

**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*WILMA JOHNSTON, CPA, CGFM, CFE*  
*Auditor 4*

*KENT WHITE, CPA, CGFM, CFE*  
*SHERRIE GILL, CFE*  
*TERA HAYNES*  
*NATHAN ABBOTT, CISA, CFE*  
*State Auditors*

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

---

---

# TABLE OF CONTENTS

---

---

	Exhibit/Table	Page
Audit Highlights		i
<u>INTRODUCTORY SECTION</u>		
Lincoln County Officials		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	11
Statement of Activities	B	13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	D-1	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	20
Proprietary Funds:		
Statement of Net Assets	E-1	21
Statement of Revenues, Expenses, and Changes in Net Assets	E-2	22
Statement of Cash Flows	E-3	23
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	F	25
Notes to the Financial Statements		27
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	G-1	87
Other Special Revenue Fund	G-2	90
Highway/Public Works Fund	G-3	91
Notes to the Required Supplementary Information		93

	Exhibit/Table	Page
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	H-1	99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	H-2	100
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	H-3	101
Drug Control Fund	H-4	102
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	I	105
Fiduciary Funds:		
Combining Statement of Fiduciary Assets and Liabilities	J-1	109
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	J-2	110
Component Unit:		
Discretely Presented Lincoln County School Department:		
Statement of Activities	K-1	115
Balance Sheet – Governmental Funds	K-2	116
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	K-3	117
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	K-4	118
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	K-5	119
Combining Balance Sheet – Nonmajor Governmental Funds	K-6	120
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	K-7	121
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	K-8	122
School Federal Projects Fund	K-9	124
Extended School Program Fund	K-10	126

	Exhibit/Table	Page
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Lincoln County School Department	L-1	129
Schedule of Bond and Interest Requirements by Year	L-2	130
Schedule of Notes Receivable – All Funds	L-3	131
Schedule of Transfers – All Funds	L-4	132
Schedule of Salaries and Official Bonds of Principal Officials	L-5	133
Schedule of Detailed Revenues – All Governmental Fund Types	L-6	134
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented School Department	L-7	138
Schedule of Detailed Expenditures – All Governmental Fund Types	L-8	140
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented School Department	L-9	159
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	L-10	170

#### STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	173
Tax Rates and Assessments – Last Ten Years	2	174

#### SINGLE AUDIT SECTION

Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		177
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		179
Other Auditor’s Report on Lincoln County Health System: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		182

	Page
Other Auditor's Report on Lincoln County Board of Public Utilities:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	183
Other Auditor's Report on Lincoln County Emergency Communications District:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	184
Schedule of Expenditures of Federal Awards and State Grants	187
Schedule of Audit Findings Not Corrected	189
Schedule of Findings and Questioned Costs	191
Auditee Reporting Responsibilities	199

# ***Audit Highlights***

Annual Financial Report  
Lincoln County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2005.

## ***Results***

Our report on Lincoln County's financial statements was unqualified.

Our audit resulted in six findings and recommendations, which we have reviewed with Lincoln County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF DIRECTOR OF FINANCE**

- ◆ The office had purchasing deficiencies in the administration of Homeland Security grants.

---

### **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The department did not maintain a system to account for the use of road materials.
- ◆ The department did not reconcile gasoline usage with gasoline purchases.

---

### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ In several instances, amounts were incorrectly posted to the general ledgers, and the original docket trial balances did not reconcile with cash journal controls.
  - ◆ The circuit court clerk did not properly post short-term account activity to the cash journal and did not reconcile the general ledger with the subsidiary investment ledger.
-

## **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

*State of Tennessee  
Comptroller of the Treasury  
Department of Audit  
Division of County Audit*

---

---

# INTRODUCTORY SECTION

---

---

# Lincoln County Officials

## June 30, 2005

---

### Officials:

Jerry Mansfield, County Mayor  
Donny Ray Hudson, Highway Superintendent  
James Stanley Golden, Director of Schools  
Mary Jane Porter, Trustee  
Tammy Moore, Assessor of Property  
Anne Underwood, County Clerk  
Gail Corder, Circuit and General Sessions Courts Clerk  
Rebecca Bartlett, Clerk and Master  
Randy Delap, Register  
Jimmy Mullins, Sheriff  
John Bradford, Director of Finance

### Board of County Commissioners:

R. Stephen Graham	James Norris
Randy Bradford	Donny Ogle
J. Thomas Stevenson	Shirley Dangerfield
Peggy Bevels	Kelly Stevenson
Maple Ferguson	William Harold Armstrong
Clayton Wilson	Doug Cunningham
Sharon Eubanks	Ricky Bryant
Joyce McConnell	Mark Monks
Becky Strobe	Bill Newman
Mike Brown	Wayne King
Ray Moffett	Steve Guntherberg
Anne Bankston	Ray Jacks

### Board of Education:

Jerry Pendergrass, Chairman	Veronica King
Robert Strobe	June Towry
Brenda Ables	Brent Malone
Larry Bottom	Lyle Tipton

---

---

**FINANCIAL SECTION**

---

---



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

October 4, 2005

Lincoln County Mayor and  
Board of County Commissioners  
Lincoln County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the business-type activities, which are comprised of the Lincoln County Health System and the Lincoln County Board of Public Utilities. The Lincoln County Health System and the Lincoln County Board of Public Utilities are also major enterprise funds of the primary government. In addition, we did not audit the financial statements of the discretely presented Lincoln County Emergency Communications District, which represent three percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the financial statements, for the business-type activities, major funds, and aggregate discretely presented component units, insofar as they relate to the amounts included for the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District, are based solely on the reports of the other auditors.

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

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2005, on our consideration of Lincoln County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Lincoln County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

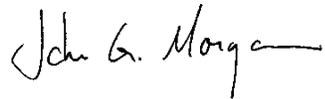
The management of Lincoln County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the GASB.

The budgetary comparison information on pages 87 through 93 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln 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 Lincoln County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables 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 Lincoln County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

---

---

# **BASIC FINANCIAL STATEMENTS**

---

---

## Exhibit A

Lincoln County, Tennessee  
 Statement of Net Assets  
 June 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Department	Emergency Communi- cations District
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 15,800	\$ 5,026,764	\$ 5,042,564	\$ 0	\$ 412,521
Equity in Pool Cash and Investments	7,282,651	0	7,282,651	2,430,542	0
Accounts Receivable	203,669	5,761,239	5,964,908	396	47,960
Allowance for Uncollectibles	0	(1,618,540)	(1,618,540)	0	0
Property Taxes Receivable	4,439,857	0	4,439,857	3,595,072	0
Allowance for Uncollectible Property Taxes	(158,130)	0	(158,130)	(128,042)	0
Current Portion of Note Receivable	0	20,833	20,833	0	0
Accrued Interest Receivable	0	18,300	18,300	0	1,551
Due from Other Governments	989,284	0	989,284	758,291	0
Prepaid Items	0	191,512	191,512	0	7,625
Notes Receivable - Long-term	204,165	1,110,022	1,314,187	0	0
Inventories	0	660,495	660,495	0	0
Other Assets	0	39,973	39,973	0	0
Restricted Assets:					
Restricted Cash	0	7,759,540	7,759,540	0	0
Deferred Charges	0	0	0	0	1,895
Bond Issue Costs	0	25,300	25,300	0	0
Other Assets	0	633,611	633,611	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	8,434,249	1,036,641	9,470,890	835,690	12,000
Construction in Progress	0	967,953	967,953	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	4,066,325	35,030,852	39,097,177	26,680,028	482,479
Ground Improvements	0	1,857,504	1,857,504	0	0
Other Capital Assets	10,743,636	4,800,387	15,544,023	1,886,020	302,560
Infrastructure	2,435,157	0	2,435,157	0	0
Total Assets	\$ 38,656,663	\$ 63,322,386	\$ 101,979,049	\$ 36,057,997	\$ 1,268,591
<b>LIABILITIES</b>					
Accounts Payable	\$ 182,751	\$ 770,151	\$ 952,902	\$ 173,269	\$ 3,307
Accrued Interest Payable	229,964	143,832	373,796	0	2,647
Contracts Payable	0	220,688	220,688	0	0
Due to State of Tennessee	7,524	0	7,524	0	0
Due to Cities	1,414	0	1,414	0	0
Customer Deposits	0	6,400	6,400	0	0
Claims and Judgements Payable	0	0	0	106,371	0
Unearned Revenue	0	0	0	0	40,000
Other Accrued Liabilities	0	1,671,038	1,671,038	0	0
Deferred Revenue - Current Property Taxes	4,177,308	0	4,177,308	3,382,478	0
Noncurrent Liabilities:					
Due Within One Year	1,484,085	1,406,250	2,890,335	99,767	70,000
Due In More Than One Year	22,752,577	24,354,639	47,107,216	70,000	255,000
Total Liabilities	\$ 28,835,623	\$ 28,572,998	\$ 57,408,621	\$ 3,831,885	\$ 370,954

(Continued)

Exhibit A

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

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	<u>School Department</u>	<u>Emergency Communi- cations District</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 25,309,367	\$ 18,178,765	\$ 43,488,132	\$ 29,401,738	\$ 472,039
Restricted for:					
Debt Service	2,132,072	1,789,851	3,921,923	0	0
Other Purposes	3,199,847	192,897	3,392,744	453,416	0
Unrestricted	(20,820,246)	14,587,875	(6,232,371)	2,370,958	425,598
Total Net Assets	<u>\$ 9,821,040</u>	<u>\$ 34,749,388</u>	<u>\$ 44,570,428</u>	<u>\$ 32,226,112</u>	<u>\$ 897,637</u>

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

Exhibit B

Lincoln County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Department	Emergency Communications District
					Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 1,046,722	\$ 328,450	\$ 18,130	\$ 0	\$ (700,142)	\$ 0	\$ (700,142)	\$ 0	\$ 0
Finance	839,066	622,603	10,746	0	(205,717)	0	(205,717)	0	0
Administration of Justice	772,435	542,655	9,000	0	(220,780)	0	(220,780)	0	0
Public Safety	3,577,885	505,131	112,505	568,522	(2,391,727)	0	(2,391,727)	0	0
Public Health and Welfare	8,904,523	685,194	251,240	125,374	(7,842,715)	0	(7,842,715)	0	0
Social, Cultural and Recreational Services	109,420	0	38,140	0	(71,280)	0	(71,280)	0	0
Agriculture & Natural Resources	120,710	0	0	0	(120,710)	0	(120,710)	0	0
Other Operations	379,401	0	7,906,471	0	7,527,070	0	7,527,070	0	0
Highways/Public Works	3,103,550	2,697	1,894,462	195,833	(1,010,558)	0	(1,010,558)	0	0
Interest on Long-term Debt	1,069,869	0	0	0	(1,069,869)	0	(1,069,869)	0	0
Other Debt Service	39,613	0	0	0	(39,613)	0	(39,613)	0	0
<b>Total Governmental Activities</b>	<b>\$ 19,963,194</b>	<b>\$ 2,686,730</b>	<b>\$ 10,240,694</b>	<b>\$ 889,729</b>	<b>\$ (6,146,041)</b>	<b>\$ 0</b>	<b>\$ (6,146,041)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Business-type Activities:									
Lincoln County Health System	\$ 32,896,838	\$ 33,455,066	\$ 20,000	\$ 81,424	\$ 0	\$ 659,652	\$ 659,652	\$ 0	\$ 0
Lincoln County Board of Public Utilities	2,918,409	3,268,169	0	40,440	0	390,200	390,200	0	0
<b>Total Business-type Activities</b>	<b>\$ 35,815,247</b>	<b>\$ 36,723,235</b>	<b>\$ 20,000</b>	<b>\$ 121,864</b>	<b>\$ 0</b>	<b>\$ 1,049,852</b>	<b>\$ 1,049,852</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 55,778,441</b>	<b>\$ 39,409,965</b>	<b>\$ 10,260,694</b>	<b>\$ 1,011,593</b>	<b>\$ (6,146,041)</b>	<b>\$ 1,049,852</b>	<b>\$ (5,096,189)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:									
Lincoln County School Department	\$ 24,329,240	\$ 192,960	\$ 3,006,261	\$ 0	\$ 0	\$ 0	\$ 0	\$ (21,130,019)	\$ 0
Emergency Communications District	176,475	222,724	0	7,952	0	0	0	0	54,201
<b>Total Component Units</b>	<b>\$ 24,505,715</b>	<b>\$ 415,684</b>	<b>\$ 3,006,261</b>	<b>\$ 7,952</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (21,130,019)</b>	<b>\$ 54,201</b>

(Continued)

Exhibit B

Lincoln County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Department	Emergency Communications District
General Revenues:									
Taxes:									
Property taxes levied for general purposes					\$ 3,411,336	\$ 0	\$ 3,411,336	\$ 3,437,012	\$ 0
Property taxes levied for debt service					801,903	0	801,903	0	0
Local option sales tax					1,429,264	0	1,429,264	2,362,291	0
Other local taxes					1,213,828	0	1,213,828	114,191	0
Grants & contributions not restricted for specific programs					996,349	0	996,349	14,406,120	0
Unrestricted investment earnings					265,268	257,103	522,371	0	3,271
Miscellaneous					77,787	89,502	167,289	53,972	2,048
Gain on Disposal of Capital Assets					1,724	0	1,724	6,688	0
<b>Total General Revenues</b>					<b>\$ 8,197,459</b>	<b>\$ 346,605</b>	<b>\$ 8,544,064</b>	<b>\$ 20,380,274</b>	<b>\$ 5,319</b>
Change in net assets					\$ 2,051,418	\$ 1,396,457	\$ 3,447,875	\$ (749,745)	\$ 59,520
Prior period adjustment					14,048,409	0	14,048,409	0	0
Net assets, July 1, 2004					(6,278,787)	33,352,931	27,074,144	32,975,857	838,117
<b>Net assets, June 30, 2005</b>					<b>\$ 9,821,040</b>	<b>\$ 34,749,388</b>	<b>\$ 44,570,428</b>	<b>\$ 32,226,112</b>	<b>\$ 897,637</b>

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

Exhibit C-1

Lincoln County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,800	\$ 15,800
Equity in Pooled Cash and Investments	2,473,815	577,142	1,362,232	1,947,989	921,473	7,282,651
Accounts Receivable	14,800	0	0	0	115,168	129,968
Due from Other Governments	391,287	0	344,652	247,873	5,472	989,284
Due from Other Funds	18,396	0	6,163	81,875	59	106,493
Property Taxes Receivable	3,165,638	0	418,103	856,116	0	4,439,857
Allowance for Uncollectible Property Taxes	(112,747)	0	(14,891)	(30,492)	0	(158,130)
Notes Receivable - Long-Term	140,000	0	0	64,165	0	204,165
<b>Total Assets</b>	<b>\$ 6,091,189</b>	<b>\$ 577,142</b>	<b>\$ 2,116,259</b>	<b>\$ 3,167,526</b>	<b>\$ 1,057,972</b>	<b>\$ 13,010,088</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 135,625	\$ 0	\$ 18,937	\$ 0	\$ 38,189	\$ 192,751
Due to Other Funds	6,222	0	0	0	16,570	22,792
Due to State of Tennessee	7,524	0	0	0	0	7,524
Due to Cities	0	0	0	0	1,414	1,414
Deferred Revenue - Current Property Taxes	2,978,439	0	393,379	805,490	0	4,177,308
Deferred Revenue - Delinquent Property Taxes	61,864	0	8,158	16,680	0	86,702
Other Deferred Revenues	330,986	0	166,607	126,641	60,372	684,606
<b>Total Liabilities</b>	<b>\$ 3,520,660</b>	<b>\$ 0</b>	<b>\$ 587,081</b>	<b>\$ 948,811</b>	<b>\$ 116,545</b>	<b>\$ 5,173,097</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 124,715	\$ 0	\$ 3,450	\$ 0	\$ 0	\$ 128,165
Reserved for Alcohol and Drug Treatment	61,813	0	0	0	0	61,813
Reserved for Sexual Offender Registration	720	0	0	0	0	720
Reserved for Computer System - Register	6,940	0	0	0	0	6,940
Reserved for Automation Purposes - Circuit Court	765	0	0	0	0	765
Reserved for Long-Term Notes Receivable	140,000	0	0	64,165	0	204,165
Unreserved, Reported In:						
General Fund	2,235,576	0	0	0	0	2,235,576
Special Revenue Funds	0	577,142	1,525,728	0	941,427	3,044,297

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Debt Service Funds

Total Fund Balances

Total Liabilities and Fund Balances

Major Funds				Nonmajor Funds	Total Govern- mental Funds
General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
\$ 0	\$ 0	\$ 0	\$ 2,154,550	\$ 0	\$ 2,154,550
\$ 2,570,529	\$ 577,142	\$ 1,529,178	\$ 2,218,715	\$ 941,427	\$ 7,836,991
\$ 6,091,189	\$ 577,142	\$ 2,116,259	\$ 3,167,526	\$ 1,057,972	\$ 13,010,088

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

Exhibit C-2

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$ 7,836,991
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,679,367
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(24,466,626)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>771,308</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 9,821,040</u>

