer Out	Transfer In
	School Federal Projects Fund
General Purpose School Fund	\$ 7,103

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

F. Capital Leases

On March 31, 2015, Morgan County entered into a four-year lease-purchase agreement for eight police vehicles. The terms of the agreement require total lease payments of \$261,273 plus interest of 5.5 percent. Title to the police

vehicles transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On November 12, 2014, Morgan County entered into a two-year lease-purchase agreement for an ambulance. The terms of the agreement require total lease payments of \$75,997 plus interest of 3.49 percent. Title to the ambulance transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

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

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

The assets acquired through capital leases outstanding as of June 30, 2015, are as follows:

Asset	Governmental Activities	
	Primary Government	School Department
Other Capital Assets	\$ 605,012	\$ 684,414
Less: Accumulated Depreciation	(140,963)	(473,387)
Total Book Value	<u>\$ 464,049</u>	<u>\$ 211,027</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	Governmental Funds
2016	\$ 229,304
2017	229,305
2018	189,793
2019	35,844
Total Minimum Lease Payments	<u>\$ 684,246</u>
Less: Amount Representing Interest	<u>(56,875)</u>
Present Value of Minimum Lease Payments	<u>\$ 627,371</u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Morgan County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, seven years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	2 to 3 %	4-1-26	\$ 6,400,000	\$ 4,620,000
Capital Outlay Notes	0 to 4.25	12-1-17	678,478	141,261
Other Loans - Fixed Rate	4.25 to 6	6-1-27	2,500,000	2,375,000
Other Loans - Variable Rate	Variable	5-25-29	12,095,000	11,733,000
Capital Leases	2.63 to 5.5	9-30-18	1,206,426	627,371

Morgan County has entered into loan agreements with the Sevier County Public Building Authority, Blount County Public Building Authority, and the City of Clarksville Public Building Authority (PBAs) to finance capital projects for Morgan County and the discretely presented Morgan County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Morgan County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with the variable rate loans. The following table summarizes loan agreements outstanding at June 30, 2015:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-15	Interest Type	Interest Rates as of 6-30-15	Approximate Fee Rates as of 6-30-15
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,625,000	Fixed	5.6 to 6 %	N/A
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	N/A
City of Clarksville PBA:					
Series 2009	2,000,000	1,638,000	Variable	0.13	0.66 %
Sevier County PBA:					
Series VII-A-3	10,095,000	<u>10,095,000</u>	Variable	5.35 (1)	0.23
Total		<u>\$ 14,108,000</u>			

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

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2021-2025	2,210,000	266,860	2,476,860
2026	485,000	14,550	499,550
Total	<u>\$ 4,620,000</u>	<u>\$ 800,798</u>	<u>\$ 5,420,798</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 98,347	\$ 2,699	\$ 101,046
2017	28,307	1,527	29,834
2018	14,607	311	14,918
Total	\$ 141,261	\$ 4,537	\$ 145,798

Year Ending June 30	Other Loans			
	Principal	Interest (1)	Other Fees	Total
2016	\$ 903,000	\$ 676,040	\$ 34,029	\$ 1,613,069
2017	958,000	631,487	31,941	1,621,427
2018	1,002,000	584,269	30,252	1,616,521
2019	1,077,000	534,826	28,477	1,640,303
2020	1,131,000	481,010	26,593	1,638,603
2021-2025	6,700,000	1,484,478	100,548	8,285,026
2026-2029	2,337,000	112,101	42,314	2,491,415
Total	\$ 14,108,000	\$ 4,504,211	\$ 294,154	\$ 18,906,364

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

There is \$2,380,244 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$887, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-15
<u>Capital Lease</u>	
<u>Payable through General Purpose School Fund</u>	
Football Field Lighting	\$ 206,616

During the year, the School Department contributed \$75,986 to the primary government's General Debt Service Fund to service principal and interest on this lease. Also, during the year, the School Department contributed \$641,569 to the primary government's General Debt Service Fund to be applied toward the retirement of other school related debt.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2014	\$ 5,590,000	\$ 238,496	\$ 14,313,000
Additions	0	0	0
Reductions	(970,000)	(97,235)	(205,000)
Balance, June 30, 2015	<u>\$ 4,620,000</u>	<u>\$ 141,261</u>	<u>\$ 14,108,000</u>
Balance Due Within One Year	<u>\$ 365,000</u>	<u>\$ 98,347</u>	<u>\$ 903,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2014	\$ 463,570	\$ 182,068	\$ 334,650
Additions	337,270	124,971	4,380
Reductions	(173,469)	(113,136)	(52,038)
Balance, June 30, 2015	<u>\$ 627,371</u>	<u>\$ 193,903</u>	<u>\$ 286,992</u>
Balance Due Within One Year	<u>\$ 202,040</u>	<u>\$ 116,342</u>	<u>\$ 18,592</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 19,977,527
Add: Unamortized Premium on Debt	92,686
Less: Balance Due Within One Year	<u>(1,703,321)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 18,366,892</u>

Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Morgan County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Morgan County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Termination Benefits	Compensated Absences
Balance July 1, 2014	\$ 513,515	\$ 128,000	\$ 97,900
Additions	159,530	64,000	45,413
Reductions	(158,500)	(46,000)	(28,475)
Balance June 30, 2015	<u>\$ 514,545</u>	<u>\$ 146,000</u>	<u>\$ 114,838</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 42,000</u>	<u>\$ 45,935</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 775,383
Less: Balance Due Within One Year	<u>(87,935)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 687,448</u>

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

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, 2015, were \$62,482 and \$15,350, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Morgan County issued tax (revenue) anticipation notes in advance of property tax (revenue) collections in the following funds. These notes were necessary because funds were not available to meet obligations coming due before revenues were available. Short-term debt activity for the year ended June 30, 2015, was as follows:

Tax Anticipation Notes:

Fund	Balance 7-1-14	Issued	Paid	Balance 6-30-15
Solid Waste/Sanitation (Borrowed from General Debt Service)	\$ 0	\$ 60,000	\$ (60,000)	\$ 0
General Fund (Borrowed from General Debt Service)	0	700,000	(700,000)	0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

Discretely Presented Morgan County School Department

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

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

insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Event

Director of Schools, Dr. Edward Diden, resigned June 30, 2015, and was succeeded by Ronnie Wilson effective July 1, 2015.

D. Change in Administration

C. Roy Smith left the Office of the Road Superintendent on August 31, 2014, and was succeeded by Joseph Miller.

E. Contingent Liabilities

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

F. Landfill Closure/Postclosure Care Costs

Morgan County has active permits on file with the state Department of Environment and Conservation for one sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Morgan County to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Morgan County closed its sanitary landfill in 1995. The \$286,992 reported as postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District, Meigs, Morgan, Loudon, and Roane 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, 2015, 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, 2015. Complete financial statements for the Industrial Development Board can be obtained from its administrative office at the following address:

Administrative Office:

The Industrial Development Board of the Counties of
Cumberland, Morgan, and Roane, Tennessee
34 South Main Street
Crossville, TN 38555

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.8 percent and the non-certified employees of the discretely present School Department comprise 61.2 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is

required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	165
Inactive Employees Entitled to But Not Yet Receiving Benefits	441
Active Employees	317
 Total	 <hr/> <hr/> <u>923</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Morgan County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Morgan County were \$616,852 based on a rate of 7.77 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Morgan County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Morgan County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity	6.46	%	33	%
Developed Market International Equity	6.26		17	
Emerging Market International Equity	6.40		5	
Private Equity and Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Morgan County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 15,896,523	\$ 14,501,958	\$ 1,394,565
Changes for the year:			
Service Cost	\$ 620,520	\$ 0	\$ 620,520
Interest	1,210,817	0	1,210,817
Differences Between Expected and Actual Experience	(272,625)	0	(272,625)
Contributions-Employer	0	578,610	(578,610)
Contributions-Employees	0	402,265	(402,265)
Net Investment Income	0	2,419,366	(2,419,366)
Benefit Payments, Including Refunds of Employee Contributions	(745,620)	(745,620)	0
Administrative Expense	0	(12,384)	12,384
Other Changes	0	0	0
Net Changes	\$ 813,092	\$ 2,642,237	\$ (1,829,145)
Balance, June 30, 2014	\$ 16,709,615	\$ 17,144,195	\$ (434,580)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	38.80%	\$ 6,483,331	\$ 6,651,948	\$ (168,617)
School Department	61.20%	10,226,284	10,492,247	(265,963)
Total		\$ 16,709,615	\$ 17,144,195	\$ (434,580)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Morgan County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Morgan County</u>	6.5%	7.5%	8.5%

Net Pension Liability \$ 1,720,335 \$ (434,580) \$ (2,223,698)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Morgan County recognized pension expense of \$26,254.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Morgan County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 218,100
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,058,689
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>616,852</u>	<u>N/A</u>
Total	<u>\$ 616,852</u>	<u>\$ 1,276,789</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 335,246	\$ 495,394
School Department	281,606	781,395
Total	<u>\$ 616,852</u>	<u>\$ 1,276,789</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (319,197)
2017	(319,197)
2018	(319,197)
2019	(319,197)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Morgan County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 38.8 percent and the non-certified employees of the discretely present School Department comprise 61.2 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are

defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEAs if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$18,148 which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is not any net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Morgan County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Morgan County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 18,148	N/A

The Morgan County School Department's employer contributions of \$18,148 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, of the Morgan County School Department are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustments (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA

is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Morgan County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,051,290, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Morgan County School Department reported an asset of \$48,605 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Morgan County School Department's proportion of the net pension asset was based on the Morgan County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all participating LEAs for the year ended June 30, 2014. At June 30, 2014, measurement date, the Morgan County School Department's proportion was .299122 percent. The proportion measured as of June 30, 2013, was .309793 percent.

Pension Income. For the year ended June 30, 2015, the Morgan County School Department recognized a pension income of \$66,772.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Morgan County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 118,003	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	4,004,818
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	150,514
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>1,051,290</u>	<u>N/A</u>
Total	<u>\$ 1,169,293</u>	<u>\$ 4,155,332</u>

The Morgan County School Department's employer contributions of \$1,051,290 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (1,006,623)
2017	(1,006,623)
2018	(1,006,623)
2019	(1,006,623)
2020	(5,419)
Thereafter	(5,419)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income Real Estate	4.61		8	
Short-term Securities	0.98		29	
	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Morgan County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Morgan County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability \$ 8,197,938 \$ (48,606) \$ (6,875,850)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation

Teachers hired after July 1, 2014, by the discretely presented Morgan County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Morgan County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Morgan County School Department contributed \$22,685 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

I. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 159,000
Interest on the NOPEBO	20,541
Adjustment to the ARC	(20,011)
	<hr/>
Annual OPEB cost	\$ 159,530
Amount of contribution	(158,500)
	<hr/>
Increase/decrease in NOPEBO	\$ 1,030
Net OPEB obligation, 7-1-14	<hr/> 513,515 <hr/>
Net OPEB Obligation, 6-30-15	<hr/> \$ 514,545 <hr/>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>		<hr/>
6-30-13	Local Education Group	\$ 242,975	58	% \$ 518,470
6-30-14	"	154,534	103	513,515
6-30-15	"	159,530	99	514,545

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

J. Termination Benefits

The Morgan County Board of Education offers a one-time payment of \$5,000 to eligible employees as an early retirement bonus. During the 2014-15 year, seven employees accepted the offer. The financial statements of this report reflect expenditures of \$35,000 in the General Purpose School Fund for the retirement incentive payments, and there is no further liability to those retirees under the incentive plan.

The Morgan County Board of Education also provides \$2,000 per year for medical insurance premiums to eligible employees for a maximum of five years following retirement or until the retiree is eligible for Medicare. These payments are made directly to the retiree. During the 2014-15 year, 23 retirees were eligible for this benefit. The financial statements of this report reflect expenditures of \$46,000 in the General Purpose School Fund for these payments, and a long-term liability for future known amounts due under this policy is reflected in the government-wide statements for the School Department.

K. Office of Central Accounting, Budgeting, and Purchasing

Morgan County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

L. Purchasing Law

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Morgan County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 620,520
Interest	1,210,817
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(272,625)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(745,620)</u>
Net Change in Total Pension Liability (Asset)	\$ 813,092
Total Pension Liability (Asset), Beginning	<u>15,896,523</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 16,709,615</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 578,610
Contributions - Employee	402,265
Net Investment Income	2,419,366
Benefit Payments, Including Refunds of Employee Contributions	(745,620)
Administrative Expense	<u>(12,384)</u>
Net Change in Plan Fiduciary Net Position	\$ 2,642,237
Plan Fiduciary Net Position, Beginning	<u>14,501,958</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 17,144,195</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (434,580)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 102.60%
Covered Employee Payroll	\$ 7,787,142
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	5.58%

Note: ten years of data will be presented when available.