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

Exhibit D-1

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,985,978	\$ 0	\$ 787,077	\$ 2,631,119	\$ 0	\$ 7,404,174
Licenses and Permits	58,879	0	0	0	0	58,879
Fines, Forfeitures and Penalties	163,585	0	0	0	36,926	200,511
Charges for Current Services	38,399	0	60	0	679,842	718,301
Other Local Revenues	393,018	0	15,533	4,800	6,314	419,665
Fees Received from County Officials	1,161,392	0	0	0	0	1,161,392
State of Tennessee	1,380,979	7,906,471	2,084,217	0	27,222	11,398,889
Federal Government	437,241	0	0	0	0	437,241
Total Revenues	\$ 7,619,471	\$ 7,906,471	\$ 2,886,887	\$ 2,635,919	\$ 750,304	\$ 21,799,052
<u>Expenditures</u>						
Current:						
General Government	\$ 1,265,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,265,467
Finance	804,219	0	0	0	0	804,219
Administration of Justice	706,767	0	0	0	27,395	734,162
Public Safety	3,536,739	0	0	0	21,996	3,558,735
Public Health and Welfare	437,980	0	0	0	594,604	1,032,584
Social, Cultural, and Recreational Services	104,616	0	0	0	0	104,616
Agricultural and Natural Resources	95,551	0	0	0	0	95,551
Other Operations	446,581	7,769,547	0	0	0	8,216,128
Highways	0	0	3,144,552	0	0	3,144,552
Debt Service:						
Principal	0	0	0	1,391,740	0	1,391,740
Interest	0	0	0	1,082,319	0	1,082,319
Other Debt Service	0	0	0	39,613	0	39,613
Total Expenditures	\$ 7,397,920	\$ 7,769,547	\$ 3,144,552	\$ 2,513,672	\$ 643,995	\$ 21,469,686
Excess (Deficiency) of Revenues Over Expenditures	\$ 221,551	\$ 136,924	\$ (257,665)	\$ 122,247	\$ 106,309	\$ 329,366
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 47,297	\$ 0	\$ 42,000	\$ 135,200	\$ 0	\$ 224,497
Transfers Out	0	(89,297)	0	0	(135,200)	(224,497)
Total Other Financing Sources (Uses)	\$ 47,297	\$ (89,297)	\$ 42,000	\$ 135,200	\$ (135,200)	\$ 0

(Continued)

Exhibit D-1

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Other Special Revenue	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Net Change in Fund Balances	\$ 268,848	\$ 47,627	\$ (215,665)	\$ 257,447	\$ (28,891)	\$ 329,366
Fund Balance, July 1, 2004	2,301,681	529,515	1,744,843	1,961,268	970,318	7,507,625
Fund Balance, June 30, 2005	<u>\$ 2,570,529</u>	<u>\$ 577,142</u>	<u>\$ 1,529,178</u>	<u>\$ 2,218,715</u>	<u>\$ 941,427</u>	<u>\$ 7,836,991</u>

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

Exhibit D-2

Lincoln 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, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ 329,366
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	105,246
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations).	(5,764)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	218,883
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,391,740
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>11,947</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 2,051,418</u>

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

Lincoln County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities	Total	
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,117,792	\$ 464,186	\$ 4,581,978
Certificates of Deposit	0	411,628	411,628
Restricted Cash	33,158	0	33,158
Accounts Receivable	5,574,512	186,727	5,761,239
Allowance for Uncollectibles	(1,616,340)	(2,200)	(1,618,540)
Inventory	579,939	80,556	660,495
Prepaid Items	190,237	1,275	191,512
Current Portion of Note Receivable	0	20,833	20,833
Accrued Interest Receivable	0	18,300	18,300
Other Assets	39,973	0	39,973
Total Current Assets	\$ 8,919,271	\$ 1,181,305	\$ 10,100,576
Noncurrent Assets:			
Restricted Cash	\$ 0	\$ 60,213	\$ 60,213
Restricted Investments	7,110,955	588,372	7,699,327
Bond Issue Costs	0	25,300	25,300
Long-term Portion Notes Receivable	1,005,855	104,167	1,110,022
Other Assets	632,861	750	633,611
Capital Assets (Net of Accumulated Depreciation):			
Land	773,754	262,887	1,036,641
Construction in Progress	0	967,953	967,953
Ground Improvements	1,857,504	0	1,857,504
Buildings and Improvements	18,350,983	16,679,869	35,030,852
Machinery and Equipment	4,800,387	0	4,800,387
Total Noncurrent Assets	\$ 34,532,299	\$ 18,689,511	\$ 53,221,810
Total Assets	\$ 43,451,570	\$ 19,870,816	\$ 63,322,386
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 697,054	\$ 73,097	\$ 770,151
Contracts Payable	0	220,688	220,688
Accrued Liabilities	808,769	39,641	848,410
Accrued Interest	137,082	6,750	143,832
Accrued Leave	811,728	10,900	822,628
Customer Deposits	0	6,400	6,400
Current Maturities of Long-term Debt	858,030	531,738	1,389,768
Payable From Restricted Assets-Customer Deposits	0	16,482	16,482
Total Current Liabilities	\$ 3,312,663	\$ 905,696	\$ 4,218,359
Noncurrent Liabilities:			
Long-term Debt	\$ 17,345,507	\$ 7,009,132	\$ 24,354,639
Total Noncurrent Liabilities	\$ 17,345,507	\$ 7,009,132	\$ 24,354,639
Total Liabilities	\$ 20,658,170	\$ 7,914,828	\$ 28,572,998
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 8,004,314	\$ 10,174,451	\$ 18,178,765
Restricted for Debt Service	1,157,748	632,103	1,789,851
Restricted for Other Purposes	192,897	0	192,897
Unrestricted	13,438,441	1,149,434	14,587,875
Total Net Assets	\$ 22,793,400	\$ 11,955,988	\$ 34,749,388

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

Exhibit E-2

Lincoln County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2005

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Operating Revenues</u>			
Charges for Current Services	\$ 32,396,882	\$ 3,268,169	\$ 35,665,051
Other Local Revenues	1,058,184	0	1,058,184
Total Operating Revenues	<u>\$ 33,455,066</u>	<u>\$ 3,268,169</u>	<u>\$ 36,723,235</u>
<u>Operating Expenses</u>			
Public Health and Welfare	\$ 29,816,733	\$ 1,953,572	\$ 31,770,305
Depreciation Expense	2,129,575	651,860	2,781,435
Total Operating Expenses	<u>\$ 31,946,308</u>	<u>\$ 2,605,432</u>	<u>\$ 34,551,740</u>
Operating Income (Loss)	<u>\$ 1,508,758</u>	<u>\$ 662,737</u>	<u>\$ 2,171,495</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 219,534	\$ 37,569	\$ 257,103
Interest Expense	(908,091)	(312,977)	(1,221,068)
Amortization	(35,647)	0	(35,647)
Noncapital Grants	20,000	0	20,000
Connection Fees in Excess of Current Costs	0	89,502	89,502
Gain (Loss) on Disposal of Equipment	(6,792)	0	(6,792)
Total Nonoperating Revenues (Expenses)	<u>\$ (710,996)</u>	<u>\$ (185,906)</u>	<u>\$ (896,902)</u>
<u>Capital Contributions</u>			
Customer Contributions	\$ 6,527	\$ 40,440	\$ 46,967
Change in Interest in Net Assets of Foundation	74,897	0	74,897
Total Capital Contributions	<u>\$ 81,424</u>	<u>\$ 40,440</u>	<u>\$ 121,864</u>
Change in Net Assets	\$ 879,186	\$ 517,271	\$ 1,396,457
Net Assets, July 1, 2004	<u>21,914,214</u>	<u>11,438,717</u>	<u>33,352,931</u>
Nets Assets, June 30, 2005	<u>\$ 22,793,400</u>	<u>\$ 11,955,988</u>	<u>\$ 34,749,388</u>

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

Exhibit E-3

Lincoln County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

	<u>Major Funds</u>		
	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers and Users	\$ 35,672,597	\$ 3,259,873	\$ 38,932,470
Payments to Employees	(18,492,271)	(797,822)	(19,290,093)
Payments to Suppliers	(12,836,216)	(1,105,384)	(13,941,600)
Net cash provided by (used in) operating activities	<u>\$ 4,344,110</u>	<u>\$ 1,356,667</u>	<u>\$ 5,700,777</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Noncapital Grants	\$ 20,000	\$ 0	\$ 20,000
Net cash provided by (used in) noncapital financing activities	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition/Construction of Capital Assets	\$ (865,105)	\$ (1,274,315)	\$ (2,139,420)
Proceeds from Disposal of Capital Assets	283	35,224	35,507
Capital Contributions	6,527	0	6,527
Principal Payments on Long-term Debt	(673,000)	(535,171)	(1,208,171)
Interest Paid on Long-term Debt	(931,684)	(324,357)	(1,256,041)
Proceeds from Bond Anticipation Debt	0	549,032	549,032
Connection Fees in Excess of Cost	0	89,502	89,502
Net cash provided by (used in) capital and related financing activities	<u>\$ (2,462,979)</u>	<u>\$ (1,460,085)</u>	<u>\$ (3,923,064)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Advances Under Note Receivable Arrangements	\$ (3,159,775)	\$ 0	\$ (3,159,775)
Investment Income	217,917	27,659	245,576
Net cash provided by (used in) investing activities	<u>\$ (2,941,858)</u>	<u>\$ 27,659</u>	<u>\$ (2,914,199)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,040,727)	\$ (75,759)	\$ (1,136,486)
Cash and cash equivalents, July 1, 2004	5,158,519	600,158	5,758,677
Cash and cash equivalents, June 30, 2005	<u>\$ 4,117,792</u>	<u>\$ 524,399</u>	<u>\$ 4,622,191</u>

(Continued)

Exhibit E-3

Lincoln County, Tennessee  
Statement of Cash Flows  
Proprietary Funds (Cont.)

	Major Funds		
	Business-type Activities		Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>			
Operating income (loss)	\$ 1,508,758	\$ 662,737	\$ 2,171,495
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation Expense	2,129,575	651,860	2,781,435
Bond Amortization	0	10,600	10,600
Provision for Bad Debts	1,574,497	0	1,574,497
Provision for Note Receivable Arrangements	730,307	0	730,307
Advances under Note Receivable Arrangements, net	(309,084)	0	(309,084)
Investment in Insurance Funds, net	(4,877)	0	(4,877)
(Increase) decrease in Accounts Receivable, net	(1,645,100)	(8,296)	(1,653,396)
(Increase) decrease in Inventories	(97,757)	3,350	(94,407)
(Increase) decrease in Prepaid Items	12,144	577	12,721
(Increase) decrease in Other Assets	230,581	0	230,581
Increase (decrease) in Accounts Payable	(25,728)	23,688	(2,040)
Increase (decrease) in Customer Deposits	0	(705)	(705)
Increase (decrease) in Accrued Leave	0	4,600	4,600
Increase (decrease) in Third-Party Payor Settlements	716,353	0	716,353
Increase (decrease) in Accrued Liabilities	(475,559)	8,256	(467,303)
Net cash provided by (used in) operating activities	\$ 4,344,110	\$ 1,356,667	\$ 5,700,777
<b><u>NONCASH TRANSACTIONS</u></b>			
Service Lines Transferred to the Board	\$ 0	\$ 40,440	\$ 40,440
Capitalized Depreciation on Equipment	0	7,580	7,580
Contracts Payable Related to Construction in Progress	0	220,668	220,668
Capitalized Accrued Interest	0	17,800	17,800
Note Received From Asset Dispositions	0	125,000	125,000
LMC Series 1998 Bonds Refunded	(6,625,000)	0	(6,625,000)
LMC Series 2004 Bond Proceeds Used to Refund 1998 Bonds	7,115,000	0	7,115,000
Issue Costs Paid From LMC Series 2004 Refunding Bonds	(156,395)	0	(156,395)

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

Exhibit F

Lincoln County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,673,786
Equity in Pooled Cash and Investments	278,232
Accounts Receivable	207
Due from Other Governments	371,960
Property Taxes Receivable	844,785
Allowance for Uncollectible Property Taxes	(30,088)
Notes Receivable - Long-term	<u>131,333</u>
Total Assets	<u>\$ 3,270,215</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,981
Due to Other Funds	424
Due to State of Tennessee	1,995
Due to Other Taxing Units	1,242,055
Due to Litigants, Heirs, and Others	1,797,170
Due to Joint Ventures	<u>224,590</u>
Total Liabilities	<u>\$ 3,270,215</u>

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

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lincoln 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 Lincoln County:

**A. Reporting Entity**

Lincoln County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Lincoln 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.

**Blended Component Units** – There are no legally separate component units of Lincoln County that meet the criteria for being reported as part of the primary government by the blending method.

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

The Lincoln County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lincoln County, and the Lincoln 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 Lincoln County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Lincoln County School Department are included in this report as listed in

the table of contents. Complete financial statements of the Lincoln County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Lincoln County Emergency Communications District  
P. O. Box 911  
Fayetteville, TN 37334

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Lincoln 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.

Lincoln County issues most debt for the discretely presented Lincoln County School Department. No debt was contributed by the county to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and proprietary 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 proprietary funds and fiduciary funds financial statements. 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 Lincoln County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Lincoln County reports two proprietary funds (enterprise funds). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise 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. Lincoln County considers grant 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 business taxes, 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 fund financial statements are reported using the economic resources 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Lincoln 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.

**Other Special Revenue Fund** – This fund accounts for transactions relating to long-term care medical assistance costs.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**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.

Lincoln County reports the following major proprietary funds:

**Lincoln County Health System Fund** – This fund accounts for the financial activities of the Lincoln Medical Center (hospital), Lincoln Medical Center EMS (ambulance service), Hospital Home Health and Hospice (home health care), Patrick Rehab-Wellness Center (wellness center), and Lincoln and Donalson Care Centers (care centers).

**Board of Public Utilities Fund** – This fund accounts for water distribution services to areas of the county not served by existing municipal systems.

Additionally, Lincoln County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lincoln County, the city school system’s share of educational revenues, and judicial district drug grants and other revenues held for the multi-jurisdictional drug task force. 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 Lincoln County School Department reports the following major governmental fund:

**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.

Additionally, the Lincoln County School Department reports the following fund type:

**Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### **1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the discretely presented Lincoln County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the Lincoln County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and

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

## **2. Receivables and Payables**

Activity between funds for unremitted current collections or that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or Notes Receivable (i.e., the non-current portion of interfund loans).

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to two percent of total taxes levied.

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

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

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

uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

**3. 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 initial, individual cost of \$5,000 (infrastructure \$25,000) or more and an estimated useful life of more than three years. 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.

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	20-40
Other Capital Assets	3-15
Infrastructure:	
Roads	10-15
Bridges	40

4. **Compensated Absences**

It is the policy of the Lincoln County general government to allow two weeks vacation after one year of service, with a maximum accumulation of 20 days, which will be paid to employees upon separation from service. Highway Department employees are allowed two weeks of vacation after one year of service, with no accumulation of unused vacation days. Support personnel of the discretely presented Lincoln County School Department earn one day of vacation for each 20 days of employment with a maximum accumulation of 15 days, which will be paid to employees upon separation from service. There is no liability for unpaid accumulated sick leave since Lincoln County does not have a 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 county and the discretely presented School Department. 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.

5. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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, claims and judgments, and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. Net Assets and Fund Equity**

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

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

As of June 30, 2005, Lincoln County had \$23,461,388 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the Lincoln County School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

Fund/Purpose	Amount
General:	
Health Department Construction	\$ 42,618
Insurance Premiums	57,141
Motlow College Maintenance	60,000
Highway/Public Works:	
Insurance Premiums	17,333
General Purpose School (School Department):	
Insurance Premiums	88,919

**7. Prior-period Adjustment**

A prior period adjustment totaling \$14,048,409 is reflected in the primary government's capital assets records for the retroactive recording of infrastructure constructed between July 1, 1980, and June 30, 2002.

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Primary Government

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$24,466,626 difference are as follows:

Bonds payable	\$ (18,955,000)
Other loans payable	(4,506,388)
Accrued interest payable	(229,964)
Notes payable	(370,000)
Landfill closure/postclosure care costs	(293,275)
Compensated absences	<u>(111,999)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (24,466,626)</u>

**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 D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$105,246 difference are as follows:

Capital outlay	\$ 1,755,470
Depreciation expense	<u>(1,650,224)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 105,246</u>

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. The details of this \$5,764 difference are as follows:

Gain on the disposal of capital assets	\$ 1,724
Loss on the disposal of capital assets	(2,441)
Capital assets disposals	<u>(5,047)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (5,764)</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, other loans, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$1,391,740 difference are as follows:

Principal repayments:	
Bonds	\$ 1,090,000
Other loans	181,414
Notes	<u>120,326</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,391,740</u>
---	---------------------

Another element of that reconciliation states that 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 governmental funds. The details of this \$11,947 difference are as follows:

Net change in compensated absences	\$ (6,667)
Net change in landfill closure/postclosure care costs	6,164
Net change in accrued interest on bonds	11,969
Net change in accrued interest on notes	<u>481</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 11,947</u>
---	------------------

Discretely Presented Lincoln County School Department

The discretely presented Lincoln County School Department's Exhibit K-5 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$1,103,811 difference are as follows:

Capital outlay	\$ 343,519
Depreciation expense	<u>(1,447,330)</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,103,811)</u>
--	-----------------------

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

##### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

##### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2005, Lincoln County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled

investments cannot be made for Lincoln County and the discretely presented Lincoln County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 3,302

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Lincoln County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lincoln County has no investment policy that would further limit its investment choices. As of June 30, 2005, Lincoln County's investment in the State Treasurer's Investment Pool was unrated.

**B. Notes Receivable (excluding Lincoln County Health System and the Lincoln County Board of Public Utilities, Enterprise Funds)**

The General Fund had an intergovernmental note receivable totaling \$140,000 on June 30, 2005. This receivable resulted from idle county funds being used to finance school construction for the Lincoln County School Department. The note receivable in the General Fund represents a long-term loan and is offset by a reservation of fund balance.

The General Debt Service Fund had intergovernmental notes receivable totaling \$64,165 on June 30, 2005. These receivables resulted from idle county funds being used to finance water tower construction and renovations for the Lincoln County Board of Public Utilities (enterprise fund). Notes receivable in the General Debt Service Fund represent long-term loans and are offset by a reservation of fund balance.

Notes receivable totaling \$131,333 in the Constitutional Officers - Agency Fund resulted from the sale of property related to an estate settlement in Chancery Court.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

## Primary Government

### **Governmental Activities**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 244,675	\$ 8,189,574	\$ 0	\$ 8,434,249
Total Capital Assets Not Depreciated	\$ 244,675	\$ 8,189,574	\$ 0	\$ 8,434,249
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,158,958	\$ 16,730	\$ 0	\$ 8,175,688
Infrastructure	8,536,678	11,635,135	(3,583)	20,168,230
Other Capital Assets	4,768,654	661,068	(169,001)	5,260,721
Total Capital Assets Depreciated	\$ 21,464,290	\$ 12,312,933	\$ (172,584)	\$ 33,604,639
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,787,736	\$ 321,627	\$ 0	\$ 4,109,363
Infrastructure	3,779,312	5,648,865	(3,583)	9,424,594
Other Capital Assets	2,610,441	378,361	(163,238)	2,825,564
Total Accumulated Depreciation	\$ 10,177,489	\$ 6,348,853	\$ (166,821)	\$ 16,359,521
Total Capital Assets Depreciated, Net	\$ 11,286,801	\$ 5,964,080	\$ (5,763)	\$ 17,245,118
Governmental Activities Capital Assets, Net	\$ 11,531,476	\$ 14,153,654	\$ (5,763)	\$ 25,679,367

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

#### Governmental Activities:

General Government	\$ 58,657
Finance	537
Administration of Justice	5,606
Public Safety	390,409
Public Health and Welfare	83,689
Agriculture & Natural Resources	19,377
Highways/Public Works	1,091,949
Total Depreciation Expense - Governmental Activities	\$ 1,650,224

Discretely Presented Lincoln County School Department

**Governmental Activities:**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated				
Land	\$ 835,690	\$ 0	\$ 0	\$ 835,690
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 835,690</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 835,690</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 39,178,296	\$ 27,500	\$ 0	\$ 39,205,796
Other Capital Assets	3,382,485	316,019	(73,930)	3,624,574
<b>Total Capital Assets Depreciated</b>	<b>\$ 42,560,781</b>	<b>\$ 343,519</b>	<b>\$ (73,930)</b>	<b>\$ 42,830,370</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 11,340,851	\$ 1,184,918	\$ 0	\$ 12,525,769
Other Capital Assets	1,548,593	262,412	(72,452)	1,738,553
<b>Total Accumulated Depreciation</b>	<b>\$ 12,889,444</b>	<b>\$ 1,447,330</b>	<b>\$ (72,452)</b>	<b>\$ 14,264,322</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 29,671,337</b>	<b>\$ (1,103,811)</b>	<b>\$ (1,478)</b>	<b>\$ 28,566,048</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 30,507,027</b>	<b>\$ (1,103,811)</b>	<b>\$ (1,478)</b>	<b>\$ 29,401,738</b>

Depreciation expense totaling \$1,447,330 was charged to the discretely presented Lincoln County School Department's Support Services (\$263,069) and Operation of Noninstructional Services (\$1,184,261) functions.

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

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 16,570
General	Agency	424
General	Board of Public Utilities	1,402
Highway/Public Works	General	6,163
General Debt Service	Board of Public Utilities	81,875
Nonmajor governmental	General	59
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	1,292

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

The receivable in the General Purpose School Fund (\$1,292) was in transit at June 30, 2005.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In		
	General Fund	General Debt Service Fund	Highway/Public Works Fund
Other Special Revenue Fund	\$ 47,297	\$ 0	\$ 42,000
Nonmajor governmental funds	0	135,200	0
<b>Total</b>	<b>\$ 47,297</b>	<b>\$ 135,200</b>	<b>\$ 42,000</b>

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.

**E. Long-term Debt**

Primary Government (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds)

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. 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 20 years for bonds, up to 12 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, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	5.68 %	\$ 15,775,000	\$ 700,000
General Obligation Bonds - Refunding	3.9 to 5.25	23,070,000	18,255,000
Capital Outlay Notes	4.2 to 5.2	1,200,000	370,000
Other Loans	variable	5,025,125	4,506,388

In a prior year, Lincoln County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$5,025,125 to Lincoln County for school construction. The loan is repayable at an interest rate that is a tax exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.39 percent, and other fees amounted to approximately .15 percent (letter of credit fee), .08 percent (remarketing fee), and \$100 per month (trustee fee) of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 1,165,000	\$ 913,377	\$ 115,000	\$ 19,425
2007	1,300,000	862,276	120,000	13,388
2008	1,490,000	803,862	135,000	7,088
2009	1,570,000	743,397	0	0
2010	1,240,000	678,577	0	0
2011-2015	4,640,000	2,777,730	0	0
2016-2020	7,050,000	1,174,688	0	0
2021	500,000	26,250	0	0
<b>Total</b>	<b>\$ 18,955,000</b>	<b>\$ 7,980,157</b>	<b>\$ 370,000</b>	<b>\$ 39,901</b>

Year Ending June 30	Other Loans (\$5,025,125)			Total
	Principal	Interest	Other Fees	
2006	\$ 190,485	\$ 107,703	\$ 11,565	\$ 309,753
2007	200,009	103,150	11,127	314,286
2008	210,009	98,370	10,667	319,046
2009	220,510	93,351	10,184	324,045
2010	231,535	88,080	9,676	329,291
2011-2015	1,343,348	351,651	39,841	1,734,840
2016-2020	1,714,488	174,246	22,767	1,911,501
2021	396,004	9,464	2,111	407,579
<b>Total</b>	<b>\$ 4,506,388</b>	<b>\$ 1,026,015</b>	<b>\$ 117,938</b>	<b>\$ 5,650,341</b>

There is \$2,154,550 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$605, based on the 2000 federal census. Total debt per capita, including bonds, other loans, and notes, amounted to \$765, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Lincoln County Health System and the Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2004	\$ 20,045,000	\$ 490,326	\$ 4,687,802
Deductions	(1,090,000)	(120,326)	(181,414)
Balance, June 30, 2005	<u>\$ 18,955,000</u>	<u>\$ 370,000</u>	<u>\$ 4,506,388</u>
Balance Due Within One Year	<u>\$ 1,165,000</u>	<u>\$ 115,000</u>	<u>\$ 190,485</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 105,332	\$ 299,439
Additions	88,144	0
Deductions	(81,477)	(6,164)
Balance, June 30, 2005	<u>\$ 111,999</u>	<u>\$ 293,275</u>
Balance Due Within One Year	<u>\$ 5,600</u>	<u>\$ 8,000</u>

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

#### Discretely Presented Lincoln County School Department

##### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lincoln County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:	Notes	Compensated Absences	Claims and Judgments
Balance, July 1, 2004	\$ 210,000	\$ 21,478	\$ 0
Additions	0	27,463	106,371
Deductions	(70,000)	(19,174)	0
Balance, June 30, 2005	<u>\$ 140,000</u>	<u>\$ 29,767</u>	<u>\$ 106,371</u>
Balance Due Within One Year	<u>\$ 70,000</u>	<u>\$ 29,767</u>	<u>\$ 106,371</u>

Compensated absences payable will be paid from the employing funds, primarily the General Purpose School and School Federal Projects Funds. Claims and judgments were paid from the General Purpose School Fund in August 2005.

The annual requirements to amortize the note outstanding as of June 30, 2005, were as follows:

Year Ending June 30	Principal
2006	\$ 70,000
2007	<u>70,000</u>
Total	<u><u>\$ 140,000</u></u>

**F. Short-term Debt**

Lincoln County issued health care revenue anticipation notes in advance of receiving state funding in the Other Special Revenue Fund. These notes were for the purpose of transferring funds from the county to the State of Tennessee Department of Finance and Administration Bureau of TennCare pursuant to a contract related to the county nursing facility authorized by the County Commission.

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Revenue Anticipation Notes	\$ 0	\$ 7,751,471	\$ (7,751,471)	\$ 0

**IV. OTHER INFORMATION**

**A. Risk Management**

The county is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The Lincoln County general government joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by an association of member local governments. Members pay an annual premium to LGWCF for their workers' compensation insurance coverage. The creation of LGWCF provides for it to be self-sustaining through member premiums. LGWCF reinsures through commercial insurance companies for claims exceeding a specified amount for each insured event.

The discretely presented Lincoln County School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

**B. Accounting Change**

During the year, Lincoln County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Event**

Lincoln County approved a resolution to issue a \$1,731,000 Water Revenue and Tax Bond, Series 2005.

**D. Contingent Liabilities**

The county is a defendant in a pending lawsuit seeking \$7,500,000 in damages related to a zoning issue. The county attorney is not able to make a reliable evaluation of the probability of the outcome of this case. However, an unfavorable outcome could have a material effect on the financial statements of Lincoln County.

The county is involved in several other pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**E. Changes in Administration**

Paula Coble, assessor of property, left office on August 31, 2004, and was succeeded by Tammy Moore.

Elizabeth Capshaw, clerk and master, left office on April 30, 2005, and was succeeded by Rebecca Bartlett.

**F. Landfill Closure/Postclosure Care Costs**

The City of Fayetteville and Lincoln County operated a landfill, which was closed in February 1995, as a joint venture for the residents of the county. The City of Fayetteville acts as administrator of the fund, which is reported in the city's financial statements as an agency fund. The remaining closure and postclosure care costs are estimated to be \$586,550 at June 30, 2005. These costs will be shared equally by the City of Fayetteville and Lincoln County.

**G. Joint Ventures**

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing Board of Directors subject to the approval of the city and county. Lincoln County has control over the budget and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$61,366 to the operations of the library during the year ended June 30, 2005.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$11,900 to the operations of the airport during the year ended June 30, 2005.

The City of Fayetteville and Lincoln County operated a landfill as a joint venture until it closed in February 1995. The operation/closure of the landfill is under the oversight of the Joint City/County Solid Waste Committee, which includes eight members, four each appointed by the city and county.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Giles, Franklin, and Lincoln and the municipalities of Tullahoma and Fayetteville for the purpose of developing a solid waste regional plan.

Each participating County Commission or City Council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2005.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$75,000 to the operations of the Industrial Development Board during the year ended June 30, 2005.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall Counties, and various cities within these counties. 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 comprised of the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2005.

Lincoln County does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Fayetteville-Lincoln County Public Library, the Fayetteville-Lincoln County Regional Airport Authority, the Fayetteville-Lincoln County Landfill Fund, the Interlocal Solid Waste Authority, the Industrial Development Board of the City of Fayetteville and Lincoln County, and the Seventeenth Judicial District Drug Task Force can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Fayetteville-Lincoln County Public Library  
400 Division Street  
Fayetteville, TN 37334

Fayetteville-Lincoln County Regional Airport Authority  
37 Airport Road  
Fayetteville, TN 37334

Fayetteville-Lincoln County Landfill Fund  
City of Fayetteville  
P. O. Box 13  
Fayetteville, TN 37334

Interlocal Solid Waste Authority of Giles, Franklin  
& Lincoln Counties, Tennessee  
P. O. Box 807  
Tullahoma, TN 37388

Industrial Development Board of the City of Fayetteville  
and Lincoln County  
P. O. Box 676  
Fayetteville, TN 37334

Office of District Attorney General  
Seventeenth Judicial District Drug Task Force  
P. O. Box 878  
Fayetteville, TN 37334

**H. Retirement Commitments**

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury

Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

Lincoln County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.65 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2005, Lincoln County's annual pension cost of \$489,033 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lincoln County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 13 years.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$489,033	100%	\$0
6-30-04	345,827	100	0
6-30-03	329,855	100	0

**Required Supplementary Information**  
Schedule of Funding Progress for Lincoln County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$21,845	\$21,845	\$0	100%	\$12,739	0%
6-30-01	19,380	19,380	0	100	11,500	0
6-30-99	16,617	16,617	0	100	10,008	0

**SCHOOL TEACHERS**

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Lincoln County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$685,374, \$399,655, and \$390,002, respectively, equal to the required contributions for each year.

### **I. Office of Central Accounting, Budgeting, and Purchasing**

Lincoln County operates under provisions of the County Financial Management System of 1981, which provides for a system of central accounting, budgeting, and purchasing covering all funds of the county. This act provides for the creation of a Finance Department operated under the supervision of the director of finance.

### **J. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Lincoln County. All purchase orders are issued by the Finance Department. Purchases exceeding \$5,000 for the Office of County Mayor and the discretely presented School Department, and \$10,000 for the Office of Highway Superintendent are required to be competitively bid.

## **V. OTHER NOTE – LINCOLN COUNTY HEALTH SYSTEM (ENTERPRISE FUND)**

### **A. Summary of Significant Accounting Policies**

The accounting policies and the reporting requirements of the Lincoln County Health System (health system) conform to generally accepted accounting principles as applicable to governmental health care entities. The health system applies all Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements, and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity – The Lincoln County Health System is owned by Lincoln County, Tennessee, with interest vested in the Lincoln County Board of Commissioners. The health system is not a legal entity separate and apart from the primary government and accordingly, it is blended as an enterprise fund as part of the financial statements of the primary government. The

health system is governed by the Lincoln County Health System Committee (committee) consisting of four members appointed from the Lincoln County Board of Commissioners and a physician appointed from the medical staff of Lincoln Medical Center. Each committee member serves a three-year term.

Principles of Departmental Combination – The health system’s financial statements include the following financial activities also referred to herein as departments: Lincoln Medical Center (medical center), Lincoln Medical Center EMS (ambulance service), Hospital Home Health and Hospice (home health care), Patrick Rehab-Wellness Center (wellness center), and Lincoln and Donalson Care Centers (care centers). All significant interdepartmental transactions have been eliminated.

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 beds. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, and personal care services. The Patrick Rehab-Wellness Center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The Lincoln Care Center and Donalson Care Center provide long-term health care services. They are licensed for 137 intermediate-level and 141 skilled-level care beds. The Donalson Care Center is also licensed for 42 beds for assisted living services.

The medical center’s financial statements include Lincoln Medical Center Auxiliary Gift Shop (auxiliary). The auxiliary is not a separate legal entity and it is subject to financial accountability to the committee. As of and for the year ended June 30, 2005, the auxiliary’s total assets, current assets, and net assets totaled \$89,337. Their excess of revenues over expenses for the year ended 2005 totaled \$15,094. The auxiliary made capital asset contributions totaling \$4,684 to the medical center during 2005.

Basis of Accounting – The health system uses the economic resources measurement focus and the accrual basis of accounting to recognize revenues and expenses. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposits – The health system’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, excluding restricted cash held for patient trust funds. State statutes authorize the

health system to invest in obligations of U.S. Treasury, bank certificates of deposits, state approved repurchase agreements and pooled investment funds, state or local bonds, rated A or higher by a nationally recognized rating service.

Investments – Investments consist of restricted cash by contributors and investments (primarily bank certificates of deposit and money market mutual funds) held for internally designated purposes by the health system, and funds legally restricted for debt service requirements and held by a trustee under an indenture agreement.

Supplies – Supplies are stated at cost (first-in, first-out method) that approximates the lower of cost or market.

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2005.

Contributed capital assets are reported at their estimated fair value at the time of their donation.

Major expenditures for property and those that substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Grants and Contributions – From time to time, the system receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. When both restricted and unrestricted resources are available for use, the health system uses the restricted resources first, then the unrestricted resources as they are needed. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Compensated Absences – The health system's employees earn paid time off (PTO) benefits for vacation, sick, and holiday leave at varying rates depending on years of service. In the event of termination, an eligible employee is paid for accumulated PTO benefits. The estimated amount of PTO payable is accrued when earned and reported as a current liability in the accompanying financial statements.

Deferred Financing Costs – Financing costs incurred for issuance of bonds are amortized over the term of the respective bond issue using the straight-

line method. Amortization expense was \$35,647 for the year ended June 30, 2005.