Note: data presented is 38.8% primary government and 61.2% non-certified employees of the discretely presented School Department.

Exhibit E-2

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 578,610	\$ 616,852
Less Contributions in Relation to the Actuarially Determined Contribution	(578,610)	(616,852)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
 Covered Employee Payroll	 \$ 7,787,142	 \$ 8,080,452
Contributions as a Percentage of Covered Employee Payroll	7.43%	7.63%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-3

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 11,342
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(18,148)</u>
Contribution Deficiency (Excess)	<u><u>\$ (6,806)</u></u>
 Covered Employee Payroll	 \$ 453,693
 Contributions as a Percentage of Covered Employee Payroll	 4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,042,557	\$ 1,051,290
Less Contributions in Relation to the Actuarially Determined Contribution	(1,042,557)	(1,051,290)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 11,740,288	\$ 11,629,309
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%

Note: ten years of data will be presented when available.

Exhibit E-5

Morgan County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.299122%
School Department's Proportionate Share of the Net Pension Asset	\$ 48,605
Covered Employee Payroll	\$ 11,740,288
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Morgan County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Morgan County School Department
June 30, 2015

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-10	\$ 0	\$ 1,782	\$ 1,782	0	\$ 12,039	14.8 %
7-1-11	0	2,046	2,046	0	11,948	17.12
7-1-13	0	1,465	1,465	0	12,017	12.19

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	4 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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 of deeds, and sheriff.

Capital Projects Fund

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

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

Exhibit F-1

Morgan County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>Constitu -</u>	<u>Total</u>	<u>Projects Fund</u>	
	<u>Control</u>	<u>tional</u>		<u>General</u>	<u>Nonmajor</u>
		<u>Officers -</u>		<u>Capital</u>	<u>Governmental</u>
		<u>Fees</u>		<u>Projects</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Equity in Pooled Cash and Investments	45,296	0	45,296	63,084	108,380
Due from Other Governments	0	0	0	242,427	242,427
Total Assets	\$ 45,296	\$ 1,150	\$ 46,446	\$ 305,511	\$ 351,957
<u>LIABILITIES</u>					
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 277,092	\$ 277,092
Due to Other Funds	728	1,150	1,878	0	1,878
Due to Litigants, Heirs, and Others	442	0	442	0	442
Total Liabilities	\$ 1,170	\$ 1,150	\$ 2,320	\$ 277,092	\$ 279,412
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 44,126	\$ 0	\$ 44,126	\$ 0	\$ 44,126
Committed:					
Committed for Capital Projects	0	0	0	28,419	28,419
Total Fund Balances	\$ 44,126	\$ 0	\$ 44,126	\$ 28,419	\$ 72,545
Total Liabilities and Fund Balances	\$ 45,296	\$ 1,150	\$ 46,446	\$ 305,511	\$ 351,957

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, 2015

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 66,622	\$ 0	\$ 66,622	\$ 0	\$ 66,622
Charges for Current Services	0	26,395	26,395	0	26,395
State of Tennessee	0	0	0	26,655	26,655
Federal Government	0	0	0	514,113	514,113
Total Revenues	<u>\$ 66,622</u>	<u>\$ 26,395</u>	<u>\$ 93,017</u>	<u>\$ 540,768</u>	<u>\$ 633,785</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 26,395	\$ 26,395	\$ 0	\$ 26,395
Public Safety	35,522	0	35,522	0	35,522
Capital Projects	0	0	0	578,796	578,796
Total Expenditures	<u>\$ 35,522</u>	<u>\$ 26,395</u>	<u>\$ 61,917</u>	<u>\$ 578,796</u>	<u>\$ 640,713</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,100</u>	<u>\$ 0</u>	<u>\$ 31,100</u>	<u>\$ (38,028)</u>	<u>\$ (6,928)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 43,821	\$ 43,821
Transfers Out	(39,130)	0	(39,130)	0	(39,130)
Total Other Financing Sources (Uses)	<u>\$ (39,130)</u>	<u>\$ 0</u>	<u>\$ (39,130)</u>	<u>\$ 43,821</u>	<u>\$ 4,691</u>
Net Change in Fund Balances	\$ (8,030)	\$ 0	\$ (8,030)	\$ 5,793	\$ (2,237)
Fund Balance, July 1, 2014	52,156	0	52,156	22,626	74,782
Fund Balance, June 30, 2015	<u>\$ 44,126</u>	<u>\$ 0</u>	<u>\$ 44,126</u>	<u>\$ 28,419</u>	<u>\$ 72,545</u>

Exhibit F-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 66,622	\$ 53,896	\$ 50,000	\$ 16,622
Total Revenues	\$ 66,622	\$ 53,896	\$ 50,000	\$ 16,622
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 35,522	\$ 37,010	\$ 37,010	\$ 1,488
<u>Capital Projects</u>				
Public Safety Projects	0	23,886	0	0
Total Expenditures	\$ 35,522	\$ 60,896	\$ 37,010	\$ 1,488
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,100	\$ (7,000)	\$ 12,990	\$ 18,110
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (39,130)	\$ 0	\$ (39,130)	\$ 0
Total Other Financing Sources	\$ (39,130)	\$ 0	\$ (39,130)	\$ 0
Net Change in Fund Balance	\$ (8,030)	\$ (7,000)	\$ (26,140)	\$ 18,110
Fund Balance, July 1, 2014	52,156	52,155	52,155	1
Fund Balance, June 30, 2015	\$ 44,126	\$ 45,155	\$ 26,015	\$ 18,111

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,534,371	\$ 1,487,575	\$ 1,487,575	\$ 46,796
Other Governments and Citizens Groups	717,555	716,571	792,557	(75,002)
Total Revenues	<u>\$ 2,251,926</u>	<u>\$ 2,204,146</u>	<u>\$ 2,280,132</u>	<u>\$ (28,206)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 440,911	\$ 440,912	\$ 440,912	\$ 1
Education	893,646	831,325	893,682	36
<u>Interest on Debt</u>				
General Government	147,972	229,893	229,893	81,921
Education	730,906	729,016	742,645	11,739
<u>Other Debt Service</u>				
General Government	34,776	48,000	48,000	13,224
Total Expenditures	<u>\$ 2,248,211</u>	<u>\$ 2,279,146</u>	<u>\$ 2,355,132</u>	<u>\$ 106,921</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,715</u>	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>	<u>\$ 78,715</u>
Net Change in Fund Balance	\$ 3,715	\$ (75,000)	\$ (75,000)	\$ 78,715
Fund Balance, July 1, 2014	<u>2,376,529</u>	<u>2,376,529</u>	<u>2,376,529</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 2,380,244</u>	<u>\$ 2,301,529</u>	<u>\$ 2,301,529</u>	<u>\$ 78,715</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 of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Morgan County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Agency Funds			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 378,634	\$ 378,634
Due from Other Governments	52,438	0	0	52,438
Property Taxes Receivable	0	64,982	0	64,982
Total Assets	<u>\$ 52,438</u>	<u>\$ 64,982</u>	<u>\$ 378,634</u>	<u>\$ 496,054</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 52,438	\$ 64,982	\$ 0	\$ 117,420
Due to Litigants, Heirs, and Others	0	0	378,634	378,634
Total Liabilities	<u>\$ 52,438</u>	<u>\$ 64,982</u>	<u>\$ 378,634</u>	<u>\$ 496,054</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 405,259	\$ 405,259	\$ 0
Due from Other Governments	48,935	52,438	48,935	52,438
Total Assets	<u>\$ 48,935</u>	<u>\$ 457,697</u>	<u>\$ 454,194</u>	<u>\$ 52,438</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 48,935	\$ 457,697	\$ 454,194	\$ 52,438
Total Liabilities	<u>\$ 48,935</u>	<u>\$ 457,697</u>	<u>\$ 454,194</u>	<u>\$ 52,438</u>
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 56,072	\$ 56,072	\$ 0
Property Taxes Receivable	62,918	64,982	62,918	64,982
Total Assets	<u>\$ 62,918</u>	<u>\$ 121,054</u>	<u>\$ 118,990</u>	<u>\$ 64,982</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,918	\$ 121,054	\$ 118,990	\$ 64,982
Total Liabilities	<u>\$ 62,918</u>	<u>\$ 121,054</u>	<u>\$ 118,990</u>	<u>\$ 64,982</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 683,499	\$ 2,668,561	\$ 2,973,426	\$ 378,634
Total Assets	<u>\$ 683,499</u>	<u>\$ 2,668,561</u>	<u>\$ 2,973,426</u>	<u>\$ 378,634</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 683,499	\$ 2,668,561	\$ 2,973,426	\$ 378,634
Total Liabilities	<u>\$ 683,499</u>	<u>\$ 2,668,561</u>	<u>\$ 2,973,426</u>	<u>\$ 378,634</u>

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 683,499	\$ 2,668,561	\$ 2,973,426	\$ 378,634
Equity in Pooled Cash and Investments	0	461,331	461,331	0
Due from Other Governments	48,935	52,438	48,935	52,438
Property Taxes Receivable	62,918	64,982	62,918	64,982
Total Assets	<u>\$ 795,352</u>	<u>\$ 3,247,312</u>	<u>\$ 3,546,610</u>	<u>\$ 496,054</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 111,853	\$ 578,751	\$ 573,184	\$ 117,420
Due to Litigants, Heirs, and Others	683,499	2,668,561	2,973,426	378,634
Total Liabilities	<u>\$ 795,352</u>	<u>\$ 3,247,312</u>	<u>\$ 3,546,610</u>	<u>\$ 496,054</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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 13,414,442	\$ 9,575	\$ 1,352,430	\$ (12,052,437)
Support Services	11,044,779	0	290,816	(10,753,963)
Operation of Non-instructional Services	2,945,532	200,066	3,004,918	259,452
Total Governmental Activities	<u>\$ 27,404,753</u>	<u>\$ 209,641</u>	<u>\$ 4,648,164</u>	<u>\$ (22,546,948)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,841,766
Other Local Taxes				51,577
Grants and Contributions Not Restricted to Specific Programs				19,532,914
Unrestricted Investment Income				9,527
Miscellaneous				116,070
Pension				66,772
Total General Revenues				<u>\$ 22,618,626</u>
Change in Net Position				\$ 71,678
Net Position, July 1, 2014				28,293,516
Restatement - See Note I.D.9.				<u>(4,554,861)</u>
Net Position, June 30, 2015				<u>\$ 23,810,333</u>

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2015

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Cash	\$ 200	\$ 104	\$ 4	\$ 308
Equity in Pooled Cash and Investments	2,664,400	200,750	1,391,162	4,256,312
Accounts Receivable	93,679	0	507	94,186
Due from Other Governments	248,713	126,181	0	374,894
Property Taxes Receivable	2,924,800	0	0	2,924,800
Allowance for Uncollectible Property Taxes	(163,942)	0	0	(163,942)
Total Assets	\$ 5,767,850	\$ 327,035	\$ 1,391,673	\$ 7,486,558
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,249	\$ 536	\$ 72,158	\$ 74,943
Payroll Deductions Payable	244,868	25,554	4,828	275,250
Due to State of Tennessee	3,923	0	0	3,923
Total Liabilities	\$ 251,040	\$ 26,090	\$ 76,986	\$ 354,116
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,615,274	\$ 0	\$ 0	\$ 2,615,274
Deferred Delinquent Property Taxes	132,141	0	0	132,141
Total Deferred Inflows of Resources	\$ 2,747,415	\$ 0	\$ 0	\$ 2,747,415
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 945	\$ 1,314,687	\$ 1,315,632

(Continued)

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department (Cont.)

FUND BALANCES (Cont.)