Charity Care – The health system provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the health system does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Income Taxes – The health system, as an instrumentality of Lincoln County, Tennessee, is exempt from income taxes.

Risk Management – The health system is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. The health system maintains commercial insurance coverage for claims arising from such matters. Settled claims in the past three years have not exceeded insurance coverage. There were no significant reductions in coverage compared to the prior year.

Net Assets – Net assets of the health system are classified in the following components. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the health system, including amounts deposited with trustees as required by revenue bond indentures. Restricted nonexpendable net assets equal the principal portion of permanent endowments of which the health system has none. Unrestricted net assets are remaining net assets that do not meet the definition of the other components.

Operating Revenues and Expenses – The health system's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing patient health care services-the health system's principal activity. Therefore, no additional segment financial information or disclosures are presented.

Patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as years are no longer subject to audit, review, or investigation. Laws governing the third-party programs are extremely complex and subject to interpretation.

As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Other operating revenues include charges for sale of medical and pharmaceutical supplies, medical transcripts, cafeteria sales, educational training services, etc.

Nonexchange revenues, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues.

Operating expenses are all expenses incurred to provide health care services, other than financing costs.

The medical center receives payments on a periodic basis from an endowment fund for the benefit of eligible patients. The endowment fund is legally separate from the medical center and under the control of an independent trustee. Therefore, it is not included in the medical center's financial statements.

**B. Designated Net Assets**

Unrestricted net assets include designated net assets by the health system totaling \$5,871,821 as of June 30, 2005, for specific purposes such as future capital improvements, insurance, and debt service. The designated funds remain under the control of the health system which may at its discretion, later use the funds for other purposes.

**C. Charity Care**

Charges foregone for services and supplies furnished under the health system's charity care policy totaled \$3,053 for the year ended June 30, 2005.

**D. Net Patient Service Revenue**

A summary of the payment arrangements with major third-party payors follows:

Medicare – Medical center inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medical center outpatient services to Medicare beneficiaries are paid based on a prospective payment system based on the patient's ambulatory patient classification group. Geropsych services, ambulance services, and rehab services related to Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

Care center skilled nursing care services and home health care services to Medicare beneficiaries are paid based on prospective payment arrangements.

Care center Medicare payments are based on a blend of the care center's specific cost and a regional prospective payment rate. The rate varies according to a patient classification system that is based on patient clinical, diagnostic, and other factors. Home health care payments for services to Medicare beneficiaries are based on the patient's resource group classification for patient clinical, functional, and service level factors.

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2004.

Medicaid – The Medicaid program for acute care services was replaced by a waiver program, TennCare, as approved by the Health Care Financing Administration (HCFA) in 1994. Services to TennCare program beneficiaries are based on contracts with various managed care organizations under contract with the State of Tennessee TennCare program. Payments for medical center inpatient services are paid based either upon a prospective per diem rate or per discharge rate. Payments for hospital outpatient, ambulance, wellness center, and home health care services are paid based upon a percentage of charges or per diem.

Care center services rendered to Medicaid program beneficiaries are reimbursed at per diem rates determined by the State of Tennessee Comptroller's Office. The rates for both intermediate care (level I) and skilled care (level II) program beneficiaries are paid on a prospective per diem basis subject to a statewide ceiling for each rate.

Others – The medical center, ambulance service, and wellness center have entered into payment agreements with certain commercial insurance carriers and managed care health plans. The basis for reimbursement under these agreements includes discounts from established charges and per diem payments.

For the year ended June 30, 2005, the medical center received \$6,188 for patient care from an endowment fund that is included in net patient service revenue.

**E. Deposits and Investments**

The health system's carrying amount of deposits was \$4,117,792 and the bank balance was \$4,202,085 as of June 30, 2005. The health system's carrying amount for restricted cash and investments, excluding amount held under indenture agreement, was \$5,986,365 and the bank balance was \$5,921,669 as of June 30, 2005. The bank balances are either insured or collateralized by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool and are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the Series 1998 bonds. The reserve fund consists of U.S. Treasury obligations that mature December 31, 2005, at 1.875 percent fixed rate of interest.

The health system currently has no formal policy addressing interest rate or custodial credit risks.

Restricted investments are held as follows as of June 30, 2005:

Internally designated for capital improvements, insurance and debt service	\$ 5,871,821
Restricted by contributors	81,386
Held under an indenture agreement	1,157,748
Held under patient trust fund arrangements - cash	33,158
Less amounts reclassified to meet current liabilities	<u>(33,158)</u>
Total	<u>\$ 7,110,955</u>

**F. Notes Receivable Arrangements**

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash payment or continuation of the physicians' medical practices for a certain period based upon the terms of these arrangements. Net advances to physicians totaled \$309,084 for the year ended June 30, 2005. The health system provided provisions for continuation of the medical practices under these arrangements totaling \$730,307 for 2005. As of June 30, 2005, net advances totaling \$1,005,855 were due under these arrangements.

**G. Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

	7-1-04	Additions	Retirements	6-30-05
Land	\$ 773,754	\$ 0	\$ 0	\$ 773,754
Ground Improvements	2,133,558	28,309	0	2,161,867
Buildings and Improvements	25,614,190	39,695	(19,654)	25,634,231
Equipment	10,773,960	797,101	(171,830)	11,399,231
Totals at Historical Costs	\$ 39,295,462	\$ 865,105	\$ (191,484)	\$ 39,969,083
Less Accumulated Depreciation For:				
Ground Improvements	(232,559)	(71,804)	0	(304,363)
Buildings and Improvements	(6,316,107)	(986,795)	19,654	(7,283,248)
Equipment	(5,692,623)	(1,070,976)	164,755	(6,598,844)
Total Accumulated Depreciation	\$ (12,241,289)	\$ (2,129,575)	\$ 184,409	\$ (14,186,455)
Capital Assets, Net	\$ 27,054,173	\$ (1,264,470)	\$ (7,075)	\$ 25,782,628

The general depreciation rates based on the useful lives for depreciable capital assets is five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment. Depreciation expense for the year ended June 30, 2005, totaled \$2,129,575.

## H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2005:

	7-1-04	Additions	Reductions	6-30-05	Due Within One Year
Series 1998, due in installments of \$175,000 to \$1,070,000 through May 2028, interest rates ranging from 5% to 5.3%	\$ 14,835,000	\$ 0	\$ (6,800,000)	\$ 8,035,000	\$ 180,000
Series 1999, Adjustable Rate Pooled Financing Revenue Bonds, final installment of \$276,030 due May 2006, at adjustable interest rates (currently 2.39%), subject to fixed rate conversion	426,030	0	(150,000)	276,030	276,030
Series 2001, due in installments of \$120,000 to \$275,000 through May 2021, at interest rates ranging from 3.95% to 5.125%	3,005,000	0	(260,000)	2,745,000	275,000

	7-1-04	Additions	Reductions	6-30-05	Due Within One Year
Series 2002, Adjustable Rate Pooled Financing Revenue Bonds, due in installments of \$10,000 to \$102,000 through May 2009, at adjustable interest rates (currently 2.39%) subject to fixed rate conversion	\$ 389,000	\$ 0	\$ (88,000)	\$ 301,000	\$ 92,000
Series 2004, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$35,000 to \$800,000 through May 2023, at an interest rate of 3.875%	0	7,115,000	0	7,115,000	35,000
Total long-term debt	\$ 18,655,030	\$ 7,115,000	\$ (7,298,000)	\$ 18,472,030	\$ 858,030
Less current maturities of long-term debt	(673,000)			(858,030)	
Less Series 2004 deferred refunding costs	0			(316,501)	
Add unamortized bond premium	53,750			48,008	
Total noncurrent liabilities	\$ 18,035,780			\$ 17,345,507	

The unamortized bond premium is being amortized over the life of the related indebtedness using a method that approximates the interest method.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2005, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 858,030	\$ 834,378
2007	622,000	804,314
2008	657,000	777,629
2009	590,000	748,992
2010	605,000	721,202
2011-2015	3,470,000	3,144,323
2016-2020	4,290,000	2,333,932
2021-2025	4,330,000	1,428,346
2026-2028	3,050,000	328,865
Total	\$ 18,472,030	\$ 11,121,981

Series 1998 – The Series 1998 Hospital Facility Lease Revenue and Tax Bonds were issued in the total amount of \$15,000,000 to construct and purchase equipment for the new medical center built in 2001. The bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 1998 bond agreement contains various covenants, including the establishment of a Debt Service Reserve Fund for repayment of the bonds and maintenance of a certain debt service coverage ratio. For the year ended June 30, 2005, the medical center complied with the restrictive covenants, including the required debt service covenant ratio.

The bonds maturing May 1, 2005, through May 1, 2013, are not subject to optional redemption. The bonds maturing on or after May 1, 2014, are subject to redemption prior to their maturity at any time on or after May 1, 2008, at a price of par plus accrued interest to the redemption date. The bonds maturing May 1, 2019, and May 1, 2028, are subject to mandatory sinking fund redemption on May 1 of the years during this period and at a redemption price equal to 100 percent of the principal amount of the Series 1998 bonds being redeemed, plus accrued interest. See Series 2004 bonds below for description of the Series 1998 bonds advance refunded in August 2004.

Series 1999 and Series 2002 – The Medical Center Series 1999 and 2002 bonds were issued by the Tennessee County Loan Pool Program as Adjustable Rate Pooled Financing Revenue Bonds. The medical center borrowed \$876,030 and \$550,000, respectively, under each of the pool loan programs. The bonds were issued to construct and purchase equipment for the medical center, ambulance service, and laundry facility. Principal repayment requirements are set based upon the total for each pool loan program. Interest requirements for the adjustable rate bonds are calculated using the interest rate effective as of the end of the current year. The interest rate is reset monthly based upon a formula in the loan agreements. The adjustable rate included in the current interest requirements is 2.39 percent. The bonds are the general obligation of Lincoln County, Tennessee; however, the medical center has agreed to fund all future bonds principal and interest requirements as they come due.

Series 2001 – The Series 2001 General Obligation Refunding and Public Improvement Bonds were issued in the total amount of \$4,060,000 to purchase furniture and equipment for the medical center and to refund \$1,010,000 of existing wellness center and care centers' debt. The bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2005, through May 1, 2011, will mature without the option of prior redemption. Bonds maturing May 1, 2012, and thereafter shall be subject to redemption prior to maturity at the option of the county on or after May 1, 2011, at the price of par plus accrued interest to the redemption date. The bonds maturing May 1, 2018, and May 1, 2021, are subject to redemption at a price of par plus interest accrued to the redemption date.

Series 2004 – On August 1, 2004, the Industrial Development Board of the City of Fayetteville and Lincoln County, Tennessee issued \$7,115,000 Series 2004 Hospital Facility Lease Revenue and Tax Refunding Bonds to advance refund \$6,625,000 of the Series 1998 bonds. The net proceeds of \$6,957,694 (after payment of \$156,395 in underwriting fees, insurance, and other issuance costs) plus an additional \$149,851 of Series 1998 sinking fund monies were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1998 refunded bonds. As a result, the Series 1998 refunded bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$332,694. This difference is being netted against the new debt and amortized through the year 2023. This advance refunding was undertaken to reduce its total debt service payments over the next 18 years by \$662,966 and to obtain an economic gain of \$462,935. The actual savings and economic gain may vary due to fluctuations in the interest rate.

The Series 2004 bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2006, through May 1, 2013, are not subject to redemption prior to maturity. The bonds maturing May 1, 2014, and thereafter are subject to redemption on or after May 1, 2013, and thereafter, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date. The Series 2004 bond agreement contains various covenants, including the maintenance of a certain debt service coverage ratio. For the year ended June 30, 2005, the Medical Center complied with the debt service coverage ratio.

## **I. Pension Plan**

### Medical Center, Ambulance Service, Home Health Care, and Wellness Center

Employees of the medical center, ambulance service, home health care, and wellness center are included in the Lincoln County Courthouse Employees' Pension Plan.

Plan Description – Employees of Lincoln County Courthouse Employees' Plan are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan (plan) administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service, who become disabled and cannot engage in gainful employment. There is no

service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County Courthouse Employees participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy – Lincoln County Courthouse Employees’ Plan requires employees to contribute five percent of earnable compensation.

Plan members are required to contribute at an actuarially determined rate. The current rate is 3.65 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County Courthouse Employees’ Plan is established and may be amended by the TCRS Board of Trustees. The health system contributions for participating departments for the years ended June 30, 2005, 2004, and 2003, were \$247,085, \$182,022, and \$171,000, respectively, equal to the required contributions for each year.

#### Care Centers

The care centers adopted a defined contribution pension plan effective October 1, 2002, under sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. Participants become fully vested after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee’s contribution up to the first three percent of gross pay. Employer contributions under this plan totaled \$30,743 for the year ended June 30, 2005.

**J. Risk Management**

The health system contracts with Blue Cross of Tennessee to provide a self-insured group health insurance plan to eligible employees and their eligible dependents, as defined in the contract. The health system has also purchased reinsurance for claims paid in any one contract year, in excess of \$75,000 per member, which includes employees and their eligible dependents. Claims are paid on a monthly basis by Blue Cross with a settlement at the end of each quarter for the excess or deficit of premiums paid by the health system over or under claims paid by Blue Cross.

Claims expense and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (claims lag).

As of June 30, 2005, and 2004, the health system accrued \$106,843 and \$152,710, respectively, for an estimated claims lag. Changes in the reported liability for 2005 and 2004 resulted from the following:

	<u>2005</u>	<u>2004</u>
Balance, Beginning of Year	\$ 152,710	\$ 118,764
Current-year claims and settlements	1,295,205	1,136,473
Claim payments	<u>(1,341,072)</u>	<u>(1,102,527)</u>
Balance, Ending of Year	<u>\$ 106,843</u>	<u>\$ 152,710</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2005, this internally designated cash, including interest earned, totaled \$153,578.

**K. Concentrations of Credit Risk**

The health system grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2005:

Medicare	29 %
Medicaid	25
Other third-party payors	22
Patients	<u>24</u>
Total	<u>100 %</u>

**L. Management Agreement**

The health system has an agreement with Quorum Health Resources, LLC, (Quorum) to provide management services and certain key personnel for a five-year period ending June 30, 2010. Management fees are subject to annual adjustment by an inflation factor as defined in the agreement. Management fees paid for 2005 were \$431,932. Total payments to Quorum for 2005 were \$556,727, which includes reimbursement for travel, dues, and key personnel who provide services to the health system.

**M. Contingencies and Commitments**

The health system is involved in litigation arising in the ordinary course of business. The ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the health system's financial position or results of operations.

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The health system leases various equipment and property under operating leases that can be cancelled under terms less than one year with the exception of one land lease that expires in 2008. The following is a schedule by year of future minimum lease payments under this operating lease as of June 30, 2005:

Year Ending June 30	Amount
2006	\$ 15,000
2007	15,000
2008	<u>6,250</u>
Total	<u>\$ 36,250</u>

Rental expense under all operating leases for 2005 totaled \$181,257.

The health system leases office space in its medical office building to physicians primarily under five-year lease terms. The following is a schedule by year of future minimum rentals under noncancelable leases that expire under existing terms through 2009:

Year Ending June 30	Amount
2006	\$ 262,818
2007	19,781
2008	20,174
2009	<u>18,831</u>
Total	<u>\$ 321,604</u>

Rental income received for 2005 totaled \$385,705. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment as follows:

Cost	\$ 3,210,611
Accumulated depreciation	<u>(333,164)</u>
Net book value	<u>\$ 2,877,447</u>

**N. Lincoln County Health System Foundation**

The Lincoln County Health System Foundation (foundation) is a legally separate, tax-exempt supporting organization to the system. The foundation was established to promote and develop the availability of health care of the health system, obtain funds for charitable, medical, scientific, educational, and research aid of the health system and promote the general health of the public through education and training programs. Financial support includes donations from individuals and businesses, fundraising programs, and member dues. The foundation's board consists of not fewer than 12 members with at least six members elected from the health system. The system does not control the timing or amount of receipts from the foundation.

A summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows. The health system's interest in the net assets of the foundation is reported as a non-current asset in the accompanying balance sheet.

Assets, cash and cash equivalents	\$ 103,560
Liabilities	<u>\$ 0</u>
Unrestricted net assets	<u>\$ 103,560</u>
Support and revenue	\$ 78,270
Expenses	(3,373)
Excess of support and revenue over expenses	<u>\$ 74,897</u>
Unrestricted net assets, July 1, 2004	<u>28,663</u>
Unrestricted net assets, June 30, 2005	<u>\$ 103,560</u>

**VI. OTHER NOTE – LINCOLN COUNTY BOARD OF PUBLIC UTILITIES (ENTERPRISE FUND)**

**A. Summary of Significant Accounting Policies**

Organization and Reporting Entity – The Lincoln County Board of Public Utilities is an enterprise fund established under Section 5-16-101, Tennessee Code Annotated, by Lincoln County, Tennessee. The board sells drinking water to residents of Lincoln County and has an ongoing program to expand its distribution system in an effort to provide public water to residents of the county not served by municipal systems. The board is operated by a five-member board of commissioners appointed by the Lincoln County Commission. The Board of Commissioners employs a superintendent who is responsible for day to day operations of the water system, including hiring its other employees. The board is responsible for generating its own revenue and servicing its debt. The board has the authority to acquire assets in the name of Lincoln County. The Lincoln County Commission has the authority to approve or reject budgets presented by the board and to approve bonds issued by the board. Some bonds issued for the board are secured by a pledge of the taxing authority of Lincoln County.

Basis of Accounting – The board is classified as a proprietary fund by the Government Accounting Standards Board (GASB) and is accounted for using a total economic resources measurement focus. The board is intended to be operated in a manner whereby the costs of providing water distribution services and system expansion are recovered through user charges. The financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred. As allowed by Governmental Accounting Standards Board Statement No. 20, the board has elected to not follow pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

The principal operating revenues of the board are charges to customers for water sales and related services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of utility plant

assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Water Plant and Equipment, Depreciation, and Maintenance – Water plant and equipment is depreciated on the group straight-line basis over its estimated useful life. Under the group depreciation method, gains and losses on asset dispositions are applied against accumulated depreciation and are not reflected as gains or losses in the statement of revenues, expenses, and changes in net assets. Plant assets and buildings are depreciated over 25-50 years, while vehicles and equipment are depreciated over 6-10 years. Repairs and maintenance are expensed as incurred. Extensions and betterments are capitalized at cost, which includes payroll and related benefits, materials, and equipment costs related to plant construction. Contributed lines are capitalized at estimated current cost of construction. The board capitalizes equipment additions with a cost in excess of \$500.

Materials and Supplies Inventory – Inventory consists of repair and maintenance supplies and extension materials and is stated at the lower of first-in - first-out, cost or market.

Contributions in Aid of Construction – Connection fees charged customers in excess of the actual cost of installation of new services are reflected as nonoperating revenues in the period of new service installation. Amounts contributed related to new line construction are reflected as capital contributions in the period of construction.

Revenues – Revenues from water sales are recognized based on meter reading dates. No asset is recorded for water delivered between the last meter reading in the period and the end of the period.

Construction Period Interest – Interest on construction financing directly related to plant construction, net of interest earned on temporary investment of financing proceeds, is capitalized until such plant is substantially complete and placed into service. Interest capitalized in the year ending June 30, 2005, was \$17,800.

Unamortized Debt Premium and Issuance Expenses – Debt premiums and issuance expenses of outstanding bonds are amortized over the remaining terms of the applicable debt issues using the bonds outstanding method, which approximates the interest method. Unamortized debt premiums are presented in the financial statements as an addition to the carrying cost of the related long-term debt. The unamortized debt issuance costs are presented as other assets.

Allowance for doubtful accounts – The board charges doubtful accounts arising from water sales receivable to bad debts when it is probable that the account will be uncollectible. Bad debts offset against water sales revenues in 2005 were \$15,041.

Budgets – State law requires the board to adopt a budget for submission to the Lincoln County Board of Commissioners prior to the start of each fiscal year. The board adopts its budget considering all cash receipts and disbursements.

Compensated Employee Absences – Employees accrue 12 days sick leave each year with no accumulation limit. Sick leave does not vest, and accordingly, employees can be paid sick leave only when sick. Since the employees' accumulating rights to receive compensation for future illnesses are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements. Employees accrue vacation leave in varying amounts based on years of service. In the event of termination, an employee is reimbursed for any unused accumulated leave. Vacation leave is used or lost if not taken by each employee's employment anniversary date. The amount of accrued leave was \$10,900 at June 30, 2005, all of which was considered a current liability.

Cash Flows – For purposes of the statement of cash flows, the board considers all checking, savings, and investment accounts with original maturities of three months or less to be cash or cash equivalents.

**B. Net Assets**

Net assets are classified as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of 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.
- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted net assets – This component of net assets consists of assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

**C. Bonds Payable**

In the year ended June 30, 2005, interim financing of \$549,032 was used to fund the Phase III waterline project. On September 22, 2005, this interim

financing and related accrued interest was converted to permanent financing through the issuance of the \$1,379,000 2004 Revenue and Tax Bonds. The permanent bonds require 456 monthly payments of \$6,109 with interest of 4.25 percent.

The board had the following bonds and notes outstanding at June 30, 2005:

Waterworks Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual installments of \$21,384 at 4.75%	\$ 366,579
Water Revenue and Tax Refunding Bonds, Series 2002, issued November 1, 2002, with a face value of \$2,590,000, due in annual installments of \$330,000 to \$410,000 through 2010 with interest rates of 3.5% to 4%	1,928,800
Waterworks Revenue Bond, Series 2001, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	1,078,637
Waterworks Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	705,922
Waterworks Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	2,736,813
Lincoln County Capital Outlay Note, renewed June 2004, resulting in annual principal installments of \$64,167 through 2007 at an interest rate of 5%	128,334
Lincoln County Capital Outlay Note 2000, renewed in April 2003, resulting in annual principal installments of \$8,333 through 2006 at an interest rate of 5%	8,333
Lincoln County Capital Outlay Note 1999, renewed in August 2002, resulting in annual principal installments of \$9,416 through 2006 at an interest rate of 5%	9,416
TAUD Loan Program Interim Financing, bearing interest at the rate of 3.8%	<u>549,032</u>
Total	<u><u>\$ 7,511,866</u></u>

Changes in principal balances during the year ended June 30, 2005, are summarized as follows:

Beginning balance	\$ 7,492,060
Principal paid	(519,226)
Interim financing issued	549,032
Amortization of bond premium	<u>(10,000)</u>
Total	<u><u>\$ 7,511,866</u></u>

Selected principal and interest payments on permanent bonds and notes outstanding at June 30, 2005, are summarized as follows:

Fiscal Year	Payable Monthly To USDA	Bonds Payable Annually	Notes To Lincoln County	Total Principal
2006	\$ 68,797	\$ 373,400	\$ 81,916	\$ 524,113
2007	72,138	386,700	64,167	523,005
2008	75,021	399,900	0	474,921
2009	79,281	417,900	0	497,181
2010	83,129	350,900	0	434,029
2011-15	479,610	0	0	479,610
2016-20	607,551	0	0	607,551
2021-25	770,916	0	0	770,916
2026-30	977,509	0	0	977,509
2031-35	1,239,583	0	0	1,239,583
2036-40	422,786	0	0	422,786
2041	11,630	0	0	11,630
Total	\$ 4,887,951	\$ 1,928,800	\$ 146,083	\$ 6,962,834

Fiscal Year	Total Interest	Debt Service Total
2006	\$ 308,904	\$ 833,017
2007	288,691	811,696
2008	269,299	744,220
2009	250,226	747,407
2010	229,779	663,808
2011-15	1,014,930	1,494,540
2016-20	886,989	1,494,540
2021-25	723,624	1,494,540
2026-30	517,031	1,494,540
2031-35	254,957	1,494,540
2036-40	42,751	465,537
2041	175	11,805
Total	\$ 4,787,356	\$ 11,750,190

#### D. Capital Leases

In December 2001, the board purchased construction equipment for \$47,935, financing \$37,935 through a capital lease. The leased equipment has been capitalized and depreciated along with the board's other equipment. The

lease bears interest at the rate of 4.9 percent and requires 60 monthly payments of \$725. Scheduled future payments on the lease are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 7,625	\$ 348	\$ 7,973
2007	3,579	45	3,624
Total	<u>\$ 11,204</u>	<u>\$ 393</u>	<u>\$ 11,597</u>

**E. Capital Assets**

Major classes of utility plant are as follows:

	<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance 6-30-05</u>
Non-depreciable:				
Land	\$ 262,887	\$ 0	\$ 0	\$ 262,887
Construction in progress	58,854	909,099	0	967,953
Total Non-depreciable assets	<u>\$ 321,741</u>	<u>\$ 909,099</u>	<u>\$ 0</u>	<u>\$ 1,230,840</u>
Depreciable:				
Distribution lines and tanks	\$ 19,029,247	\$ 507,349	\$ (98,500)	\$ 19,438,096
Wells and treatment plant	3,653,257	0	0	3,653,257
Buildings and equipment	2,009,030	144,375	(74,505)	2,078,900
Total depreciable assets	<u>\$ 24,691,534</u>	<u>\$ 651,724</u>	<u>\$ (173,005)</u>	<u>\$ 25,170,253</u>
Total Capital Assets	<u>\$ 25,013,275</u>	<u>\$ 1,560,823</u>	<u>\$ (173,005)</u>	<u>\$ 26,401,093</u>

Accumulated depreciation of major classes of utility plant is as follows:

	<u>Balance 7-1-04</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance 6-30-05</u>
Distribution and tanks	\$ 5,942,490	\$ 492,350	\$ 51,500	\$ 6,486,340
Wells and treatment plant	543,120	86,120	0	629,240
Buildings and equipment	1,358,115	80,970	(64,281)	1,374,804
Total depreciation	<u>\$ 7,843,725</u>	<u>\$ 659,440</u>	<u>\$ (12,781)</u>	<u>\$ 8,490,384</u>

**F. Restricted Assets**

Cash and certificates of deposits are held under terms of bond indentures in sinking fund reserve funds which are to be accumulated up to the maximum annual debt service and used for bond payments in the event funds are not

otherwise available. Amounts previously held in the principal and interest sinking fund are not required under existing bond covenants. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits. Balances in the restricted funds at June 30, 2005, were:

Sinking fund reserve fund - 1996 Bond	\$ 136,206
Sinking fund reserve fund - 1998 Bond	23,160
Sinking fund reserve fund - 2001 Bond	22,326
Sinking fund reserve fund - 2002 Bond	4,811
Sinking fund reserve fund - Refunding Bond	445,600
Customer deposits	<u>16,482</u>
 Total	 <u><u>\$ 648,585</u></u>

**G. Deposits and Investments**

The board has implemented Governmental Accounting Standards Board Statement 40, Deposit and Investment Risk Disclosures, which established and modified the disclosure requirements for deposits and investments.

State law and bond covenants in general restrict the board's investments to either United States Treasury or agency obligations or to certificates of deposit insured or collateralized by direct United States Treasury obligations. In 2005, the board invested only in certificates of deposit with maturities of one year or less, which are carried at cost.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned to it. The laws of the State of Tennessee require that collateral be pledged at 105 percent of the value of uninsured deposits. The board does not have a policy regarding custodial credit risks. Collateral requirements are not applicable for banks that participate in the state's collateral pool. The board's deposits were primarily at banks that participate in the state collateral pool; however, at June 30, 2005, \$18,649 of the board's bank balances of \$1,611,107 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the board's name. The amount of bank balances in this category ranged up to \$156,425 during the year ended June 30, 2005.

**H. Pension Plan**

Effective October 1, 2001, the board's employees became members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members

become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55.

Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after five years of service.

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County Board of Public Utilities participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy – Lincoln County Board of Public Utilities requires employees to contribute five percent of earnable compensation. Lincoln County Board of Public Utilities is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2005, was 9.55 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County Board of Public Utilities is established and may be amended by the TCRS Board of Trustees.

Annual Pension Costs – For the year ending June 30, 2005, Lincoln County Board of Public Utilities' annual pension cost of \$81,002 to TCRS was equal to Lincoln County Board of Public Utilities' required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.755 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increases in the Social Security wage base, the remaining amortization period at July 1, 2003, was 18 years, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. Lincoln County Board of Public

Utilities' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$ 81,002	100%	\$ 0
6-30-04	40,927	100	0
6-30-03	35,239	100	0

Changes in Actuarial Assumptions – An actuarial valuation was performed as of July 1, 2003, which established contribution rates effective July 1, 2004. Contribution rates increased from 5.22 percent to 9.55 percent resulting in an increase in annual pension cost of approximately \$40,000 per year. The required contribution was determined using the frozen entry age actuarial cost method. Significant actuarial assumptions previously used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually.

**I. Water Sources**

The board's primary sources of water are the Taft and Flintville well fields with additional sources being the Elora well field and the City of Fayetteville. The City of Fayetteville is the sole supplier of water to nine percent of the board's customers and is the primary back-up source of water for the remaining customers.

**J. Risk Management and Liability**

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2005, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$2,000 per covered incident effective October 1, 2002. Employees are responsible for the first \$250 of covered claims, with commercial insurance

responsible for amounts over \$2,000. The plan liability at year end is determined based on subsequent payments. The changes in the liability for medical benefits for the year ended June 30, 2005, is as follows:

Balance, June 30, 2004	\$ 3,102
Payments made	(14,106)
Incurred claims	<u>14,030</u>
Balance, June 30, 2005	<u><u>\$ 3,026</u></u>

The board continues to carry commercial insurance for other risks of loss, including employee bonds and employee health and accident losses above the \$2,000 levels. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**K. Asset Sale and Related Loan Receivable**

On July 27, 2004, the board sold certain of its water lines located in Moore County, Tennessee to Metropolitan Lynchburg/Moore County for \$150,000 with \$25,000 paid at closing and \$125,000 to be paid over six years with interest accruing at four percent. The sale included the transfer of approximately 57 customers. The water lines are a part of the lines acquired through the 1992 merger with the Mulberry Utility District and had an original cost estimated at \$98,500. Amounts due under the loan are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 20,833	\$ 5,000	\$ 25,833
2007	20,833	4,167	25,000
2008	20,833	3,333	24,166
2009	20,833	2,500	23,333
2010	20,833	1,667	22,500
2011	<u>20,835</u>	<u>833</u>	<u>21,668</u>
Total	<u><u>\$ 125,000</u></u>	<u><u>\$ 17,500</u></u>	<u><u>\$ 142,500</u></u>

**L. Current and Planned Projects**

In the year ended June 30, 2005, various line extensions were constructed primarily by board employees at a total cost of approximately \$460,000.

The board had expended \$863,668 on the Phase III project which will consist of a new Kirkland storage tank and expansion of the Taft treatment plant. The total project cost of \$1,879,000 will be funded with a Rural Utilities Service grant of \$500,000 and loan of \$1,379,000. The project construction is expected to be completed in the 2005-2006 fiscal year.

The board has requested loan and grant approval for the Phase IV project. The project includes line extensions in the Crystal Ridge and Highway 129 areas, a new storage tank on the Boonshill-Petersburg Road, and various line upgrades. The project budget of \$2,233,000 has been proposed to be funded by a Rural Utilities Service's loan of \$1,731,000 and grant funds of \$502,000. The project is expected to be completed in the 2006-2007 fiscal year.

**VII. OTHER NOTE – DISCRETELY PRESENTED LINCOLN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Accounting Policies**

The accounting policies and the reporting requirements of the Lincoln County Emergency Communications District conform to generally accepted accounting principles as applicable to governmental entities. The district applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity – The Lincoln County Emergency Communications District was organized in 1990 under the Emergency Communications District Law, Tennessee Code Annotated, Title 7, Chapter 86, in the State of Tennessee for the purpose of establishing a uniform emergency number to shorten the time required for a citizen to request and receive emergency aid in Lincoln County, Tennessee.

The district represents a legal entity separate and apart from Lincoln County, Tennessee. The district's financial statements are reported as a discretely presented component unit of the primary government. The district is governed by the Lincoln County Emergency Communications District Board, which consists of four members appointed from the Lincoln County Board of Commissioners, a member from the City of Fayetteville Emergency Services, a member from the Lincoln County Emergency Services, a representative from the United States Postal Service, the chief of police of Fayetteville, Tennessee, and the sheriff of Lincoln County, Tennessee. Each member serves a four-year term. The directors have the authority to do all things necessary to conduct the business of the district including appointing and fixing the salaries, benefits, and duties of employees and hiring experts and consultants. The district is restricted on the type of debt it can incur without the approval of Lincoln County, Tennessee.

Revenue Recognition – The accompanying statements are prepared on the accrual basis utilizing generally accepted accounting principles applicable to Tennessee emergency communications districts. Revenues are recognized when earned (operating revenues as described in Note VII. (B.) are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges

collected by service providers under the Emergency Communications District Law and related fees for services. Unearned revenues, primarily grant contributions, are recorded when resources have been received, but not yet earned or not considered to be available to liquidate liabilities of the current period. Operating expenses include the cost of contractual services, supplies, repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Risk Management – The district is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. Lincoln County, Tennessee, maintains and pays the premiums for commercial insurance coverage for each of these risks of losses for the district.

Insurance settlements have not exceeded the coverage in any of the past three years. There were no reductions in insurance coverage compared to the prior year.

Accounts Receivable – Accounts receivable represent fees collected by certain service providers that are due to the district as of year end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2005, in the opinion of management there was no uncollectible accounts receivable.

Property and Equipment – Property and equipment is stated at cost. Depreciation expense is calculated on the straight-line method. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years, equipment is three to 15 years. Maintenance and repairs are charged to expense as incurred.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no capitalized interest cost on borrowed funds for the year ended June 30, 2005.

Statement of Cash Flows – Cash and Cash Equivalents – For purposes of the statement of cash flows, the district considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Statutes authorize the district to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions.

Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

The district has not adopted formal deposit or investment policies for exposure to various forms of risks associated with its deposit and investment practices, other than to follow state statutes as described above.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**B. Operations**

The district receives operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2 to business customers. These are the maximum charges allowed by the Emergency Communications District Law, and there are no plans to decrease them in the near future. The district has contracted for services to lease and maintain lines and equipment for approximately \$3,800 per month. The actual monthly costs vary depending on the number of users on the system.

The district also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25 percent of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

**C. On-Behalf Payments for Dispatch Services**

The City of Fayetteville and Lincoln County, Tennessee, provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payment for dispatch salaries, benefits, maintenance agreements for certain dispatch equipment, and utilities on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$372,823 for the year ended June 30, 2005. These payments include salaries and benefits totaling \$338,288 and other expenses totaling \$34,535 for the year ended June 30, 2005.

**D. Property and Equipment**

Capital asset activity for the year ended June 30, 2005, was as follows:

	COST		
	Balance 7-1-04	Additions	Balance 6-30-05
Land	\$ 12,000	\$ 0	\$ 12,000
Building	546,202	0	546,202
Communication Equipment	742,094	29,295	771,389
Total	<u>\$ 1,300,296</u>	<u>\$ 29,295</u>	<u>\$ 1,329,591</u>

The related activity for accumulated depreciation for the year ended June 30, 2005, was as follows:

	ACCUMULATED DEPRECIATION		
	Balance 7-1-04	Additions	Balance 6-30-05
Building	\$ 50,068	\$ 13,655	\$ 63,723
Communication Equipment	399,343	69,486	468,829
Total	<u>\$ 449,411</u>	<u>\$ 83,141</u>	<u>\$ 532,552</u>

Depreciation for the year ended June 30, 2005, totaled \$83,141.

**E. Cash**

All the district's deposits were covered by federal depository insurance or by the bank collateral pool administered by the treasurer of the State of Tennessee, as of June 30, 2005.

**F. Long-term Debt**

Long-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Retirements	Balance 6-30-05	Due Within One Year
Capital Outlay Note Series 2000A, due in annual installments of \$30,000 to \$40,000 through December 2011, at interest 4.91%	\$ 275,000	\$ (30,000)	\$ 245,000	\$ 30,000
Capital Outlay Note Series 2002, due in annual installments of \$40,000 through January 2007, at interest ranging from 3.09% to 4.39%	120,000	(40,000)	80,000	40,000
Less Current Maturities	(70,000)	0	(70,000)	0
<b>Total</b>	<b>\$ 325,000</b>	<b>\$ (70,000)</b>	<b>\$ 255,000</b>	<b>\$ 70,000</b>

Under lease-purchase arrangements with the district, Lincoln County, Tennessee, issued general obligation capital outlay notes, Series 2000A and Series 2002 of Lincoln County, Tennessee, in the amount of \$375,000 and \$185,000, to construct the E911 communications center and purchase capital equipment costing approximately \$637,000 and \$255,000, respectively. Accordingly, the related assets and liabilities for these transactions are recognized in the financial statements herein. The Series 2000A maturing December 1, 2005, and thereafter is subject to redemption prior to maturity, at the option of Lincoln County on December 1, 2004, or any date thereafter at par plus accrued interest to the redemption date. The district has agreed to pay the capital outlay notes interest and principal when due from revenues derived from its operations.

Long-term debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest	Total
2006	\$ 70,000	\$ 14,685	\$ 84,685
2007	70,000	11,576	81,576
2008	35,000	8,224	43,224
2009	35,000	6,506	41,506
2010	35,000	2,823	37,823
2011-2012	80,000	5,892	85,892
Total	<u>\$ 325,000</u>	<u>\$ 49,706</u>	<u>\$ 374,706</u>

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit G-1

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,985,978	\$ 0	\$ 0	\$ 3,985,978	\$ 3,708,483	\$ 3,708,483	\$ 277,495
Licenses and Permits	58,879	0	0	58,879	45,000	45,000	13,879
Fines, Forfeitures, and Penalties	163,585	0	0	163,585	145,800	154,800	8,785
Charges for Current Services	38,399	0	0	38,399	32,800	32,800	5,599
Other Local Revenues	393,018	0	0	393,018	206,000	207,136	185,882
Fees Received from County Officials	1,161,392	0	0	1,161,392	1,090,000	1,090,000	71,392
State of Tennessee	1,380,979	0	0	1,380,979	1,219,088	1,364,884	16,095
Federal Government	437,241	0	0	437,241	58,907	813,542	(376,301)
<b>Total Revenues</b>	<b>\$ 7,619,471</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,619,471</b>	<b>\$ 6,506,078</b>	<b>\$ 7,416,645</b>	<b>\$ 202,826</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 109,834	\$ 0	\$ 0	\$ 109,834	\$ 107,575	\$ 112,575	\$ 2,741
County Mayor	134,777	(1,322)	0	133,455	137,288	137,288	3,833
County Attorney	114,352	0	0	114,352	18,235	133,235	18,883
Election Commission	180,512	(4,350)	0	176,162	197,035	197,035	20,873
Register of Deeds	163,280	(2,991)	6,432	166,721	171,257	173,757	7,036
Planning	16,150	0	0	16,150	18,500	18,500	2,350
County Buildings	535,252	(6,080)	1,501	530,673	630,765	623,765	93,092
Preservation of Records	11,310	0	250	11,560	10,305	13,305	1,745
<u>Finance</u>							
Accounting and Budgeting	238,296	(3,268)	224	235,252	229,942	241,942	6,690
Property Assessor's Office	143,610	(2,000)	1,410	143,020	164,614	168,114	25,094
Reappraisal Program	62,027	0	0	62,027	66,700	68,621	6,594
County Trustee's Office	165,844	(12,032)	0	153,812	162,882	162,882	9,070
County Clerk's Office	194,442	0	67	194,509	203,936	203,936	9,427

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 288,225	\$ (374)	\$ 320	\$ 288,171	\$ 298,681	\$ 307,181	\$ 19,010
General Sessions Court	108,108	0	0	108,108	110,230	110,230	2,122
Chancery Court	179,703	(973)	706	179,436	180,507	180,507	1,071
Juvenile Court	104,262	0	0	104,262	94,940	104,440	178
District Attorney General	0	0	0	0	6,600	6,600	6,600
Judicial Commissioners	26,469	0	0	26,469	27,265	27,265	796
<u>Public Safety</u>							
Sheriff's Department	1,290,850	0	304	1,291,154	1,267,270	1,317,202	26,048
Jail	1,385,642	(356)	0	1,385,286	1,341,730	1,453,127	67,841
Fire Prevention and Control	315,535	(300)	145	315,380	99,000	319,092	3,712
Civil Defense	544,712	(282)	112,956	657,386	162,073	726,881	69,495
<u>Public Health and Welfare</u>							
Local Health Center	320,198	0	400	320,598	413,940	413,940	93,342
Maternal and Child Health Services	20,000	0	0	20,000	15,000	20,000	0
Other Local Health Services	7,500	0	0	7,500	7,500	7,500	0
Regional Mental Health Center	3,500	0	0	3,500	3,500	3,500	0
Other Local Welfare Services	7,614	0	0	7,614	7,614	7,614	0
Sanitation Management	53,668	0	0	53,668	53,185	53,685	17
Other Public Health and Welfare	25,500	0	0	25,500	25,500	25,500	0
<u>Social, Cultural and Recreational Services</u>							
Adult Activities	11,250	0	0	11,250	11,250	11,250	0
Libraries	61,366	0	0	61,366	61,366	61,366	0
Parks and Fair Boards	32,000	0	0	32,000	32,000	32,000	0
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	66,772	0	0	66,772	70,366	82,131	15,359
Forest Service	2,000	0	0	2,000	2,000	2,000	0

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture &amp; Natural Resources (Cont.)</u>							
Soil Conservation	\$ 26,779	\$ 0	\$ 0	\$ 26,779	\$ 27,295	\$ 27,295	\$ 516
<u>Other Operations</u>							
Industrial Development	75,000	0	0	75,000	75,000	75,000	0
Other Economic and Community Development	127,740	0	0	127,740	12,460	142,460	14,720
Airport	11,900	0	0	11,900	10,400	11,900	0
Veterans' Services	12,540	0	0	12,540	14,645	14,645	2,105
Contributions to Other Agencies	4,900	0	0	4,900	4,900	4,900	0
Miscellaneous	214,501	0	0	214,501	213,211	223,211	8,710
Total Expenditures	\$ 7,397,920	\$ (34,328)	\$ 124,715	\$ 7,488,307	\$ 6,768,462	\$ 8,027,377	\$ 539,070
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 221,551	\$ 34,328	\$ (124,715)	\$ 131,164	\$ (262,384)	\$ (610,732)	\$ 741,896
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 47,297	\$ 0	\$ 0	\$ 47,297	\$ 85,000	\$ 132,297	\$ (85,000)
Total Other Financing Sources (Uses)	\$ 47,297	\$ 0	\$ 0	\$ 47,297	\$ 85,000	\$ 132,297	\$ (85,000)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2004	\$ 2,301,681	(34,328)	0	2,267,353	2,267,353	2,267,353	0
Fund Balance, June 30, 2005	\$ 2,570,529	\$ 0	\$ (124,715)	\$ 2,445,814	\$ 2,089,969	\$ 1,788,918	\$ 656,896

Exhibit G-2

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Other Special Revenue Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 7,906,471	\$ 0	\$ 7,906,471	\$ 0
Total Revenues	\$ 7,906,471	\$ 0	\$ 7,906,471	\$ 0
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 7,769,547	\$ 0	\$ 7,769,595	\$ 48
Total Expenditures	\$ 7,769,547	\$ 0	\$ 7,769,595	\$ 48
Excess (Deficiency) of Revenues Over Expenditures	\$ 136,924	\$ 0	\$ 136,876	\$ 48
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (89,297)	\$ 0	\$ (89,297)	\$ 0
Total Other Financing Sources (Uses)	\$ (89,297)	\$ 0	\$ (89,297)	\$ 0
Net Change in Fund Balance	\$ 47,627	\$ 0	\$ 47,579	\$ 48
Fund Balance, July 1, 2004	529,515	0	529,514	1
Fund Balance, June 30, 2005	\$ 577,142	\$ 0	\$ 577,093	\$ 49

Exhibit G-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 787,077	\$ 0	\$ 0	\$ 787,077	\$ 728,077	\$ 728,077	\$ 59,000
Charges for Current Services	60	0	0	60	0	0	60
Other Local Revenues	15,533	0	0	15,533	2,500	2,500	13,033
State of Tennessee	2,084,217	0	0	2,084,217	2,141,100	2,141,100	(56,883)
<b>Total Revenues</b>	<b>\$ 2,886,887</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,886,887</b>	<b>\$ 2,871,677</b>	<b>\$ 2,871,677</b>	<b>\$ 15,210</b>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 165,006	\$ 0	\$ 0	\$ 165,006	\$ 164,314	\$ 172,314	\$ 7,308
Highway and Bridge Maintenance	1,982,726	(1,200)	0	1,981,526	1,628,534	2,196,534	215,008
Operation and Maintenance of Equipment	374,715	(15)	3,450	378,150	535,880	535,880	157,730
Quarry Operations	198,737	0	0	198,737	253,426	255,426	56,689
Other Charges	114,680	0	0	114,680	122,400	122,400	7,720
Employee Benefits	81,309	0	0	81,309	74,500	89,500	8,191
Capital Outlay	227,379	0	0	227,379	442,000	484,000	256,621
<b>Total Expenditures</b>	<b>\$ 3,144,552</b>	<b>\$ (1,215)</b>	<b>\$ 3,450</b>	<b>\$ 3,146,787</b>	<b>\$ 3,221,054</b>	<b>\$ 3,856,054</b>	<b>\$ 709,267</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (257,665)	\$ 1,215	\$ (3,450)	\$ (259,900)	\$ (349,377)	\$ (984,377)	\$ 724,477
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 42,000	\$ 0	\$ 0	\$ 42,000	\$ 0	\$ 42,000	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 42,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 42,000</b>	<b>\$ 0</b>	<b>\$ 42,000</b>	<b>\$ 0</b>

(Continued)

Exhibit G-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (215,665)	\$ 1,215	\$ (3,450)	\$ (217,900)	\$ (349,377)	\$ (942,377)	\$ 724,477
Fund Balance, July 1, 2004	1,744,843	(1,215)	0	1,743,628	1,357,242	1,743,628	0
Fund Balance, June 30, 2005	\$ 1,529,178	\$ 0	\$ (3,450)	\$ 1,525,728	\$ 1,007,865	\$ 801,251	\$ 724,477

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 State 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, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

---

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for the county’s convenience center operations and transfer fees for hauling solid waste.

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General.

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

Exhibit H-1

Lincoln County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 15,800	\$ 15,800
Equity in Pooled Cash and Investments	841,506	50,109	29,858	0	921,473
Accounts Receivable	114,398	0	0	770	115,168
Due from Other Governments	4,861	0	611	0	5,472
Due from Other Funds	59	0	0	0	59
Total Assets	<u>\$ 960,824</u>	<u>\$ 50,109</u>	<u>\$ 30,469</u>	<u>\$ 16,570</u>	<u>\$ 1,057,972</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 38,189	\$ 0	\$ 0	\$ 0	\$ 38,189
Due to Other Funds	0	0	0	16,570	16,570
Due to Cities	1,414	0	0	0	1,414
Other Deferred Revenues	60,372	0	0	0	60,372
Total Liabilities	<u>\$ 99,975</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,570</u>	<u>\$ 116,545</u>
<u>Fund Balances</u>					
Unreserved	\$ 860,849	\$ 50,109	\$ 30,469	\$ 0	\$ 941,427
Total Fund Balances	<u>\$ 860,849</u>	<u>\$ 50,109</u>	<u>\$ 30,469</u>	<u>\$ 0</u>	<u>\$ 941,427</u>
Total Liabilities and Fund Balances	<u>\$ 960,824</u>	<u>\$ 50,109</u>	<u>\$ 30,469</u>	<u>\$ 16,570</u>	<u>\$ 1,057,972</u>

Exhibit H-2

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 25,117	\$ 11,809	\$ 36,926
Charges for Current Services	679,842	0	0	679,842
Other Local Revenues	3,526	2,788	0	6,314
State of Tennessee	27,222	0	0	27,222
Total Revenues	<u>\$ 710,590</u>	<u>\$ 27,905</u>	<u>\$ 11,809</u>	<u>\$ 750,304</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 0	\$ 27,395	\$ 27,395
Public Safety	0	21,996	0	21,996
Public Health and Welfare	594,604	0	0	594,604
Total Expenditures	<u>\$ 594,604</u>	<u>\$ 21,996</u>	<u>\$ 27,395</u>	<u>\$ 643,995</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 115,986</u>	<u>\$ 5,909</u>	<u>\$ (15,586)</u>	<u>\$ 106,309</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (135,200)	\$ 0	\$ 0	\$ (135,200)
Total Other Financing Sources (Uses)	<u>\$ (135,200)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (135,200)</u>
Net Change in Fund Balances	\$ (19,214)	\$ 5,909	\$ (15,586)	\$ (28,891)
Fund Balance, July 1, 2004	<u>880,063</u>	<u>44,200</u>	<u>46,055</u>	<u>970,318</u>
Fund Balance, June 30, 2005	<u>\$ 860,849</u>	<u>\$ 50,109</u>	<u>\$ 30,469</u>	<u>\$ 941,427</u>

Exhibit H-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 679,842	\$ 0	\$ 679,842	\$ 666,000	\$ 666,000	\$ 13,842
Other Local Revenues	3,526	0	3,526	1,600	1,600	1,926
State of Tennessee	27,222	0	27,222	25,000	25,000	2,222
Total Revenues	\$ 710,590	\$ 0	\$ 710,590	\$ 692,600	\$ 692,600	\$ 17,990
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 19,000	\$ 0	\$ 19,000	\$ 19,000	\$ 19,000	\$ 0
Convenience Centers	105,213	(1,070)	104,143	103,050	112,050	7,907
Other Waste Disposal	458,564	(973)	457,591	461,075	487,350	29,759
Postclosure Care Costs	11,827	0	11,827	50,000	14,725	2,898
Total Expenditures	\$ 594,604	\$ (2,043)	\$ 592,561	\$ 633,125	\$ 633,125	\$ 40,564
Excess (Deficiency) of Revenues Over Expenditures	\$ 115,986	\$ 2,043	\$ 118,029	\$ 59,475	\$ 59,475	\$ 58,554
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (135,200)	\$ 0	\$ (135,200)	\$ (135,200)	\$ (135,200)	\$ 0
Total Other Financing Sources (Uses)	\$ (135,200)	\$ 0	\$ (135,200)	\$ (135,200)	\$ (135,200)	\$ 0
Net Change in Fund Balance	\$ (19,214)	\$ 2,043	\$ (17,171)	\$ (75,725)	\$ (75,725)	\$ 58,554
Fund Balance, July 1, 2004	880,063	(2,043)	878,020	869,148	934,436	(56,416)
Fund Balance, June 30, 2005	\$ 860,849	\$ 0	\$ 860,849	\$ 793,423	\$ 858,711	\$ 2,138

Exhibit H-4

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,117	\$ 12,500	\$ 12,500	\$ 12,617
Other Local Revenues	2,788	0	0	2,788
Total Revenues	<u>\$ 27,905</u>	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 15,405</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 21,996	\$ 26,950	\$ 26,950	\$ 4,954
Total Expenditures	<u>\$ 21,996</u>	<u>\$ 26,950</u>	<u>\$ 26,950</u>	<u>\$ 4,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,909</u>	<u>\$ (14,450)</u>	<u>\$ (14,450)</u>	<u>\$ 20,359</u>
Net Change in Fund Balance	\$ 5,909	\$ (14,450)	\$ (14,450)	\$ 20,359
Fund Balance, July 1, 2004	44,200	34,924	44,200	0
Fund Balance, June 30, 2005	<u>\$ 50,109</u>	<u>\$ 20,474</u>	<u>\$ 29,750</u>	<u>\$ 20,359</u>

## **Major Governmental Fund**

### **General Debt Service Fund**

---

The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

---

Exhibit I

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,631,119	\$ 2,576,491	\$ 2,576,491	\$ 54,628
Other Local Revenues	4,800	4,800	4,800	0
Total Revenues	<u>\$ 2,635,919</u>	<u>\$ 2,581,291</u>	<u>\$ 2,581,291</u>	<u>\$ 54,628</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 110,000	\$ 110,000	\$ 110,000	\$ 0
Education	1,281,740	1,351,756	1,351,756	70,016
<u>Interest</u>				
General Government	25,200	25,200	25,200	0
Education	1,057,119	1,191,252	1,191,252	134,133
<u>Other Debt Service</u>				
General Government	26,218	27,000	27,000	782
Education	13,395	12,500	13,500	105
Total Expenditures	<u>\$ 2,513,672</u>	<u>\$ 2,717,708</u>	<u>\$ 2,718,708</u>	<u>\$ 205,036</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 122,247</u>	<u>\$ (136,417)</u>	<u>\$ (137,417)</u>	<u>\$ 259,664</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 135,200	\$ 135,200	\$ 135,200	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 135,200</u>	<u>\$ 135,200</u>	<u>\$ 135,200</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 257,447	\$ (1,217)	\$ (2,217)	\$ 259,664
Fund Balance, July 1, 2004	<u>1,961,268</u>	<u>1,961,268</u>	<u>1,961,268</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 2,218,715</u>	<u>\$ 1,960,051</u>	<u>\$ 1,959,051</u>	<u>\$ 259,664</u>

# Fiduciary Funds

---

Agency Funds are used to account for assets held by the county 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.