Committed:

 Committed for Education

Assigned:

 Assigned for Education

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
Committed:				
Committed for Education	\$ 851,993	\$ 300,000	\$ 0	\$ 1,151,993
Assigned:				
Assigned for Education	567,791	0	0	567,791
Unassigned	1,349,611	0	0	1,349,611
Total Fund Balances	<u>\$ 2,769,395</u>	<u>\$ 300,945</u>	<u>\$ 1,314,687</u>	<u>\$ 4,385,027</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,767,850</u>	<u>\$ 327,035</u>	<u>\$ 1,391,673</u>	<u>\$ 7,486,558</u>

Exhibit I-3

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Morgan County School Department
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	4,385,027
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,112,193	
Add: buildings and improvements net of accumulated depreciation		18,849,096	
Add: other capital assets net of accumulated depreciation		<u>3,466,987</u>	23,428,276
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: leases payable on primary government debt	\$	(206,616)	
Less: other postemployment benefits liability		(514,545)	
Less: retirement incentive obligation		(146,000)	
Less: compensated absences payable		<u>(114,838)</u>	(981,999)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			132,141
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	1,469,047	
Less: deferred inflows of resources related to pensions		<u>(4,936,727)</u>	(3,467,680)
(5) Net pension assets of the plans are not current financial resources and therefore are not reported in the governmental funds.			314,568
Net position of governmental activities (Exhibit A)			<u>\$ 23,810,333</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, 2015

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,898,454	\$ 0	\$ 0	\$ 2,898,454
Licenses and Permits	550	0	0	550
Charges for Current Services	9,942	0	199,699	209,641
Other Local Revenues	582,321	0	3,819	586,140
State of Tennessee	19,747,549	0	18,830	19,766,379
Federal Government	4,765	1,989,209	1,888,816	3,882,790
Other Governments and Citizens Groups	48,074	0	0	48,074
Total Revenues	<u>\$ 23,291,655</u>	<u>\$ 1,989,209</u>	<u>\$ 2,111,164</u>	<u>\$ 27,392,028</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,912,336	\$ 1,354,776	\$ 0	\$ 14,267,112
Support Services	8,209,848	646,508	0	8,856,356
Operation of Non-instructional Services	1,123,876	0	1,804,717	2,928,593
Debt Service:				
Other Debt Service	718,261	0	0	718,261
Total Expenditures	<u>\$ 22,964,321</u>	<u>\$ 2,001,284</u>	<u>\$ 1,804,717</u>	<u>\$ 26,770,322</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 327,334</u>	<u>\$ (12,075)</u>	<u>\$ 306,447</u>	<u>\$ 621,706</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 22,742	\$ 0	\$ 0	\$ 22,742
Transfers In	0	7,103	0	7,103
Transfers Out	(7,103)	0	0	(7,103)
Total Other Financing Sources (Uses)	<u>\$ 15,639</u>	<u>\$ 7,103</u>	<u>\$ 0</u>	<u>\$ 22,742</u>
Net Change in Fund Balances	\$ 342,973	\$ (4,972)	\$ 306,447	\$ 644,448
Fund Balance, July 1, 2014	<u>2,426,422</u>	<u>305,917</u>	<u>1,008,240</u>	<u>3,740,579</u>
Fund Balance, June 30, 2015	<u>\$ 2,769,395</u>	<u>\$ 300,945</u>	<u>\$ 1,314,687</u>	<u>\$ 4,385,027</u>

Exhibit I-5

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2015

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)		\$ 644,448
(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	\$ 132,319	
Less: current-year depreciation expense	<u>(2,128,081)</u>	(1,995,762)
(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, 2014	\$ (137,252)	
Add: deferred delinquent property taxes and other deferred June 30, 2015	<u>132,141</u>	(5,111)
(3) The contribution of long-term debt (e.g., capital leases) by the primary government provides current financial resources to governmental funds, while the contribution by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal payments on capital leases for primary government		62,322
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (1,030)	
Change in retirement incentive obligation	(18,000)	
Change in compensated absences payable	(16,938)	
Change in net pension liability/asset	4,869,429	
Change in deferred outflows related to pensions	1,469,047	
Change in deferred inflows related to pensions	<u>(4,936,727)</u>	<u>1,365,781</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 71,678</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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,898,454	\$ 0	\$ 0	\$ 2,898,454	\$ 2,717,070	\$ 2,717,070	\$ 181,384
Licenses and Permits	550	0	0	550	500	500	50
Charges for Current Services	9,942	0	0	9,942	10,500	10,500	(558)
Other Local Revenues	582,321	0	0	582,321	184,211	580,934	1,387
State of Tennessee	19,747,549	0	0	19,747,549	19,677,349	19,764,342	(16,793)
Federal Government	4,765	0	0	4,765	0	4,765	0
Other Governments and Citizens Groups	48,074	0	0	48,074	15,000	63,074	(15,000)
Total Revenues	\$ 23,291,655	\$ 0	\$ 0	\$ 23,291,655	\$ 22,604,630	\$ 23,141,185	\$ 150,470
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,609,512	\$ 0	\$ 0	\$ 10,609,512	\$ 10,742,484	\$ 10,754,324	\$ 144,812
Special Education Program	1,486,844	(1,094)	0	1,485,750	1,486,290	1,485,816	66
Vocational Education Program	815,980	(862)	0	815,118	824,080	836,580	21,462
<u>Support Services</u>							
Attendance	207,231	0	0	207,231	193,791	209,087	1,856
Health Services	364,294	0	371	364,665	372,961	372,961	8,296
Other Student Support	484,437	0	0	484,437	518,135	518,135	33,698
Regular Instruction Program	1,146,858	(6,259)	821	1,141,420	1,125,206	1,173,113	31,693
Special Education Program	261,225	(26,124)	0	235,101	256,579	240,865	5,764
Vocational Education Program	89,823	0	0	89,823	90,519	90,519	696
Other Programs	77,832	0	0	77,832	0	77,832	0
Board of Education	636,897	0	0	636,897	718,236	668,236	31,339
Director of Schools	318,407	0	0	318,407	315,505	332,065	13,658
Office of the Principal	1,388,156	0	0	1,388,156	1,439,696	1,442,846	54,690
Operation of Plant	1,812,836	0	2,418	1,815,254	1,840,186	1,841,061	25,807
Maintenance of Plant	441,424	(4,951)	37,717	474,190	448,783	472,458	(1,732)
Transportation	980,428	0	258,534	1,238,962	964,281	1,260,044	21,082

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 42,706	\$ 0	\$ 0	\$ 42,706	\$ 53,035	\$ 50,000	\$ 7,294
Early Childhood Education	1,081,170	0	6,450	1,087,620	914,029	1,208,509	120,889
<u>Principal on Debt</u>							
Education	0	0	0	0	62,323	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	13,664	0	0
<u>Other Debt Service</u>							
Education	718,261	0	0	718,261	717,277	718,284	23
Total Expenditures	\$ 22,964,321	\$ (39,290)	\$ 306,311	\$ 23,231,342	\$ 23,097,060	\$ 23,752,735	\$ 521,393
Excess (Deficiency) of Revenues Over Expenditures							
	\$ 327,334	\$ 39,290	\$ (306,311)	\$ 60,313	\$ (492,430)	\$ (611,550)	\$ 671,863
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 22,742	\$ 0	\$ 0	\$ 22,742	\$ 0	\$ 22,742	\$ 0
Transfers In	0	0	0	0	3,995	3,995	(3,995)
Transfers Out	(7,103)	0	0	(7,103)	0	(7,103)	0
Total Other Financing Sources	\$ 15,639	\$ 0	\$ 0	\$ 15,639	\$ 3,995	\$ 19,634	\$ (3,995)
Net Change in Fund Balance							
Fund Balance, July 1, 2014	\$ 342,973	\$ 39,290	\$ (306,311)	\$ 75,952	\$ (488,435)	\$ (591,916)	\$ 667,868
	2,426,422	(39,290)	0	2,387,132	2,335,526	2,335,526	51,606
Fund Balance, June 30, 2015							
	\$ 2,769,395	\$ 0	\$ (306,311)	\$ 2,463,084	\$ 1,847,091	\$ 1,743,610	\$ 719,474

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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,989,209	\$ 0	\$ 0	\$ 1,989,209	\$ 1,761,411	\$ 2,275,456	\$ (286,247)
Total Revenues	\$ 1,989,209	\$ 0	\$ 0	\$ 1,989,209	\$ 1,761,411	\$ 2,275,456	\$ (286,247)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 738,697	\$ (598)	\$ 0	\$ 738,099	\$ 488,401	\$ 819,858	\$ 81,759
Special Education Program	579,790	0	0	579,790	594,007	675,973	96,183
Vocational Education Program	36,289	(114)	0	36,175	34,607	36,175	0
<u>Support Services</u>							
Other Student Support	51,437	0	0	51,437	51,236	55,385	3,948
Regular Instruction Program	479,290	0	139	479,429	484,620	543,494	64,065
Special Education Program	111,305	0	0	111,305	101,945	135,972	24,667
Vocational Education Program	2,373	0	0	2,373	2,600	2,373	0
Office of the Principal	2,103	0	0	2,103	0	9,334	7,231
Total Expenditures	\$ 2,001,284	\$ (712)	\$ 139	\$ 2,000,711	\$ 1,757,416	\$ 2,278,564	\$ 277,853
Excess (Deficiency) of Revenues Over Expenditures	\$ (12,075)	\$ 712	\$ (139)	\$ (11,502)	\$ 3,995	\$ (3,108)	\$ (8,394)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 7,103	\$ 0	\$ 0	\$ 7,103	\$ 0	\$ 7,103	\$ 0
Transfers Out	0	0	0	0	(3,995)	(3,995)	3,995
Total Other Financing Sources	\$ 7,103	\$ 0	\$ 0	\$ 7,103	\$ (3,995)	\$ 3,108	\$ 3,995
Net Change in Fund Balance	\$ (4,972)	\$ 712	\$ (139)	\$ (4,399)	\$ 0	\$ 0	\$ (4,399)
Fund Balance, July 1, 2014	305,917	(712)	0	305,205	300,833	300,833	4,372
Fund Balance, June 30, 2015	\$ 300,945	\$ 0	\$ (139)	\$ 300,806	\$ 300,833	\$ 300,833	\$ (27)

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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 199,699	\$ 0	\$ 0	\$ 199,699	\$ 267,438	\$ 267,438	\$ (67,739)
Other Local Revenues	3,819	0	0	3,819	5,171	5,171	(1,352)
State of Tennessee	18,830	0	0	18,830	19,116	19,116	(286)
Federal Government	1,888,816	0	0	1,888,816	1,776,962	1,776,962	111,854
Total Revenues	\$ 2,111,164	\$ 0	\$ 0	\$ 2,111,164	\$ 2,068,687	\$ 2,068,687	\$ 42,477
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,739,843	\$ (115)	\$ 56,648	\$ 1,796,376	\$ 1,936,185	\$ 2,019,185	\$ 222,809
Community Services	64,874	(5,750)	7,274	66,398	132,502	132,502	66,104
Total Expenditures	\$ 1,804,717	\$ (5,865)	\$ 63,922	\$ 1,862,774	\$ 2,068,687	\$ 2,151,687	\$ 288,913
Excess (Deficiency) of Revenues Over Expenditures	\$ 306,447	\$ 5,865	\$ (63,922)	\$ 248,390	\$ 0	\$ (83,000)	\$ 331,390
Net Change in Fund Balance	\$ 306,447	\$ 5,865	\$ (63,922)	\$ 248,390	\$ 0	\$ (83,000)	\$ 331,390
Fund Balance, July 1, 2014	1,008,240	(5,865)	0	1,002,375	995,949	995,949	6,426
Fund Balance, June 30, 2015	\$ 1,314,687	\$ 0	\$ (63,922)	\$ 1,250,765	\$ 995,949	\$ 912,949	\$ 337,816

MISCELLANEOUS SCHEDULES

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Refunding Series 2008	\$ 3,740,000	3 to 4 %	8-27-08	6-1-15	\$ 610,000	\$ 0	\$ 610,000	\$ 0
General Obligation School Series 2010	6,400,000	2 to 3	10-13-10	4-1-26	4,980,000	0	360,000	4,620,000
Total Bonds Payable					<u>\$ 5,590,000</u>	<u>\$ 0</u>	<u>\$ 970,000</u>	<u>\$ 4,620,000</u>
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	\$ 142,424	\$ 0	\$ 71,211	\$ 71,213
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	96,072	0	26,024	70,048
Total Notes Payable					<u>\$ 238,496</u>	<u>\$ 0</u>	<u>\$ 97,235</u>	<u>\$ 141,261</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority of Blount County Public Improvement - Series B-13-A	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,750,000	\$ 0	\$ 125,000	\$ 1,625,000
Public Building Authority of Blount County Public Improvement - Series B-20-A	750,000	4.25 to 5	6-15-10	6-1-27	750,000	0	0	750,000
Public Building Authority of the City of Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	1,718,000	0	80,000	1,638,000
Public Building Authority of Sevier County - Series VII-A-3	10,095,000	Variable (1)	8-28-08	6-1-26	10,095,000	0	0	10,095,000
Total Other Loans Payable					<u>\$ 14,313,000</u>	<u>\$ 0</u>	<u>\$ 205,000</u>	<u>\$ 14,108,000</u>

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Remounted Ambulance	\$ 74,400	3.2	% 11-1-12	8-15-14	\$ 37,765	\$ 0	\$ 37,765	\$ 0
Ford Motor Credit Company - Sheriff Department Vehicles	261,273	5.5	3-31-15	9-30-18	0	261,273	35,842	225,431
Republic First Natioinal - Remounted Ambulance	75,997	3.49	10-12-14	8-15-16	0	75,997	0	75,997
<u>Payable through Solid Waste/Sanitation Fund</u>								
Garbage Truck	193,342	2.92	3-1-13	3-1-18	156,867	0	37,540	119,327
<u>Payable by the School Department through Contributions from the General Purpose School Fund to the Primary Government</u>								
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	268,938	0	62,322	206,616
Total Capital Leases Payable					<u>\$ 463,570</u>	<u>\$ 337,270</u>	<u>\$ 173,469</u>	<u>\$ 627,371</u>

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

Exhibit J-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 4,620,000	\$ 800,798	\$ 5,420,798

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 98,347	\$ 2,699	\$ 101,046
2017	28,307	1,527	29,834
2018	14,607	311	14,918
Total	\$ 141,261	\$ 4,537	\$ 145,798

(Continued)

Exhibit J-2

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

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 903,000	\$ 676,040	\$ 34,029	\$ 1,613,069
2017	958,000	631,487	31,941	1,621,428
2018	1,002,000	584,269	30,252	1,616,521
2019	1,077,000	534,826	28,477	1,640,303
2020	1,131,000	481,010	26,592	1,638,602
2021	1,212,000	424,506	24,600	1,661,105
2022	1,272,000	363,809	22,479	1,658,288
2023	1,333,000	300,155	20,237	1,653,392
2024	1,418,000	233,540	17,864	1,669,404
2025	1,465,000	162,468	15,370	1,642,838
2026	1,536,000	91,395	12,712	1,640,107
2027	493,000	16,828	9,913	519,741
2028	150,000	1,944	9,867	161,811
2029	158,000	1,934	9,821	169,755
Total	\$ 14,108,000	\$ 4,504,211	\$ 294,154	\$ 18,906,364

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2016	\$ 202,040	\$ 27,264	\$ 229,304
2017	210,217	19,088	229,305
2018	180,229	9,564	189,793
2019	34,885	959	35,844
Total	\$ 627,371	\$ 56,875	\$ 684,246

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers – Primary Government and Discretely Presented
Morgan County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Solid Waste/Sanitation	General Capital Projects	Matching on recycling baler and trailer	\$ 2,430
Highway/Public Works	General Capital Projects	Matching on solar panel grant	41,391
Drug Control	General	Drug officer salary	23,886
Drug Control	General	Drug court fees	<u>15,244</u>
Total Transfers Primary Government			<u>\$ 82,951</u>
<u>DISCRETELY PRESENTED MORGAN COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects Fund	Cost sharing match for grant	<u>\$ 7,103</u>
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 7,103</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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 73,738	\$ 100,000	RLI Insurance Company
Road Superintendent:				
C. Roy Smith (7-1-14 to 8-31-14)	Section 8-24-102, <i>TCA</i>	13,505	100,000	"
Joseph Miller (9-1-14 to 6-30-15)	Section 8-24-102, <i>TCA</i>	56,723	100,000	"
Director of Schools	State Board of Education and County Board of Education	101,677 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i>	63,843	925,000	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	63,843	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	63,843 (2)	100,000	"
	and Chancery Court Judge			
Register of Deeds	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	70,228 (3)	100,000	"
Director of Finance	County Commission	61,947 (4)	100,000	"
County Employees Blanket Bond Coverage:				
Employee Dishonesty - County			150,000	RLI Insurance Company
Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000 and a one-time bonus payment of \$754.

(2) Does not include special commissioner fees of \$1,590.

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

(4) Includes a \$1,200 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, 2015

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,234,189	\$ 838,883	\$ 0	\$ 0	\$ 60,862	\$ 555,955
Trustee's Collections - Prior Year	372,888	71,627	0	0	5,199	36,288
Trustee's Collections - Bankruptcy	465	87	0	0	7	70
Circuit/Clerk and Master Collections - Prior Years	169,871	33,562	0	0	16,722	18,877
Interest and Penalty	48,790	9,410	0	0	683	4,990
Pickup Taxes	757	150	0	0	11	99
Payments in-Lieu-of Taxes - T.V.A.	1	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	25,207	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	14,462	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	913,902
Litigation Tax - General	29,935	0	0	0	0	0
Litigation Tax - Special Purpose	59,809	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	30,422	0	0	0	0	0
Litigation Tax - Courthouse Security	3,088	0	0	0	0	0
Business Tax	3,124	0	0	0	0	0
Mixed Drink Tax	749	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	104,233	0
Other County Local Option Taxes	3,465	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Beer Privilege Tax	1,330	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	4,190
Total Local Taxes	\$ 4,998,552	\$ 953,719	\$ 0	\$ 0	\$ 187,717	\$ 1,534,371

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 670	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	45,339	0	0	0	0	0
<u>Permits</u>						
Beer Permits	1,425	0	0	0	0	0
Total Licenses and Permits	<u>\$ 47,434</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 7,512	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	759	0	0	0	0	0
DUI Treatment Fines	190	0	0	0	0	0
Data Entry Fee - Circuit Court	648	0	0	0	0	0
Courtroom Security Fee	1,214	0	0	0	0	0
Victims Assistance Assessments	737	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	8,839	0	0	0	0	0
Officers Costs	26,098	0	0	0	0	0
Game and Fish Fines	1,559	0	0	0	0	0
Drug Control Fines	0	0	60,058	0	0	0
Drug Court Fees	4,378	0	0	0	0	0
Jail Fees	2,144	0	0	0	0	0
DUI Treatment Fines	2,408	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,732	0	0	0	0	0
Courtroom Security Fee	24,241	0	0	0	0	0
Victims Assistance Assessments	7,305	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 1,188	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,709	0	0	0	0	0
Data Entry Fee - Juvenile Court	211	0	0	0	0	0
<u>Chancery Court</u>						
Data Entry Fee - Chancery Court	2,766	0	0	0	0	0
Courtroom Security Fee	40	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Data Entry Fee - Other Courts	490	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	6,564	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 100,168	\$ 0	\$ 66,622	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fee	\$ 0	\$ 222,112	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	851,356	0	0	0	0	0
Other General Service Charges	10	0	0	0	325	0
<u>Fees</u>						
Copy Fees	5,627	0	0	0	0	0
Library Fees	14,425	0	0	0	0	0
Telephone Commissions	15,349	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	24,805	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	1,590	0	0
Data Processing Fee - Register	5,490	0	0	0	0	0
Data Processing Fee - Sheriff	2,154	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fee - Sheriff	\$ 2,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - County Clerk	2,887	0	0	0	0	0
<u>Other Charges for Services</u>						
Other Charges for Services	0	0	0	0	17,262	0
Total Charges for Current Services	\$ 899,548	\$ 222,112	\$ 0	\$ 26,395	\$ 17,587	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 3,318	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	28	0	0	0	0	0
Sale of Materials and Supplies	0	1,043	0	0	0	0
Commissary Sales	10,951	0	0	0	0	0
Sale of Gasoline	0	0	0	0	86,833	0
Sale of Recycled Materials	0	13,461	0	0	2,576	0
Miscellaneous Refunds	1,568	2,489	0	0	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	29,891	0	0	0	2,313	0
Sale of Property	20,560	0	0	0	0	0
Damages Recovered from Individuals	805	0	0	0	45	0
Contributions and Gifts	59,774	0	0	0	0	0
Total Other Local Revenues	\$ 126,895	\$ 16,993	\$ 0	\$ 0	\$ 91,767	\$ 0
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 200,292	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
Circuit Court Clerk	\$ 23,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Sessions Court Clerk	95,370	0	0	0	0	0
Clerk and Master	78,894	0	0	0	0	0
Juvenile Court Clerk	12,765	0	0	0	0	0
Register	72,460	0	0	0	0	0
Sheriff	7,943	0	0	0	0	0
Trustee	281,228	0	0	0	0	0
Total Fees Received from County Officials	\$ 772,617	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 180	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	5,437	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	8,400	0	0	0	0	0
Drug Control Grants	64,496	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	16,286	0	0	0	0	0
<u>Public Works Grants</u>						
Litter Program	0	29,017	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	14,680	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Alcoholic Beverage Tax	60,947	0	0	0	0	0
State Revenue Sharing - T.V.A.	337,987	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Board of Jurors	\$ 1,057	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Prisoner Boarding	82,732	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,749,166	0
Petroleum Special Tax	0	0	0	0	15,865	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	13,940	0	0	0	0	0
Other State Revenues	17,745	0	0	0	0	0
Total State of Tennessee	\$ 651,669	\$ 34,454	\$ 0	\$ 0	\$ 1,765,031	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	0	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	2,400	0	0	0	0	0
Total Federal Government	\$ 2,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 38,258	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	9,874	0	0	0	0	717,555
Contracted Services	130,000	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 178,132	\$ 0	\$ 0	\$ 0	\$ 0	\$ 717,555
Total	\$ 7,777,415	\$ 1,227,278	\$ 66,622	\$ 26,395	\$ 2,062,102	\$ 2,251,926

(Continued)

Exhibit J-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 5,689,889
Trustee's Collections - Prior Year	0	486,002
Trustee's Collections - Bankruptcy	0	629
Circuit/Clerk and Master Collections - Prior Years	0	239,032
Interest and Penalty	0	63,873
Pickup Taxes	0	1,017
Payments in-Lieu-of Taxes - T.V.A.	0	1
Payments in-Lieu-of Taxes - Local Utilities	0	25,207
Payments in-Lieu-of Taxes - Other	0	14,462
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	913,902
Litigation Tax - General	0	29,935
Litigation Tax - Special Purpose	0	59,809
Litigation Tax - Jail, Workhouse, or Courthouse	0	30,422
Litigation Tax - Courthouse Security	0	3,088
Business Tax	0	3,124
Mixed Drink Tax	0	749
Mineral Severance Tax	0	104,233
Other County Local Option Taxes	0	3,465
<u>Statutory Local Taxes</u>		
Beer Privilege Tax	0	1,330
Interstate Telecommunications Tax	0	4,190
Total Local Taxes	<u>\$ 0</u>	<u>\$ 7,674,359</u>

(Continued)

Exhibit J-5

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

	<u>Capital Projects Fund</u>	
	General Capital Projects	Total
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Marriage Licenses	\$ 0	\$ 670
Cable TV Franchise	0	45,339
<u>Permits</u>		
Beer Permits	0	1,425
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 47,434</u>
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 7,512
Drug Court Fees	0	759
DUI Treatment Fines	0	190
Data Entry Fee - Circuit Court	0	648
Courtroom Security Fee	0	1,214
Victims Assistance Assessments	0	737
<u>General Sessions Court</u>		
Fines	0	8,839
Officers Costs	0	26,098
Game and Fish Fines	0	1,559
Drug Control Fines	0	60,058
Drug Court Fees	0	4,378
Jail Fees	0	2,144
DUI Treatment Fines	0	2,408
Data Entry Fee - General Sessions Court	0	4,732
Courtroom Security Fee	0	24,241
Victims Assistance Assessments	0	7,305

(Continued)

Exhibit J-5

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

	Capital Projects Fund		Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Juvenile Court</u>				
Fines	\$	0	\$	1,188
Officers Costs		0		2,709
Data Entry Fee - Juvenile Court		0		211
<u>Chancery Court</u>				
Data Entry Fee - Chancery Court		0		2,766
Courtroom Security Fee		0		40
<u>Judicial District Drug Program</u>				
Data Entry Fee - Other Courts		0		490
<u>Other Fines, Forfeitures, and Penalties</u>				
Proceeds from Confiscated Property		0		6,564
Total Fines, Forfeitures, and Penalties	\$	0	\$	166,790
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Solid Waste Disposal Fee	\$	0	\$	222,112
Patient Charges		0		851,356
Other General Service Charges		0		335
<u>Fees</u>				
Copy Fees		0		5,627
Library Fees		0		14,425
Telephone Commissions		0		15,349
Constitutional Officers' Fees and Commissions		0		24,805
Special Commissioner Fees/Special Master Fees		0		1,590
Data Processing Fee - Register		0		5,490
Data Processing Fee - Sheriff		0		2,154