City School ADA - Fayetteville Fund – The City School ADA - Fayetteville Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned between the city and county school systems on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for state grants and other restricted revenues held in trust for the benefit of the multi-jurisdictional drug task force, which was created by contract (mutual aid agreement) between the participating city and county governments.

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

Exhibit J-1

Lincoln County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Cash	\$ 0	\$ 6,486	\$ 501	\$ 1,666,799	\$ 1,673,786
Equity in Pooled Cash and Investments	0	59,573	218,659	0	278,232
Accounts Receivable	0	0	200	7	207
Due from Other Governments	254,021	107,278	10,661	0	371,960
Property Taxes Receivable	0	844,785	0	0	844,785
Allowance for Uncollectible Property Taxes	0	(30,088)	0	0	(30,088)
Notes Receivable - Long-term	0	0	0	131,333	131,333
Total Assets	<u>\$ 254,021</u>	<u>\$ 988,034</u>	<u>\$ 230,021</u>	<u>\$ 1,798,139</u>	<u>\$ 3,270,215</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 3,981	\$ 0	\$ 3,981
Due to Other Funds	0	0	0	424	424
Due to State of Tennessee	0	0	1,450	545	1,995
Due to Other Taxing Units	254,021	988,034	0	0	1,242,055
Due to Litigants, Heirs, and Others	0	0	0	1,797,170	1,797,170
Due to Joint Ventures	0	0	224,590	0	224,590
Total Liabilities	<u>\$ 254,021</u>	<u>\$ 988,034</u>	<u>\$ 230,021</u>	<u>\$ 1,798,139</u>	<u>\$ 3,270,215</u>

Exhibit J-2

Lincoln County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,461,198	\$ 1,461,198	\$ 0
Due From Other Governments	246,485	254,021	246,485	254,021
Total Assets	\$ 246,485	\$ 1,715,219	\$ 1,707,683	\$ 254,021
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 246,485	\$ 1,715,219	\$ 1,707,683	\$ 254,021
Total Liabilities	\$ 246,485	\$ 1,715,219	\$ 1,707,683	\$ 254,021
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Cash	\$ 2,579	\$ 6,486	\$ 2,579	\$ 6,486
Equity in Pooled Cash and Investments	58,579	1,393,690	1,392,696	59,573
Accounts Receivable	2,294	0	2,294	0
Due From Other Governments	98,751	107,278	98,751	107,278
Due From Other Funds	1,957	0	1,957	0
Property Taxes Receivable	829,920	844,785	829,920	844,785
Allowance for Uncollectible Property Taxes	(28,799)	(30,088)	(28,799)	(30,088)
Total Assets	\$ 965,281	\$ 2,322,151	\$ 2,299,398	\$ 988,034
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 965,281	\$ 2,322,151	\$ 2,299,398	\$ 988,034
Total Liabilities	\$ 965,281	\$ 2,322,151	\$ 2,299,398	\$ 988,034
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 3,471	\$ 501	\$ 3,471	\$ 501
Equity in Pooled Cash and Investments	102,646	313,742	197,729	218,659
Accounts Receivable	290	200	290	200
Due From Other Governments	12,388	10,661	12,388	10,661
Due From Other Funds	1,078	0	1,078	0
Total Assets	\$ 119,873	\$ 325,104	\$ 214,956	\$ 230,021
<u>Liabilities</u>				
Accounts Payable	\$ 1,281	\$ 3,981	\$ 1,281	\$ 3,981
Due to the State of Tennessee	0	1,450	0	1,450
Due to Litigants, Heirs, and Others	1,117	0	1,117	0
Due to Joint Ventures	117,475	319,673	212,558	224,590
Total Liabilities	\$ 119,873	\$ 325,104	\$ 214,956	\$ 230,021

(Continued)

Exhibit J-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,136,302	\$ 7,175,892	\$ 6,645,395	\$ 1,666,799
Accounts Receivable	35	7	35	7
Notes Receivable - Long-term	131,333	0	0	131,333
<b>Total Assets</b>	<b>\$ 1,267,670</b>	<b>\$ 7,175,899</b>	<b>\$ 6,645,430</b>	<b>\$ 1,798,139</b>
<u>Liabilities</u>				
Due to Other Funds	\$ 13,526	\$ 424	\$ 13,526	\$ 424
Due to Component Units	8,327	0	8,327	0
Due to State of Tennessee	0	545	0	545
Due to Litigants, Heirs, and Others	1,245,817	7,174,930	6,623,577	1,797,170
<b>Total Liabilities</b>	<b>\$ 1,267,670</b>	<b>\$ 7,175,899</b>	<b>\$ 6,645,430</b>	<b>\$ 1,798,139</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,142,352	\$ 7,182,879	\$ 6,651,445	\$ 1,673,786
Equity in Pooled Cash and Investments	161,225	3,168,630	3,051,623	278,232
Account Receivable	2,619	207	2,619	207
Due From Other Governments	357,624	371,960	357,624	371,960
Due From Other Funds	3,035	0	3,035	0
Notes Receivable - Long-term	131,333	0	0	131,333
Property Taxes Receivable	829,920	844,785	829,920	844,785
Allowance for Uncollectible Property Taxes	(28,799)	(30,088)	(28,799)	(30,088)
<b>Total Assets</b>	<b>\$ 2,599,309</b>	<b>\$ 11,538,373</b>	<b>\$ 10,867,467</b>	<b>\$ 3,270,215</b>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,281	\$ 3,981	\$ 1,281	\$ 3,981
Due to Other Taxing Units	1,211,766	4,037,370	4,007,081	1,242,055
Due to Other Funds	13,526	424	13,526	424
Due to Component Units	8,327	0	8,327	0
Due to State of Tennessee	0	1,995	0	1,995
Due to Litigants, Heirs, and Others	1,246,934	7,174,930	6,624,694	1,797,170
Due to Joint Ventures	117,475	319,673	212,558	224,590
<b>Total Liabilities</b>	<b>\$ 2,599,309</b>	<b>\$ 11,538,373</b>	<b>\$ 10,867,467</b>	<b>\$ 3,270,215</b>

# Lincoln County School Department

---

This section presents fund financial statements for the Lincoln 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.

Extended School Program Fund – The Extended School Program Fund is used to account for the before- and after-school programs in the individual schools.

Exhibit K-1

Lincoln County, Tennessee  
Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 14,917,777	\$ 47,963	\$ 2,020,564	\$ (12,849,250)
Support Services	7,127,454	40	0	(7,127,414)
Operation of Noninstructional Services	2,284,009	144,957	985,697	(1,153,355)
Total Governmental Activities	\$ 24,329,240	\$ 192,960	\$ 3,006,261	\$ (21,130,019)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 3,437,012
Local option sales tax				2,362,291
Other local taxes				114,191
Grants & contributions not restricted for specific programs				14,406,120
Miscellaneous				53,972
Gain on disposal of capital assets				6,688
Total General Revenues				\$ 20,380,274
Change in net assets				\$ (749,745)
Net assets, July 1, 2004				32,975,857
Net assets, June 30, 2005				\$ 32,226,112

Exhibit K-2

Lincoln County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented School Department  
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,347,501	\$ 83,041	\$ 2,430,542
Accounts Receivable	131	265	396
Due from Other Governments	744,183	14,108	758,291
Due from Other Funds	1,292	0	1,292
Property Taxes Receivable	3,595,072	0	3,595,072
Allowance for Uncollectible Property Taxes	(128,042)	0	(128,042)
Total Assets	<u>\$ 6,560,137</u>	<u>\$ 97,414</u>	<u>\$ 6,657,551</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 161,914	\$ 11,355	\$ 173,269
Claims and Judgements Payable	106,371	0	106,371
Due to Other Funds	0	1,292	1,292
Capital Outlay Notes Payable	140,000	0	140,000
Deferred Revenue - Current Property Taxes	3,382,478	0	3,382,478
Deferred Revenue - Delinquent Property Taxes	70,088	0	70,088
Other Deferred Revenues	324,226	103	324,329
Total Liabilities	<u>\$ 4,185,077</u>	<u>\$ 12,750</u>	<u>\$ 4,197,827</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 246,234	\$ 9,161	\$ 255,395
Reserved for Unemployment Compensation	23,951	0	23,951
Reserved for Driver Education	85,733	0	85,733
Reserved for Career Ladder - Extended Contract	791	0	791
Reserved for Career Ladder Program	12,043	0	12,043
Reserved for Title I Grants to Local Education Agencies	0	5,120	5,120
Reserved for Innovative Education Program Strategies	0	617	617
Reserved for Special Education - Grants to States	0	7,073	7,073
Other Federal Reserves	0	23,382	23,382
Unreserved, Reported In:			
General Fund	2,006,308	0	2,006,308
Special Revenue Funds	0	39,311	39,311
Total Fund Balances	<u>\$ 2,375,060</u>	<u>\$ 84,664</u>	<u>\$ 2,459,724</u>
Total Liabilities and Fund Balances	<u>\$ 6,560,137</u>	<u>\$ 97,414</u>	<u>\$ 6,657,551</u>

Exhibit K-3

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Lincoln County School Department  
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit K-2)	\$	2,459,724
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,401,738
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(29,767)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>394,417</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>32,226,112</u></u>

Exhibit K-4

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented School Department  
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 5,936,907	\$ 0	\$ 5,936,907
Licenses and Permits	2,446	0	2,446
Charges for Current Services	56,166	136,890	193,056
Other Local Revenues	64,696	4,000	68,696
State of Tennessee	14,568,975	0	14,568,975
Federal Government	950,171	1,697,541	2,647,712
Total Revenues	<u>\$ 21,579,361</u>	<u>\$ 1,838,431</u>	<u>\$ 23,417,792</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 13,417,549	\$ 1,340,820	\$ 14,758,369
Support Services	6,571,629	541,567	7,113,196
Operation of Non-Instructional Services	880,160	131,539	1,011,699
Capital Outlay	244,079	0	244,079
Total Expenditures	<u>\$ 21,113,417</u>	<u>\$ 2,013,926</u>	<u>\$ 23,127,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 465,944</u>	<u>\$ (175,495)</u>	<u>\$ 290,449</u>
Net Change in Fund Balances	\$ 465,944	\$ (175,495)	\$ 290,449
Fund Balance, July 1, 2004	<u>1,909,116</u>	<u>260,159</u>	<u>2,169,275</u>
Fund Balance, June 30, 2005	<u>\$ 2,375,060</u>	<u>\$ 84,664</u>	<u>\$ 2,459,724</u>

Exhibit K-5

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit K-4)	\$ 290,449
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,103,811)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.	(1,478)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	73,384
(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 governmental funds.	<u>(8,289)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (749,745)</u>

Lincoln County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Extended School Program	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 43,678	\$ 39,363	\$ 83,041
Accounts Receivable	265	0	265
Due from Other Governments	14,108	0	14,108
Total Assets	<u>\$ 58,051</u>	<u>\$ 39,363</u>	<u>\$ 97,414</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 11,303	\$ 52	\$ 11,355
Due to Other Funds	1,292	0	1,292
Other Deferred Revenues	103	0	103
Total Liabilities	<u>\$ 12,698</u>	<u>\$ 52</u>	<u>\$ 12,750</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 9,161	\$ 0	\$ 9,161
Reserved for Title I Grants to Local Education Agencies	5,120	0	5,120
Reserved for Innovative Education Program Strategies	617	0	617
Reserved for Special Education - Grants to States	7,073	0	7,073
Other Federal Reserves	23,382	0	23,382
Unreserved	0	39,311	39,311
Total Fund Balances	<u>\$ 45,353</u>	<u>\$ 39,311</u>	<u>\$ 84,664</u>
Total Liabilities and Fund Balances	<u>\$ 58,051</u>	<u>\$ 39,363</u>	<u>\$ 97,414</u>

Exhibit K-7

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented School Department  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Extended School Program	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 136,890	\$ 136,890
Other Local Revenues	0	4,000	4,000
Federal Government	1,697,541	0	1,697,541
Total Revenues	<u>\$ 1,697,541</u>	<u>\$ 140,890</u>	<u>\$ 1,838,431</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,340,820	\$ 0	\$ 1,340,820
Support Services	541,567	0	541,567
Operation of Non-Instructional Services	0	131,539	131,539
Total Expenditures	<u>\$ 1,882,387</u>	<u>\$ 131,539</u>	<u>\$ 2,013,926</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (184,846)</u>	<u>\$ 9,351</u>	<u>\$ (175,495)</u>
Net Change in Fund Balances	\$ (184,846)	\$ 9,351	\$ (175,495)
Fund Balance, July 1, 2004	<u>230,199</u>	<u>29,960</u>	<u>260,159</u>
Fund Balance, June 30, 2005	<u>\$ 45,353</u>	<u>\$ 39,311</u>	<u>\$ 84,664</u>

Exhibit K-8

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,936,907	\$ 0	\$ 0	\$ 5,936,907	\$ 5,821,718	\$ 5,692,583	\$ 244,324
Licenses and Permits	2,446	0	0	2,446	3,000	3,000	(554)
Charges for Current Services	56,166	0	0	56,166	118,800	118,800	(62,634)
Other Local Revenues	64,696	0	0	64,696	1,000	9,600	55,096
State of Tennessee	14,568,975	0	0	14,568,975	14,310,960	14,613,893	(44,918)
Federal Government	950,171	0	0	950,171	685,000	1,018,384	(68,213)
Total Revenues	\$ 21,579,361	\$ 0	\$ 0	\$ 21,579,361	\$ 20,940,478	\$ 21,456,260	\$ 123,101
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,624,742	\$ (14,581)	\$ 111,071	\$ 10,721,232	\$ 11,134,167	\$ 11,070,565	\$ 349,333
Alternative Instruction Program	135,842	0	0	135,842	133,594	136,594	752
Special Education Program	1,667,087	0	300	1,667,387	1,684,675	1,751,635	84,248
Vocational Education Program	937,112	(4,219)	1,666	934,559	943,211	1,013,211	78,652
Student Body Education Program	52,766	0	0	52,766	127,300	147,300	94,534
<u>Support Services</u>							
Attendance	76,888	0	0	76,888	77,327	78,351	1,463
Health Services	178,615	0	0	178,615	146,880	191,180	12,565
Other Student Support	729,269	(27,467)	13,838	715,640	435,778	744,406	28,766
Regular Instruction Program	707,572	(466)	2,086	709,192	730,949	732,500	23,308
Special Education Program	113,111	0	0	113,111	106,175	121,202	8,091
Vocational Education Program	83,084	0	895	83,979	82,797	84,673	694
Board of Education	535,195	0	0	535,195	491,474	579,374	44,179
Director of Schools	192,822	(37)	37	192,822	214,562	218,519	25,697
Office of the Principal	901,114	0	0	901,114	872,180	905,220	4,106
Operation of Plant	1,630,223	(6,000)	2,073	1,626,296	1,667,940	1,673,200	46,904