(Continued)

Exhibit J-5

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

	<u>Capital Projects Fund</u>	
	General Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>		
<u>Fees (Cont.)</u>		
Sexual Offender Registration Fee - Sheriff	\$ 0	\$ 2,250
Data Processing Fee - County Clerk	0	2,887
<u>Other Charges for Services</u>		
Other Charges for Services	0	17,262
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 1,165,642</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 0	\$ 3,318
Lease/Rentals	0	28
Sale of Materials and Supplies	0	1,043
Commissary Sales	0	10,951
Sale of Gasoline	0	86,833
Sale of Recycled Materials	0	16,037
Miscellaneous Refunds	0	4,057
<u>Nonrecurring Items</u>		
Sale of Equipment	0	32,204
Sale of Property	0	20,560
Damages Recovered from Individuals	0	850
Contributions and Gifts	0	59,774
Total Other Local Revenues	<u>\$ 0</u>	<u>\$ 235,655</u>
<u>Fees Received from County Officials</u>		
<u>Fees in-Lieu-of Salary</u>		
County Clerk	\$ 0	\$ 200,292

(Continued)

Exhibit J-5

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

	Capital Projects Fund		Total
	General		
	Capital		
	Projects		
<u>Fees Received from County Officials (Cont.)</u>			
<u>Fees in-Lieu-of Salary (Cont.)</u>			
Circuit Court Clerk	\$ 0	\$	23,665
General Sessions Court Clerk	0		95,370
Clerk and Master	0		78,894
Juvenile Court Clerk	0		12,765
Register	0		72,460
Sheriff	0		7,943
Trustee	0		281,228
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$</u>	<u>772,617</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$	180
Solid Waste Grants	0		5,437
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0		8,400
Drug Control Grants	0		64,496
<u>Health and Welfare Grants</u>			
Health Department Programs	0		16,286
<u>Public Works Grants</u>			
Litter Program	0		29,017
<u>Other State Revenues</u>			
Income Tax	0		14,680
Beer Tax	0		18,055
Alcoholic Beverage Tax	0		60,947
State Revenue Sharing - T.V.A.	0		337,987

(Continued)

Exhibit J-5

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

	Capital Projects Fund		Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Board of Jurors	\$	0	\$	1,057
Contracted Prisoner Boarding		0		82,732
Gasoline and Motor Fuel Tax		0		1,749,166
Petroleum Special Tax		0		15,865
Registrar's Salary Supplement		0		15,164
Other State Grants		26,655		40,595
Other State Revenues		0		17,745
Total State of Tennessee	\$	26,655	\$	2,477,809
<u>Federal Government</u>				
<u>Federal Through State</u>				
Community Development	\$	34,665	\$	34,665
Other Federal through State		479,448		479,448
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue		0		2,400
Total Federal Government	\$	514,113	\$	516,513
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Prisoner Board	\$	0	\$	38,258
Contributions		0		727,429
Contracted Services		0		130,000
Total Other Governments and Citizens Groups	\$	0	\$	895,687
Total	\$	540,768	\$	13,952,506

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, 2015

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,514,006	\$ 0	\$ 0	\$ 2,514,006
Trustee's Collections - Prior Year	214,745	0	0	214,745
Trustee's Collections - Bankruptcy	278	0	0	278
Circuit/Clerk and Master Collections - Prior Years	89,174	0	0	89,174
Interest and Penalty	28,224	0	0	28,224
Pickup Taxes	450	0	0	450
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	51,577	0	0	51,577
Total Local Taxes	\$ 2,898,454	\$ 0	\$ 0	\$ 2,898,454
<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	\$ 9,500	\$ 0	\$ 0	\$ 9,500
Tuition - Other	75	0	0	75
Lunch Payments - Children	0	0	59,714	59,714
Lunch Payments - Adults	0	0	34,370	34,370
Income from Breakfast	0	0	24,278	24,278
A la carte Sales	0	0	75,421	75,421
Receipts from Individual Schools	367	0	0	367

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Charges for Current Services (Cont.)</u>				
<u>Other Charges for Services</u>				
Other Charges for Services	\$ 0	\$ 0	\$ 5,916	\$ 5,916
Total Charges for Current Services	\$ 9,942	\$ 0	\$ 199,699	\$ 209,641
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 6,728	\$ 0	\$ 2,799	\$ 9,527
Sale of Materials and Supplies	246	0	0	246
E-Rate Funding	6,140	0	0	6,140
Miscellaneous Refunds	86,655	0	1,020	87,675
<u>Nonrecurring Items</u>				
Sale of Equipment	4,933	0	0	4,933
Sale of Property	400	0	0	400
Damages Recovered from Individuals	74	0	0	74
<u>Other Local Revenues</u>				
Other Local Revenues	477,145	0	0	477,145
Total Other Local Revenues	\$ 582,321	\$ 0	\$ 3,819	\$ 586,140
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 77,832	\$ 0	\$ 0	\$ 77,832
<u>State Education Funds</u>				
Basic Education Program	18,201,356	0	0	18,201,356
Early Childhood Education	618,127	0	0	618,127
School Food Service	0	0	18,830	18,830

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Energy Efficient School Initiative	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Driver Education	4,794	0	0	4,794
Other State Education Funds	339,165	0	0	339,165
Career Ladder Program	120,468	0	0	120,468
Career Ladder - Extended Contract	42,670	0	0	42,670
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	337,987	0	0	337,987
Other State Grants	3,150	0	0	3,150
Total State of Tennessee	<u>\$ 19,747,549</u>	<u>\$ 0</u>	<u>\$ 18,830</u>	<u>\$ 19,766,379</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,174,364	\$ 1,174,364
USDA - Commodities	0	0	109,292	109,292
Breakfast	0	0	569,366	569,366
USDA - Other	0	0	35,794	35,794
Vocational Education - Basic Grants to States	0	54,180	0	54,180
Title I Grants to Local Education Agencies	0	770,753	0	770,753
Special Education - Grants to States	4,765	666,006	0	670,771
Special Education Preschool Grants	0	25,088	0	25,088
Rural Education	0	64,758	0	64,758
Eisenhower Professional Development State Grants	0	142,849	0	142,849
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	265,575	0	265,575
Total Federal Government	<u>\$ 4,765</u>	<u>\$ 1,989,209</u>	<u>\$ 1,888,816</u>	<u>\$ 3,882,790</u>

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 47,374	\$ 0	\$ 0	\$ 47,374
Contracted Services	700	0	0	700
Total Other Governments and Citizens Groups	<u>\$ 48,074</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,074</u>
Total	<u>\$ 23,291,655</u>	<u>\$ 1,989,209</u>	<u>\$ 2,111,164</u>	<u>\$ 27,392,028</u>

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	22,055	
Social Security		1,367	
Employer Medicare		320	
Audit Services		6,596	
Dues and Memberships		14,101	
Legal Services		5,140	
Legal Notices, Recording, and Court Costs		1,565	
Postal Charges		439	
Office Supplies		852	
Premiums on Corporate Surety Bonds		10,937	
Other Charges		1,905	
Total County Commission			\$ 65,277

County Mayor/Executive

County Official/Administrative Officer	\$	73,738	
Assistant(s)		23,999	
Part-time Personnel		13,196	
Longevity Pay		100	
Social Security		6,771	
Pensions		7,602	
Medical Insurance		18,755	
Employer Medicare		1,584	
Communication		4,174	
Postal Charges		399	
Travel		1,468	
Office Supplies		500	
Total County Mayor/Executive			152,286

County Attorney

Legal Services	\$	7,104	
Total County Attorney			7,104

Election Commission

County Official/Administrative Officer	\$	57,459	
Clerical Personnel		19,613	
Temporary Personnel		368	
Longevity Pay		200	
Election Commission		3,050	
Election Workers		18,836	
Social Security		4,808	
Pensions		6,004	
Employer Medicare		1,124	
Advertising		3,808	
Communication		2,464	
Dues and Memberships		175	
Maintenance and Repair Services - Office Equipment		10,250	
Postal Charges		1,162	

(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.)

Rentals	\$	1,400	
Travel		1,556	
Office Supplies		5,126	
Total Election Commission			\$ 137,403

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Secretary(ies)		21,919	
Longevity Pay		1,100	
Social Security		5,152	
Pensions		6,749	
Medical Insurance		14,596	
Employer Medicare		1,205	
Communication		2,361	
Dues and Memberships		407	
Postal Charges		312	
Printing, Stationery, and Forms		1,515	
Rentals		1,462	
Office Supplies		4,194	
Office Equipment		5,571	
Total Register of Deeds			130,386

County Buildings

Custodial Personnel	\$	19,929	
Longevity Pay		300	
Social Security		1,240	
Pensions		1,489	
Employer Medicare		290	
Communication		3,635	
Maintenance and Repair Services - Buildings		38,350	
Pest Control		4,330	
Rentals		7,500	
Custodial Supplies		4,172	
Electricity		64,491	
Natural Gas		7,011	
Office Supplies		8,999	
Water and Sewer		8,076	
Other Supplies and Materials		397	
Liability Insurance		115,630	
Workers' Compensation Insurance		88,876	
Total County Buildings			374,715

Finance

Accounting and Budgeting

Supervisor/Director	\$	52,200	
Accountants/Bookkeepers		90,901	
Salary Supplements		8,547	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Longevity Pay	\$	6,200	
Social Security		9,324	
Pensions		12,265	
Medical Insurance		41,008	
Employer Medicare		2,181	
Communication		3,903	
Maintenance and Repair Services - Office Equipment		12,119	
Postal Charges		3,450	
Travel		350	
Office Supplies		5,779	
Data Processing Equipment		997	
Total Accounting and Budgeting			\$ 249,224

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		66,698	
Longevity Pay		3,900	
Board and Committee Members Fees		2,850	
Social Security		8,005	
Pensions		10,446	
Medical Insurance		18,755	
Employer Medicare		1,872	
Advertising		100	
Audit Services		4,892	
Communication		1,743	
Data Processing Services		5,813	
Maintenance and Repair Services - Office Equipment		1,632	
Postal Charges		576	
Travel		2,029	
Office Supplies		2,750	
Motor Vehicles		300	
Total Property Assessor's Office			196,204

Reappraisal Program

Data Processing Services	\$	3,500	
Other Supplies and Materials		393	
Total Reappraisal Program			3,893

County Trustee's Office

County Official/Administrative Officer	\$	63,843
Accountants/Bookkeepers		19,986
Secretary(ies)		20,977
Part-time Personnel		4,978
Longevity Pay		1,000
Social Security		6,509
Pensions		8,221
Medical Insurance		20,576

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Employer Medicare	\$	1,522	
Advertising		563	
Communication		1,191	
Data Processing Services		7,393	
Dues and Memberships		517	
Maintenance and Repair Services - Office Equipment		11,418	
Postal Charges		5,218	
Office Supplies		1,383	
Total County Trustee's Office			\$ 175,295

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
Secretary(ies)		42,792	
Part-time Personnel		4,688	
Longevity Pay		1,700	
Social Security		6,524	
Pensions		8,418	
Medical Insurance		27,022	
Employer Medicare		1,526	
Communication		3,950	
Dues and Memberships		507	
Postal Charges		2,810	
Travel		42	
Office Supplies		19,176	
Office Equipment		1,942	
Total County Clerk's Office			184,940

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		84,687	
Part-time Personnel		8,538	
Longevity Pay		3,100	
Overtime Pay		718	
Social Security		8,804	
Pensions		11,837	
Medical Insurance		59,236	
Employer Medicare		2,059	
Communication		3,040	
Dues and Memberships		140	
Maintenance and Repair Services - Office Equipment		14,731	
Postal Charges		2,300	
Rentals		2,044	
Travel		158	
Office Supplies		5,922	
Total Circuit Court			271,157

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Criminal Court

Jury and Witness Expense	\$	3,970	
Postal Charges		500	
Total Criminal Court			\$ 4,470

General Sessions Court

Paraprofessionals	\$	5,908	
Clerical Personnel		20,862	
Longevity Pay		700	
Social Security		1,503	
Pensions		2,134	
Medical Insurance		9,351	
Employer Medicare		351	
Communication		2,187	
Dues and Memberships		120	
Postal Charges		243	
Travel		2,612	
Office Supplies		3,000	
Total General Sessions Court			48,971

General Sessions Judge

Judge(s)	\$	112,260	
Social Security		6,688	
Pensions		8,723	
Medical Insurance		13,511	
Employer Medicare		1,564	
Total General Sessions Judge			142,746

Drug Court

Assistant(s)	\$	20,939	
Guards		5,155	
Longevity Pay		300	
Social Security		1,604	
Pensions		1,650	
Medical Insurance		2,728	
Unemployment Compensation		116	
Employer Medicare		375	
Communication		3,048	
Maintenance and Repair Services - Equipment		1,104	
Postal Charges		86	
Travel		5,669	
Other Contracted Services		8,394	
Office Supplies		4,539	
Total Drug Court			55,707

Chancery Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		42,825	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Longevity Pay	\$	2,900	
Social Security		6,378	
Pensions		8,513	
Medical Insurance		22,862	
Employer Medicare		1,492	
Communication		2,257	
Dues and Memberships		60	
Postal Charges		1,500	
Travel		398	
Office Supplies		3,428	
Total Chancery Court	\$		156,456

Juvenile Court

Social Workers	\$	21,276	
Longevity Pay		800	
Social Security		1,201	
Pensions		1,715	
Medical Insurance		9,351	
Employer Medicare		281	
Travel		952	
Office Supplies		978	
Total Juvenile Court			36,554

Courtroom Security

Supervisor/Director	\$	16,000	
Guards		47,347	
Longevity Pay		700	
Overtime Pay		35	
Other Salaries and Wages		9,743	
Social Security		4,558	
Pensions		494	
Medical Insurance		1,235	
Employer Medicare		1,066	
Office Equipment		20	
Total Courtroom Security			81,198

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,228	
Deputy(ies)		534,019	
Salary Supplements		8,400	
Longevity Pay		9,400	
Overtime Pay		70,809	
Other Salaries and Wages		25,824	
Board and Committee Members Fees		100	
In-service Training		4,744	
Social Security		42,066	

(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.)

Pensions	\$	53,986	
Medical Insurance		151,745	
Employer Medicare		9,838	
Contracts with Other Public Agencies		120	
Dues and Memberships		1,906	
Maintenance and Repair Services - Equipment		320	
Maintenance and Repair Services - Vehicles		4,596	
Postal Charges		2,008	
Travel		1,107	
Other Contracted Services		27,364	
Gasoline		82,267	
Law Enforcement Supplies		2,010	
Office Supplies		4,092	
Uniforms		3,507	
Vehicle Parts		27,137	
Other Supplies and Materials		8,966	
Other Charges		1,470	
Communication Equipment		11,857	
Data Processing Equipment		3,725	
Law Enforcement Equipment		8,581	
Motor Vehicles		261,273	
Total Sheriff's Department			\$ 1,433,465

Jail

Supervisor/Director	\$	35,000
Guards		527,590
Clerical Personnel		22,184
Maintenance Personnel		3,000
Longevity Pay		9,200
Overtime Pay		25,482
Other Salaries and Wages		24,446
In-service Training		3,432
Social Security		38,825
Pensions		48,037
Medical Insurance		119,079
Employer Medicare		9,080
Communication		27,568
Contracts with Private Agencies		114,960
Maintenance and Repair Services - Buildings		10,325
Maintenance and Repair Services - Equipment		4,975
Maintenance and Repair Services - Office Equipment		2,206
Medical and Dental Services		101,293
Pest Control		360
Travel		979
Other Contracted Services		5,598
Custodial Supplies		11,106
Drugs and Medical Supplies		689

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Electricity	\$	34,852	
Food Supplies		5,492	
Natural Gas		10,281	
Office Supplies		2,681	
Prisoners Clothing		6,879	
Uniforms		2,841	
Water and Sewer		26,869	
Other Supplies and Materials		3,440	
Law Enforcement Equipment		3,174	
Total Jail			\$ 1,241,923

Juvenile Services

Other Contracted Services	\$	1,125	
Total Juvenile Services			1,125

Fire Prevention and Control

Medical Insurance	\$	10,243	
Contributions		54,500	
Vehicle and Equipment Insurance		37,111	
Workers' Compensation Insurance		5,257	
Other Charges		20,497	
Total Fire Prevention and Control			127,608

Civil Defense

Supervisor/Director	\$	7,350	
Social Security		456	
Employer Medicare		107	
Communication		5,033	
Dues and Memberships		485	
Maintenance and Repair Services - Equipment		88	
Travel		534	
Gasoline		1,041	
Office Supplies		491	
Other Supplies and Materials		368	
Liability Insurance		2,288	
Total Civil Defense			18,241

Rescue Squad

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

Other Emergency Management

Assistant(s)	\$	17,314	
Supervisor/Director		40,463	
Data Processing Personnel		10,000	
Dispatchers/Radio Operators		168,256	
Part-time Personnel		27,335	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Longevity Pay	\$	7,100	
Overtime Pay		27,770	
Other Salaries and Wages		5,769	
Social Security		18,371	
Pensions		20,007	
Medical Insurance		32,012	
Unemployment Compensation		1,528	
Employer Medicare		4,296	
Total Other Emergency Management			\$ 380,221

County Coroner/Medical Examiner

Supervisor/Director	\$	20,400	
Social Security		149	
Employer Medicare		35	
Medical and Dental Services		16,500	
Total County Coroner/Medical Examiner			37,084

Other Public Safety

Contributions	\$	5,100	
Road Signs		1,669	
Total Other Public Safety			6,769

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,583	
Social Security		284	
Employer Medicare		66	
Communication		3,542	
Contributions		19,979	
Maintenance and Repair Services - Buildings		730	
Maintenance and Repair Services - Equipment		504	
Postal Charges		86	
Custodial Supplies		455	
Electricity		3,952	
Natural Gas		1,114	
Office Supplies		1,056	
Water and Sewer		1,230	
Other Charges		9,486	
Total Local Health Center			47,067

Ambulance/Emergency Medical Services

Supervisor/Director	\$	44,536	
Accountants/Bookkeepers		23,091	
Medical Personnel		410,267	
Temporary Personnel		11,515	
Longevity Pay		17,000	
Overtime Pay		315,832	

(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.)

Other Salaries and Wages	\$	16,300	
In-service Training		10,912	
Social Security		50,165	
Pensions		64,002	
Medical Insurance		140,634	
Employer Medicare		11,725	
Communication		7,418	
Dues and Memberships		300	
Licenses		2,298	
Maintenance and Repair Services - Equipment		10,822	
Maintenance and Repair Services - Vehicles		25,622	
Postal Charges		3,000	
Travel		1,517	
Other Contracted Services		8,773	
Custodial Supplies		2,150	
Drugs and Medical Supplies		64,449	
Electricity		6,010	
Gasoline		42,872	
Natural Gas		3,652	
Office Supplies		3,123	
Uniforms		5,286	
Water and Sewer		1,984	
Liability Insurance		23,203	
Other Charges		4,536	
Attendance Equipment		14,838	
Communication Equipment		11,501	
Data Processing Equipment		3,826	
Motor Vehicles		75,997	
Total Ambulance/Emergency Medical Services			\$ 1,439,156

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$	932	
Clerical Personnel		21,873	
Longevity Pay		100	
Social Security		1,318	
Pensions		1,707	
Medical Insurance		4,454	
Employer Medicare		308	
Travel		109	
Total Other Local Health Services			30,801

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Other Charges	\$ 3,993	
Total Senior Citizens Assistance		\$ 3,993

Libraries

Librarians	\$ 47,310	
Social Security	3,039	
Employer Medicare	711	
Communication	8,768	
Postal Charges	696	
Rentals	1,200	
Travel	807	
Instructional Supplies and Materials	182	
Office Supplies	1,196	
Periodicals	2,509	
Other Charges	15,038	
Total Libraries		81,456

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$ 1,399	
Other Supplies and Materials	324	
Total Parks and Fair Boards		1,723

Agriculture and Natural Resources

Agricultural Extension Service

Communication	\$ 3,503	
Maintenance and Repair Services - Office Equipment	1,150	
Travel	808	
Other Contracted Services	34,106	
Office Supplies	585	
Other Supplies and Materials	1,440	
Office Equipment	1,363	
Total Agricultural Extension Service		42,955

Soil Conservation

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

Other Operations

Other Economic and Community Development

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

Veterans' Services

Contributions	\$ 500	
Other Contracted Services	13,864	
Total Veterans' Services		14,364

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Life Insurance	\$	2,675	
Unemployment Compensation		11,964	
Remittance of Revenue Collected		8,042	
Trustee's Commission		110,619	
Total Miscellaneous			\$ 133,300

Principal on Debt

General Government

Principal on Capital Leases	\$	73,607	
Total General Government			73,607

Interest on Debt

General Government

Interest on Capital Leases	\$	1,956	
Total General Government			1,956

Total General Fund \$ 7,636,160

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	44,536	
Longevity Pay		3,000	
Social Security		2,785	
Pensions		3,693	
Medical Insurance		9,351	
Employer Medicare		651	
Liability Insurance		6,497	
Workers' Compensation Insurance		28,111	
Total Sanitation Management			\$ 98,624

Sanitation Education/Information

Supervisor/Director	\$	14,053	
Attendants		13,934	
Social Security		1,735	
Employer Medicare		406	
Advertising		400	
Travel		374	
Gasoline		1,117	
Instructional Supplies and Materials		480	
Vehicle Parts		1,444	
Other Supplies and Materials		772	
Total Sanitation Education/Information			34,715

Waste Pickup

Truck Drivers	\$	38,226	
Part-time Personnel		9,297	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Longevity Pay	\$	1,700	
Overtime Pay		2,360	
Social Security		3,016	
Pensions		3,286	
Medical Insurance		23,631	
Employer Medicare		705	
Licenses		36	
Other Contracted Services		393,115	
Equipment and Machinery Parts		5,062	
Gasoline		16,463	
Lubricants		2,305	
Tires and Tubes		4,950	
Solid Waste Equipment		23,513	
Total Waste Pickup	\$		527,665

Convenience Centers

Attendants	\$	197,623	
Longevity Pay		4,600	
Overtime Pay		83	
Other Salaries and Wages		5,196	
Social Security		10,809	
Pensions		12,632	
Medical Insurance		58,229	
Employer Medicare		2,528	
Rentals		4,144	
General Construction Materials		5,908	
Gravel and Chert		1,265	
Other Supplies and Materials		1,224	
Total Convenience Centers			304,241

Recycling Center

Supervisor/Director	\$	23,706	
Part-time Personnel		23,837	
Longevity Pay		300	
Social Security		2,951	
Pensions		1,865	
Medical Insurance		13,209	
Employer Medicare		690	
Communication		1,819	
Electricity		1,583	
Gasoline		2,514	
Vehicle Parts		2,897	
Water and Sewer		485	
Other Supplies and Materials		1,091	
Other Charges		100	
Total Recycling Center			77,047

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Landfill Operation and Maintenance

Attendants	\$	6,554	
Social Security		406	
Employer Medicare		95	
Communication		6,853	
Maintenance and Repair Services - Equipment		15,563	
Rentals		587	
Electricity		14,848	
Equipment and Machinery Parts		1,805	
Gasoline		16,305	
General Construction Materials		3,963	
Lubricants		1,497	
Natural Gas		534	
Office Supplies		443	
Water and Sewer		2,322	
Landfill Closure/Postclosure Care Costs		1,340	
Site Development		2,783	
Total Landfill Operation and Maintenance			\$ 75,898

Other Operations

Other Charges

Trustee's Commission	\$	20,900	
Total Other Charges			20,900

Miscellaneous

Life Insurance	\$	286	
Unemployment Compensation		1,651	
Total Miscellaneous			1,937

Principal on Debt

General Government

Principal on Capital Leases	\$	37,540	
Total General Government			37,540

Interest on Debt

General Government

Interest on Capital Leases	\$	4,581	
Total General Government			4,581

Total Solid Waste/Sanitation Fund \$ 1,183,148

Drug Control Fund

Public Safety

Drug Enforcement

In-service Training	\$	1,043	
Confidential Drug Enforcement Payments		4,400	
Rentals		4,200	
Towing Services		1,795	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Travel	\$	1,360	
Veterinary Services		258	
Other Contracted Services		15,923	
Animal Food and Supplies		221	
Instructional Supplies and Materials		546	
Uniforms		455	
Other Supplies and Materials		1,428	
Trustee's Commission		632	
Law Enforcement Equipment		3,261	
Total Drug Enforcement			\$ 35,522

Total Drug Control Fund \$ 35,522

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Deputy(ies)	\$	17,889	
Special Commissioner Fees/Special Master Fees		1,590	
Constitutional Officers' Operating Expenses		5,724	
Office Equipment		1,192	
Total Chancery Court			\$ 26,395

Total Constitutional Officers - Fees Fund 26,395

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	70,228	
Secretary(ies)		22,664	
Longevity Pay		375	
Social Security		5,570	
Pensions		7,248	
Employee and Dependent Insurance		16,632	
Employer Medicare		1,303	
Dues and Memberships		3,095	
Travel		486	
Office Supplies		2,425	
Other Charges		493	
Total Administration			\$ 130,519

Highway and Bridge Maintenance

Foremen	\$	63,644
Equipment Operators		83,808
Truck Drivers		58,917
Laborers		79,919
Longevity Pay		13,875
Social Security		18,057

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pensions	\$	17,907	
Employee and Dependent Insurance		72,983	
Employer Medicare		4,179	
Other Contracted Services		150,956	
Asphalt - Liquid		95,384	
Concrete		2,862	
Crushed Stone		56,394	
Other Road Materials		362	
Pipe - Metal		42,020	
Road Signs		2,583	
Small Tools		416	
Wood Products		96	
Total Highway and Bridge Maintenance	\$		764,362

Operation and Maintenance of Equipment

Mechanic(s)	\$	41,828	
Laborers		4,036	
Longevity Pay		3,625	
Social Security		2,870	
Pensions		3,544	
Employee and Dependent Insurance		10,263	
Employer Medicare		671	
Other Contracted Services		43,870	
Diesel Fuel		102,425	
Equipment and Machinery Parts		56,774	
Garage Supplies		2,885	
Gasoline		18,670	
Lubricants		2,773	
Small Tools		18	
Tires and Tubes		11,360	
Uniforms		6,693	
Total Operation and Maintenance of Equipment			312,305

Other Charges

Communication	\$	4,777	
Electricity		9,044	
Natural Gas		6,355	
Water and Sewer		1,340	
Liability Insurance		35,271	
Trustee's Commission		20,386	
Total Other Charges			77,173

Employee Benefits

Life Insurance	\$	261	
Unemployment Compensation		1,321	
Workers' Compensation Insurance		25,947	
Total Employee Benefits			27,529

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Highway Equipment	\$ 3,604	
Total Capital Outlay		\$ 3,604

Total Highway/Public Works Fund \$ 1,315,492

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 164,700	
Principal on Notes	71,211	
Principal on Other Loans	205,000	
Total General Government		\$ 440,911

Education

Principal on Bonds	\$ 805,300	
Principal on Notes	26,024	
Principal on Capital Leases	62,322	
Total Education		893,646

Interest on Debt

General Government

Interest on Bonds	\$ 6,588	
Interest on Other Loans	141,384	
Total General Government		147,972

Education

Interest on Bonds	\$ 144,547	
Interest on Notes	3,810	
Interest on Capital Leases	13,664	
Interest on Other Loans	568,885	
Total Education		730,906

Other Debt Service

General Government

Fiscal Agent Charges	\$ 13,488	
Trustee's Commission	21,288	
Total General Government		34,776

Total General Debt Service Fund 2,248,211

General Capital Projects Fund

Capital Projects

Public Safety Projects

Other Charges	\$ 14,357	
Other Equipment	11,000	
Total Public Safety Projects		\$ 25,357

(Continued)

Exhibit J-7

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Public Health and Welfare Projects

Other Equipment	\$ 112,610	
Other Construction	429,482	
Total Public Health and Welfare Projects	\$ 542,092	

Social, Cultural, and Recreation Projects

Other Equipment	\$ 3,000	
Total Social, Cultural, and Recreation Projects		3,000

Other General Government Projects

Data Processing Equipment	\$ 8,347	
Total Other General Government Projects		8,347

Total General Capital Projects Fund \$ 578,796

Total Governmental Funds - Primary Government \$ 13,023,724

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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,088,833	
Career Ladder Program	68,650	
Career Ladder Extended Contracts	35,600	
Homebound Teachers	880	
Salary Supplements	173,066	
Educational Assistants	376,699	
Certified Substitute Teachers	71,338	
Non-certified Substitute Teachers	104,679	
Social Security	483,362	
Pensions	691,916	
Life Insurance	6,577	
Medical Insurance	1,206,556	
Dental Insurance	38,525	
Employer Medicare	113,043	
Instructional Supplies and Materials	43,877	
Textbooks	45,062	
Fee Waivers	35,044	
Other Charges	25,805	
Total Regular Instruction Program		\$ 10,609,512

Special Education Program

Teachers	\$ 801,455	
Career Ladder Program	6,000	
Homebound Teachers	5,630	
Educational Assistants	97,533	
Speech Pathologist	43,528	
Other Salaries and Wages	7,666	
Certified Substitute Teachers	3,000	
Non-certified Substitute Teachers	10,013	
Social Security	58,499	
Pensions	84,623	
Life Insurance	812	
Medical Insurance	123,606	
Dental Insurance	4,331	
Employer Medicare	13,681	
Contracts with Private Agencies	42,000	
Travel	200	
Other Contracted Services	153,940	
Instructional Supplies and Materials	23,843	
Other Charges	130	
Special Education Equipment	6,354	
Total Special Education Program		1,486,844

Vocational Education Program

Teachers	\$ 556,474
Career Ladder Program	1,500

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Secretary(ies)	\$	18,536	
Educational Assistants		16,240	
Social Security		35,477	
Pensions		52,896	
Life Insurance		523	
Medical Insurance		108,098	
Dental Insurance		3,028	
Employer Medicare		8,297	
Instructional Supplies and Materials		14,911	
Total Vocational Education Program			\$ 815,980

Support Services

Attendance

Supervisor/Director	\$	66,664	
Career Ladder Program		1,000	
Social Security		4,137	
Pensions		6,035	
Life Insurance		35	
Medical Insurance		6,729	
Dental Insurance		264	
Employer Medicare		967	
Communication		728	
Travel		4,088	
Other Contracted Services		110,644	
Other Charges		5,940	
Total Attendance			207,231

Health Services

Career Ladder Program	\$	1,000	
Medical Personnel		44,543	
Secretary(ies)		25,354	
Other Salaries and Wages		198,562	
Social Security		16,437	
Pensions		21,491	
Life Insurance		287	
Medical Insurance		36,528	
Dental Insurance		1,552	
Employer Medicare		3,844	
Communication		638	
Travel		5,167	
Drugs and Medical Supplies		5,761	
Instructional Supplies and Materials		382	
Other Supplies and Materials		1,046	
Other Charges		1,702	
Total Health Services			364,294

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		329,399	
Social Security		20,082	
Pensions		27,099	
Life Insurance		229	
Medical Insurance		26,680	
Dental Insurance		1,145	
Employer Medicare		4,697	
Contracts with Government Agencies		59,204	
Evaluation and Testing		8,515	
Travel		6,387	
Total Other Student Support			\$ 484,437

Regular Instruction Program

Supervisor/Director	\$	43,956	
Career Ladder Program		8,050	
Librarians		294,000	
Instructional Computer Personnel		231,820	
Salary Supplements		48,575	
Secretary(ies)		43,764	
Social Security		42,449	
Pensions		60,321	
Life Insurance		450	
Medical Insurance		106,271	
Dental Insurance		3,345	
Employer Medicare		9,928	
Communication		2,922	
Travel		5,513	
Other Contracted Services		15,876	
Library Books/Media		15,790	
Other Supplies and Materials		20,650	
In Service/Staff Development		5,125	
Other Charges		5,092	
Other Equipment		182,961	
Total Regular Instruction Program			1,146,858

Special Education Program

Supervisor/Director	\$	65,864	
Career Ladder Program		3,000	
Clerical Personnel		2,260	
Social Security		4,402	
Pensions		6,401	
Life Insurance		35	
Medical Insurance		6,729	
Dental Insurance		264	
Employer Medicare		1,029	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Communication	\$	727	
Postal Charges		31	
Travel		18,455	
Other Contracted Services		106,299	
Other Charges		45,729	
Total Special Education Program			\$ 261,225

Vocational Education Program

Supervisor/Director	\$	70,294	
Social Security		4,306	
Pensions		6,354	
Life Insurance		35	
Medical Insurance		6,789	
Dental Insurance		209	
Employer Medicare		1,007	
Travel		829	
Total Vocational Education Program			89,823

Other Programs

On-behalf Payments to OPEB	\$	77,832	
Total Other Programs			77,832

Board of Education

Board and Committee Members Fees	\$	17,800	
Social Security		1,104	
Unemployment Compensation		3,864	
Employer Medicare		258	
Payments to Retirees		81,000	
Audit Services		8,800	
Dues and Memberships		6,503	
Legal Services		736	
Travel		11,512	
Other Contracted Services		7,870	
Liability Insurance		193,862	
Trustee's Commission		102,816	
Workers' Compensation Insurance		185,759	
Other Charges		15,013	
Total Board of Education			636,897

Director of Schools

County Official/Administrative Officer	\$	99,923	
Assistant(s)		71,291	
Career Ladder Program		4,000	
Secretary(ies)		44,121	
Other Salaries and Wages		4,000	
Social Security		13,741	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Pensions	\$	19,629	
Life Insurance		90	
Medical Insurance		21,438	
Dental Insurance		474	
Employer Medicare		3,214	
Communication		10,035	
Travel		5,602	
Other Contracted Services		15,438	
Office Supplies		1,622	
Other Charges		3,789	
Total Director of Schools			\$ 318,407

Office of the Principal

Principals	\$	466,883	
Career Ladder Program		15,000	
Career Ladder Extended Contracts		1,000	
Assistant Principals		312,997	
Secretary(ies)		135,512	
Clerical Personnel		82,549	
Bonus Payments		1,775	
Other Salaries and Wages		10,000	
Social Security		62,438	
Pensions		89,499	
Life Insurance		665	
Medical Insurance		98,452	
Dental Insurance		2,632	
Employer Medicare		14,602	
Communication		17,000	
Travel		4,562	
Other Contracted Services		69,256	
Other Charges		3,334	
Total Office of the Principal			1,388,156

Operation of Plant

Custodial Personnel	\$	591,155	
Other Salaries and Wages		45,782	
Social Security		39,190	
Pensions		48,952	
Life Insurance		545	
Medical Insurance		44,541	
Dental Insurance		209	
Employer Medicare		9,165	
Other Contracted Services		22,088	
Custodial Supplies		72,788	
Electricity		717,662	
Natural Gas		146,300	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$	74,004	
Other Charges		455	
Total Operation of Plant			\$ 1,812,836

Maintenance of Plant

Supervisor/Director	\$	38,426	
Maintenance Personnel		96,257	
Social Security		8,332	
Pensions		10,465	
Life Insurance		109	
Medical Insurance		13,052	
Dental Insurance		265	
Employer Medicare		1,949	
Communication		2,809	
Maintenance and Repair Services - Buildings		158,765	
Travel		1,482	
Other Contracted Services		46,713	
Other Supplies and Materials		4,769	
Other Charges		40,412	
Maintenance Equipment		17,619	
Total Maintenance of Plant			441,424

Transportation

Supervisor/Director	\$	41,332	
Mechanic(s)		52,907	
Bus Drivers		416,596	
Social Security		31,514	
Pensions		36,757	
Life Insurance		530	
Medical Insurance		12,409	
Dental Insurance		304	
Employer Medicare		7,372	
Communication		1,474	
Travel		6,368	
Other Contracted Services		18,592	
Diesel Fuel		150,159	
Equipment and Machinery Parts		9,539	
Gasoline		24,681	
Lubricants		3,977	
Natural Gas		5,499	
Propane Gas		13,349	
Tires and Tubes		18,492	
Vehicle Parts		44,539	
Other Charges		11,963	
Transportation Equipment		72,075	
Total Transportation			980,428

(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

Teachers	\$	8,614	
Educational Assistants		8,976	
Social Security		1,119	
Pensions		1,037	
Life Insurance		8	
Medical Insurance		2,004	
Dental Insurance		51	
Employer Medicare		262	
Travel		5,775	
Other Contracted Services		1,894	
Instructional Supplies and Materials		5,297	
Other Supplies and Materials		4,733	
Other Charges		2,936	
Total Community Services			\$ 42,706

Early Childhood Education

Supervisor/Director	\$	18,839	
Teachers		445,542	
Bus Drivers		52,423	
Clerical Personnel		7,500	
Educational Assistants		219,175	
Non-certified Substitute Teachers		6,386	
Social Security		43,833	
Pensions		59,146	
Life Insurance		440	
Medical Insurance		66,970	
Dental Insurance		1,837	
Employer Medicare		10,251	
Travel		24,267	
Other Contracted Services		5,484	
Instructional Supplies and Materials		79,958	
Other Supplies and Materials		9,225	
Other Charges		15,854	
Other Equipment		14,040	
Total Early Childhood Education			1,081,170

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	718,261	
Total Education			718,261

Total General Purpose School Fund \$ 22,964,321

(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

Instruction

Regular Instruction Program

Teachers	\$	414,474	
Educational Assistants		29,279	
Bonus Payments		58,500	
Certified Substitute Teachers		2,252	
Non-certified Substitute Teachers		165	
Social Security		33,416	
Pensions		44,521	
Life Insurance		330	
Medical Insurance		72,576	
Dental Insurance		2,110	
Unemployment Compensation		3,421	
Employer Medicare		7,215	
Other Contracted Services		27,185	
Instructional Supplies and Materials		19,209	
Other Charges		3,822	
Regular Instruction Equipment		20,222	
Total Regular Instruction Program			\$ 738,697

Special Education Program

Educational Assistants	\$	358,876	
Other Salaries and Wages		304	
Certified Substitute Teachers		4,975	
Non-certified Substitute Teachers		4,000	
Social Security		22,750	
Pensions		26,757	
Life Insurance		439	
Medical Insurance		13,268	
Unemployment Compensation		4,327	
Employer Medicare		5,321	
Other Contracted Services		108,756	
Instructional Supplies and Materials		27,372	
Special Education Equipment		2,645	
Total Special Education Program			579,790

Vocational Education Program

Other Contracted Services	\$	1,724	
Instructional Supplies and Materials		1,229	
Vocational Instruction Equipment		33,336	
Total Vocational Education Program			36,289

Support Services

Other Student Support

Other Salaries and Wages	\$	19,588	
Social Security		1,214	
Pensions		1,522	
Life Insurance		20	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Unemployment Compensation	\$	229	
Employer Medicare		284	
Travel		17,090	
Other Charges		11,490	
Total Other Student Support			\$ 51,437

Regular Instruction Program

Supervisor/Director	\$	71,675	
Secretary(ies)		16,982	
Other Salaries and Wages		228,985	
Certified Substitute Teachers		4,328	
Social Security		19,600	
Pensions		28,499	
Life Insurance		223	
Medical Insurance		42,445	
Dental Insurance		1,354	
Unemployment Compensation		1,160	
Employer Medicare		4,584	
Communication		728	
Travel		34,351	
Other Contracted Services		8,400	
Other Supplies and Materials		4,608	
In Service/Staff Development		10,696	
Other Charges		672	
Total Regular Instruction Program			479,290

Special Education Program

Clerical Personnel	\$	7,190	
Social Security		446	
Pensions		559	
Life Insurance		6	
Unemployment Compensation		49	
Employer Medicare		104	
Other Contracted Services		102,951	
Total Special Education Program			111,305

Vocational Education Program

Travel	\$	2,373	
Total Vocational Education Program			2,373

Office of the Principal

Bonus Payments	\$	1,775	
Social Security		110	
Pensions		160	
Unemployment Compensation		32	
Employer Medicare		26	
Total Office of the Principal			2,103

Total School Federal Projects Fund \$ 2,001,284

(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	\$	57,596	
Clerical Personnel		11,088	
Cafeteria Personnel		506,353	
Social Security		35,404	
Pensions		42,865	
Life Insurance		723	
Medical Insurance		24,764	
Dental Insurance		295	
Employer Medicare		8,280	
Maintenance and Repair Services - Equipment		21,967	
Travel		2,774	
Other Contracted Services		54,754	
Food Preparation Supplies		52,980	
Food Supplies		783,743	
Office Supplies		436	
Uniforms		2,772	
USDA - Commodities		109,292	
Other Supplies and Materials		1	
In Service/Staff Development		3,255	
Other Charges		1,479	
Food Service Equipment		19,022	
Total Food Service			\$ 1,739,843

Community Services

Part-time Personnel	\$	22,667	
Social Security		1,405	
Pensions		1,624	
Employer Medicare		329	
Maintenance and Repair Services - Equipment		1,598	
Travel		670	
Food Preparation Supplies		2,654	
Food Supplies		33,927	
Total Community Services			<u>64,874</u>

Total Central Cafeteria Fund \$ 1,804,717

Total Governmental Funds - Morgan County School Department \$ 26,770,322

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, 2015

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 48,039	\$ 48,039
Interest and Penalty	0	1,138	1,138
Local Option Sales Tax	405,259	6,895	412,154
Total Cash Receipts	<u>\$ 405,259</u>	<u>\$ 56,072</u>	<u>\$ 461,331</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 401,206	\$ 54,951	\$ 456,157
Trustee's Commission	4,053	1,121	5,174
Total Cash Disbursements	<u>\$ 405,259</u>	<u>\$ 56,072</u>	<u>\$ 461,331</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2014	0	0	0
Cash Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



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

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements, and have issued our report thereon dated November 18, 2015.

Internal Control Over Financial Reporting

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

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

a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001 and 2015-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items: 2015-002 and 2015-003.

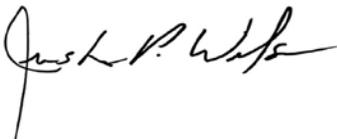
Morgan County's Response to Findings

Morgan County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Morgan County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 18, 2015

JPW/yu



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

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Morgan County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Morgan County's major federal programs for the year ended June 30, 2015. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morgan County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan

and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morgan County's compliance.

Opinion on Each Major Federal Program

In our opinion, Morgan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morgan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

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

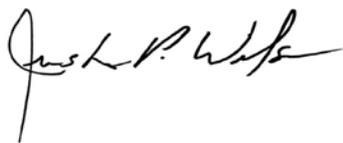
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements. We issued our report thereon dated November 18, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 18, 2015

JPW/yu

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 569,366
National School Lunch Program	10.555	N/A	1,210,158 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	109,292 (3)
Total U.S. Department of Agriculture			<u>\$ 1,888,816</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 34,665
Total U.S. Department of Housing and Urban Development			<u>\$ 34,665</u>
U. S. Department of the Interior:			
Passed through State Department of Environment and Conservation:			
Abandoned Mine Land Reclamation Program	15.252	(2)	\$ 394,818
Total U.S. Department of the Interior			<u>\$ 394,818</u>
U.S. Department of Transportation			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 69,571
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	(2)	6,500
Total U.S. Department of Transportation			<u>\$ 76,071</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	(2)	\$ 772,583
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	670,771
Special Education - Preschool Grants	84.173	(2)	25,088
Twenty-first Century Community Learning Centers	84.287	(2)	0
Rural Education	84.358	N/A	64,758
Improving Teacher Quality State Grants	84.367	N/A	142,849
Teacher Incentive Fund	84.374	(2)	272,678
Career and Technical Education - Basic Grants to States	84.048	N/A	56,748
Total U.S. Department of Education			<u>\$ 2,005,475</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grant	97.042	(2)	\$ 8,560
Total U.S. Department of Homeland Security			<u>\$ 8,560</u>
Total Expenditures of Federal Awards			<u>\$ 4,408,405</u>

State Grants	Contract Number		
Health Department Program - State Department of Health	N/A	(2)	\$ 16,286
Adult Drug Court - Administrative Office of the Courts	N/A	Z-05-025509-00	64,496
Youth Services Program - State Commission on Children and Youth	N/A	(2)	180
Litter Program - State Department of Transportation	N/A	(2)	29,017

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants (Cont.)</u>			
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	\$ 3,150
Family Resource Center	N/A	(2)	29,611
Safe Schools - State Department of Education	N/A	(2)	21,350
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Energy Efficiency Schools Initiative - State Department of Education	N/A	(2)	2,000
ConnecTenn - State Department of Education	N/A	(2)	9,097
Early Childhood Education - State Department of Education	N/A	(2)	618,127
Drivers Education - State Department of Education	N/A	(2)	4,794
Total State Grants			\$ 898,108

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 \$1,319,450.

Morgan County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which has not been corrected.

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	164	Duties were not segregated adequately

MORGAN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Morgan County is unmodified.
2. The audit of the financial statements of Morgan County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Morgan County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Abandoned Mine Land Reclamation Program (CFDA No. 15.252), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States Program and Special Education – Preschool Program (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Morgan County qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The trustee provided a written response on one finding, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF TRUSTEE

FINDING 2015-001

SOME BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER IN A TIMELY MANNER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements for two of the trustee's bank accounts were not reconciled with the general ledger in a timely manner. In September 2015, auditors discovered that bank statements for one account had not been reconciled with the general ledger since March 2015. The trustee had attempted to reconcile the account but was unsuccessful. The account was subsequently reconciled with the assistance of the auditors. Bank reconciliations for a second account had not been completed when requested by auditors in October 2015. It should be noted that when the reconciliations on these accounts were finally completed, numerous errors that had accumulated over time had been identified but remained uncorrected. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly to ensure errors are identified and corrected promptly. These deficiencies were the result of the trustee failing to accurately reconcile the accounts on a current basis and failing to make correcting entries for identified errors.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – TRUSTEE

I've reviewed the 2014-15 audit findings and am deeply sorry I got behind in my duties. I am working toward getting these matters corrected at this time.

FINDING 2015-002

THE TRUSTEE DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS

(Material Noncompliance Under *Government Auditing Standards*)

The trustee did not require one depository holding county funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2015, deposits exceeded FDIC coverage and collateral securities pledged by \$549,411. Section 5-8-201, *Tennessee Code Annotated*, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second

bank collateral security equal to 105 percent of such county funds. This deficiency is the result of a lack of management oversight. The failure to adequately collateralize funds could result in a loss for the county.

RECOMMENDATION

The trustee should require all depositories to pledge sufficient securities to protect county funds exceeding FDIC coverage as required by state statute.

OFFICE OF REGISTER OF DEEDS

FINDING 2015-003

WARRANTY DEEDS FILED IN THE OFFICE DID NOT APPEAR TO REFLECT AN ACCURATE VALUE OF THE PROPERTY

(Noncompliance Under *Government Auditing Standards*)

The register of deeds is responsible for collecting transfer and mortgage taxes as required by state statute. Section 67-4-409(a), *Tennessee Code Annotated*, states “the tax shall be based on the consideration for the transfers, or the value of the property, whichever is greater. ‘Value of the property,’ as used in this section, means the amount that the property transferred would command at a fair and voluntary sale, and no other value.”

We reviewed 467 warranty deeds filed in the office for the period July 2014 through June 2015, and compared the values reflected on the warranty deed with the appraisal amount reflected in the Office of Assessor of Property. Of those 467 deeds, 114 reflected transfer values of \$50 or less. Numerous other warranty deeds reflected values greater than \$50 but less than what appeared to be the value of the property. In most of these instances, the appraisal values on file in the Assessor’s Office were significantly higher.

The register of deeds informed us that her office set a minimum warranty deed value of \$50 per document filed; however, she stated that she did not consistently apply this policy and often allowed the filing of deeds with values less than \$50. Also, the register of deeds stated that she relies on the transferees’ oath of consideration that warranty deed values are correct, and her office is not responsible for ensuring correct values are documented on warranty deeds.

Since taxpayers recorded deeds with understated values, the appropriate tax was not collected and remitted to the state as required by state statute. Additionally, these values are used by the assessor of property during reappraisal; therefore, the use of these understated values would have an effect on the assessed property values and tax rate of Morgan County.

RECOMMENDATION

Amounts reflected on warranty deeds should reflect the consideration for the transfer or the value of the property, whichever is greater, as required by state statute. The register of deeds should not advise taxpayers that \$50 is an acceptable amount to record on the deed.

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

FINDING 2015-004

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

MORGAN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015

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