(Continued)

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 420,922	\$ (746)	\$ 2,186	\$ 422,362	\$ 462,447	\$ 468,103	\$ 45,741
Transportation	1,002,814	(55,785)	59,889	1,006,918	949,063	1,011,800	4,882
<u>Operation of Non-Instructional Services</u>							
Food Service	770,012	(452)	0	769,560	755,087	786,154	16,594
Community Services	110,148	0	19,168	129,316	0	164,300	34,984
<u>Capital Outlay</u>							
Regular Capital Outlay	244,079	0	33,025	277,104	175,000	331,371	54,267
Total Expenditures	<u>\$ 21,113,417</u>	<u>\$ (109,753)</u>	<u>\$ 246,234</u>	<u>\$ 21,249,898</u>	<u>\$ 21,190,606</u>	<u>\$ 22,209,658</u>	<u>\$ 959,760</u>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 465,944	\$ 109,753	\$ (246,234)	\$ 329,463	\$ (250,128)	\$ (753,398)	\$ 1,082,861
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (85,000)	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (85,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 1,909,116	(109,753)	0	1,799,363	1,799,363	1,196,771	602,592
Fund Balance, June 30, 2005	<u>\$ 2,375,060</u>	<u>\$ 0</u>	<u>\$ (246,234)</u>	<u>\$ 2,128,826</u>	<u>\$ 1,464,235</u>	<u>\$ 443,373</u>	<u>\$ 1,685,453</u>

Exhibit K-9

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,697,541	\$ 0	\$ 0	\$ 1,697,541	\$ 1,971,238	\$ 1,978,802	\$ (281,261)
Total Revenues	\$ 1,697,541	\$ 0	\$ 0	\$ 1,697,541	\$ 1,971,238	\$ 1,978,802	\$ (281,261)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 503,544	\$ (2,359)	\$ 625	\$ 501,810	\$ 670,153	\$ 665,451	\$ 163,641
Alternative Instruction Program	45,650	0	0	45,650	46,500	46,500	850
Special Education Program	688,654	(16,969)	1,853	673,538	1,007,293	895,802	222,264
Vocational Education Program	102,972	(10,966)	3,058	95,064	93,236	95,063	(1)
<u>Support Services</u>							
Health Services	45,731	0	0	45,731	57,550	54,550	8,819
Other Student Support	42,704	0	800	43,504	46,465	50,581	7,077
Regular Instruction Program	224,838	(363)	2,750	227,225	280,913	285,314	58,089
Special Education Program	68,524	(1,233)	0	67,291	71,970	85,435	18,144
Vocational Education Program	4,925	0	75	5,000	6,827	5,000	0
Maintenance of Plant	249	0	0	249	1,021	1,021	772
Transportation	154,596	(48,296)	0	106,300	68,679	177,269	70,969
Total Expenditures	\$ 1,882,387	\$ (80,186)	\$ 9,161	\$ 1,811,362	\$ 2,350,607	\$ 2,361,986	\$ 550,624
Excess (Deficiency) of Revenues Over Expenditures	\$ (184,846)	\$ 80,186	\$ (9,161)	\$ (113,821)	\$ (379,369)	\$ (383,184)	\$ 269,363
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,815	\$ 3,815	\$ (3,815)
Transfers Out	0	0	0	0	(3,815)	0	0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,815	\$ (3,815)

(Continued)

Exhibit K-9

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (184,846)	\$ 80,186	\$ (9,161)	\$ (113,821)	\$ (379,369)	\$ (379,369)	\$ 265,548
Fund Balance, July 1, 2004	230,199	(80,186)	0	150,013	379,369	379,369	(229,356)
Fund Balance, June 30, 2005	\$ 45,353	\$ 0	\$ (9,161)	\$ 36,192	\$ 0	\$ 0	\$ 36,192

Exhibit K-10

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented School Department  
Extended School Program Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 136,890	\$ 0	\$ 136,890	\$ 125,000	\$ 125,000	\$ 11,890
Other Local Revenues	4,000	0	4,000	0	4,000	0
Total Revenues	<u>\$ 140,890</u>	<u>\$ 0</u>	<u>\$ 140,890</u>	<u>\$ 125,000</u>	<u>\$ 129,000</u>	<u>\$ 11,890</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Community Services	\$ 131,539	\$ (400)	\$ 131,139	\$ 123,810	\$ 133,810	\$ 2,671
Total Expenditures	<u>\$ 131,539</u>	<u>\$ (400)</u>	<u>\$ 131,139</u>	<u>\$ 123,810</u>	<u>\$ 133,810</u>	<u>\$ 2,671</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,351	\$ 400	\$ 9,751	\$ 1,190	\$ (4,810)	\$ 14,561
Net Change in Fund Balance	\$ 9,351	\$ 400	\$ 9,751	\$ 1,190	\$ (4,810)	\$ 14,561
Fund Balance, July 1, 2004	<u>29,960</u>	<u>(400)</u>	<u>29,560</u>	<u>29,560</u>	<u>18,290</u>	<u>11,270</u>
Fund Balance, June 30, 2005	<u>\$ 39,311</u>	<u>\$ 0</u>	<u>\$ 39,311</u>	<u>\$ 30,750</u>	<u>\$ 13,480</u>	<u>\$ 25,831</u>

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit L-1

Lincoln County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT</u>							
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Landfill Closure	\$ 1,200,000	4.2 to 5.2 %	9-4-1996	6-2-08	\$ 480,000	\$ 110,000	\$ 370,000
Qualified Zone Academy Bond	51,712	0	11-30-1999	11-30-04	10,326	10,326	0
Total Notes Payable					<u>\$ 490,326</u>	<u>\$ 120,326</u>	<u>\$ 370,000</u>
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Schools	5,025,125	variable	10-1-01	5-25-21	\$ 4,687,802	\$ 181,414	\$ 4,506,388
Total Other Loans Payable					<u>\$ 4,687,802</u>	<u>\$ 181,414</u>	<u>\$ 4,506,388</u>
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
General Obligation School Refunding	8,305,000	3.9 to 4.2	3-15-1999	4-1-10	\$ 4,685,000	\$ 765,000	\$ 3,920,000
School Bonds	15,775,000	5.68	2-29-00	10-1-06	985,000	285,000	700,000
General Obligation School Refunding	14,765,000	4 to 5.25	8-7-01	4-1-21	14,375,000	40,000	14,335,000
Total Bonds Payable					<u>\$ 20,045,000</u>	<u>\$ 1,090,000</u>	<u>\$ 18,955,000</u>
<u>LINCOLN COUNTY SCHOOL DEPARTMENT</u>							
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School Construction	350,000	0	6-29-01	7-1-06	\$ 210,000	\$ 70,000	\$ 140,000
Total Notes Payable					<u>\$ 210,000</u>	<u>\$ 70,000</u>	<u>\$ 140,000</u>

Exhibit L-2

Lincoln County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 1,165,000	\$ 913,377	\$ 2,078,377
2007	1,300,000	862,276	2,162,276
2008	1,490,000	803,862	2,293,862
2009	1,570,000	743,397	2,313,397
2010	1,240,000	678,577	1,918,577
2011	705,000	626,497	1,331,497
2012	775,000	596,182	1,371,182
2013	845,000	562,275	1,407,275
2014	820,000	517,913	1,337,913
2015	1,495,000	474,863	1,969,863
2016	1,545,000	396,375	1,941,375
2017	1,645,000	315,263	1,960,263
2018	1,440,000	228,900	1,668,900
2019	1,380,000	153,300	1,533,300
2020	1,040,000	80,850	1,120,850
2021	500,000	26,250	526,250
Total	\$ 18,955,000	\$ 7,980,157	\$ 26,935,157

Exhibit L-3

Lincoln County, Tennessee  
Schedule of Notes Receivable - All Funds  
June 30, 2005

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance
<u>General Fund</u>						
Primary Government: School Construction	Component Unit: General Purpose School Fund	\$ 350,000	6-29-01	7-1-06	0 %	\$ 140,000
<u>Constitutional Officers - Agency Fund</u>						
Land Sale	Ronnie R. Wallace	335,000	9-23-93	9-23-08	0	\$ 131,333
<u>General Debt Service Fund</u>						
Interfund Notes Receivable:	Enterprise Fund:					
Water System Improvements	Lincoln County Board of Public Utilities	56,500	8-24-99	8-24-06	5	\$ 10,644
Water System Improvements	Lincoln County Board of Public Utilities	50,000	4-25-00	4-25-06	5	7,064
Water System Improvements	Lincoln County Board of Public Utilities	385,000	5-29-01	5-29-07	5	128,332
Total General Debt Service Fund						\$ 146,040 (1)
<u>Lincoln County Health System Fund</u>						
Advances to Physicians	Physicians	varies	varies	varies	varies	\$ 1,005,855
<u>Lincoln County Board of Public Utilities</u>						
Sale of Water Lines	Metropolitan Lynchburg/Moore County	125,000	7-27-04	7-27-11	4	\$ 125,000
Total Notes Receivable						\$ 1,548,228

(1) Includes Due from Other Funds (\$81,875) and Notes Receivable - Long-term (\$64,165).

Exhibit L-4

Lincoln County, Tennessee  
Schedule of Transfers - All Funds  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Other Special Revenue	General	Jail computer system	\$ 47,297
Other Special Revenue	Highway/Public Works	Local match for Flint River bridge	42,000
Solid Waste/Sanitation	General Debt Service	Provide funds for retirement of debt	<u>135,200</u>
Total Transfers			<u>\$ 224,497</u>

Exhibit L-5

Lincoln County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,023	\$ 50,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	57,165	100,000	"
Director of Schools	State Board of Education and Local Board of Education	90,138 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	1,750,000	"
Assessor of Property:				
Paula Coble (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u>	8,828	10,000	"
Tammy Moore (9-1-04 through 6-30-05)	Section 8-24-102, <u>TCA</u>	43,141	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Clerk and Master:				
Elizabeth Capshaw (7-1-04 through 4-30-05)	Section 8-24-102, <u>TCA</u> , and Chancery Judge	53,762 (2)	50,000	Ohio Farmers Ins. Co.
Rebecca Barlett (5-1-05 through 6-30-05)	Section 8-24-102, <u>TCA</u>	8,685	50,000	RLI Insurance Company
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	57,165 (3)	25,000	"
Director of Finance	County Commission	51,969	50,000	"
<u>Other Bonds</u>				
Trustee Employees			30,000	RLI Insurance Company
County Clerk Employees			20,000	"
Circuit Court Employees			35,000	"
Chancery Court Employees			20,000	"
Register Employees			15,000	"
Sheriff Department			200,000	"
Assessor Employees			25,000	"
Finance Office Employees			25,000	"
County Mayor Employees			20,000	"
School Board Chairman			10,000	"

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

(2) Includes special commissioner fees of \$9,479.

(3) Includes law enforcement training supplement in the amount of \$519.

Exhibit L-6

Lincoln County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Other Special Revenue	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,861,555	\$ 0	\$ 0	\$ 0	\$ 0	\$ 377,951	\$ 773,917	\$ 4,013,423
Trustee's Collections - Prior Year	99,288	0	0	0	0	13,674	26,304	139,266
Circuit/Clerk & Master Collections - Prior Years	56,100	0	0	0	0	7,409	15,172	78,681
Interest and Penalty	19,716	0	0	0	0	2,685	5,556	27,957
Payments in Lieu of Taxes - T.V.A.	2,733	0	0	0	0	0	0	2,733
Payments in Lieu of Taxes - Local Utilities	161,642	0	0	0	0	0	0	161,642
Payments in Lieu of Taxes - Other	263,604	0	0	0	0	0	0	263,604
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	1,421,434	1,421,434
Hotel/Motel Tax	56,569	0	0	0	0	0	0	56,569
Wheel Tax	0	0	0	0	0	344,398	344,398	688,796
Litigation Tax - General	100,167	0	0	0	0	0	0	100,167
Litigation Tax - Special Purpose	46,330	0	0	0	0	0	0	46,330
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	40,344	40,344
Business Tax	236,614	0	0	0	0	0	0	236,614
Mineral Severance Tax	0	0	0	0	0	40,960	0	40,960
<u>Statutory Local Taxes</u>								
Bank Excise Tax	81,660	0	0	0	0	0	0	81,660
Interstate Telecommunications Tax	0	0	0	0	0	0	3,994	3,994
Total Local Taxes	\$ 3,985,978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 787,077	\$ 2,631,119	\$ 7,404,174
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 58,879	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,879
Total Licenses and Permits	\$ 58,879	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,879
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 252	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 252
Officers Costs	4,164	0	0	0	0	0	0	4,164
Game and Fish Fines	45	0	0	0	0	0	0	45
Drug Control Fines	125	0	125	0	0	0	0	250

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Other Special Revenue	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 351	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	351
District Attorney General Fees	0	0	0	501	0	0	0	501
Judicial Commissioner Fees	24	0	0	0	0	0	0	24
DUI Treatment Fines	136	0	0	0	0	0	0	136
Data Entry Fee - Circuit Court	990	0	0	0	0	0	0	990
<u>General Sessions Court</u>								
Fines	18,496	0	0	0	0	0	0	18,496
Officers Costs	34,867	0	0	0	0	0	0	34,867
Game and Fish Fines	2,597	0	0	0	0	0	0	2,597
Drug Control Fines	6,068	0	18,774	0	0	0	0	24,842
Jail Fees	51,984	0	0	0	0	0	0	51,984
District Attorney General Fees	0	0	0	11,308	0	0	0	11,308
Judicial Commissioner Fees	3,730	0	0	0	0	0	0	3,730
DUI Treatment Fines	12,851	0	0	0	0	0	0	12,851
Data Entry Fee - General Sessions Court	7,784	0	0	0	0	0	0	7,784
<u>Juvenile Court</u>								
Fines	735	0	0	0	0	0	0	735
Officers Costs	50	0	0	0	0	0	0	50
<u>Chancery Court</u>								
Officers Costs	1,553	0	0	0	0	0	0	1,553
Data Entry Fee - Chancery Court	538	0	0	0	0	0	0	538
<u>Other Courts - In-county</u>								
Fines	16,245	0	0	0	0	0	0	16,245
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	6,218	0	0	0	0	6,218
<b>Total Fines, Forfeitures and Penalties</b>	<b>\$ 163,585</b>	<b>\$ 0</b>	<b>\$ 25,117</b>	<b>\$ 11,809</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>200,511</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 22,478	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	22,478
Residential Waste Collection Charge	0	657,364	0	0	0	0	0	657,364
Patient Charges	2,560	0	0	0	0	0	0	2,560

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Other Special Revenue	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Copy Fees	\$ 1,138	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,138
Telephone Commissions	15,407	0	0	0	0	0	0	15,407
Vending Machine Collections	160	0	0	0	0	60	0	220
Data Processing Fee - Register	14,396	0	0	0	0	0	0	14,396
Data Processing Fee - Sheriff	3,868	0	0	0	0	0	0	3,868
Sexual Offender Registration Fee	720	0	0	0	0	0	0	720
<u>Other Charges for Services</u>								
Other Charges for Services	150	0	0	0	0	0	0	150
Total Charges for Current Services	\$ 38,399	\$ 679,842	\$ 0	\$ 0	\$ 0	\$ 60	\$ 0	\$ 718,301
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 265,268	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 265,268
Lease/Rentals	56,346	0	0	0	0	0	4,800	61,146
Sale of Materials and Supplies	0	1,938	0	0	0	2,697	0	4,635
Commissary Sales	5,782	0	0	0	0	0	0	5,782
Miscellaneous Refunds	59,324	1,588	2,788	0	0	12,836	0	76,536
<u>Nonrecurring Items</u>								
Insurance Recovery	1,136	0	0	0	0	0	0	1,136
Sale of Equipment	5,162	0	0	0	0	0	0	5,162
Total Other Local Revenues	\$ 393,018	\$ 3,526	\$ 2,788	\$ 0	\$ 0	\$ 15,533	\$ 4,800	\$ 419,665
<u>Fees Received from County Officials</u>								
<u>Fees In Lieu of Salary</u>								
County Clerk	\$ 346,536	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 346,536
Circuit Court Clerk	81,632	0	0	0	0	0	0	81,632
General Sessions Court Clerk	169,527	0	0	0	0	0	0	169,527
Clerk and Master	90,985	0	0	0	0	0	0	90,985
Register	192,521	0	0	0	0	0	0	192,521
Sheriff	4,124	0	0	0	0	0	0	4,124
Trustee	276,067	0	0	0	0	0	0	276,067
Total Fees Received from County Officials	\$ 1,161,392	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,161,392

Exhibit L-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Other Special Revenue	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	10,746	0	0	0	0	0	0	10,746
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	19,683	0	0	0	0	0	0	19,683
<u>Health and Welfare Grants</u>								
Health Department Programs	220,917	0	0	0	0	0	0	220,917
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	47,849	0	47,849
State Aid Program	0	0	0	0	0	147,984	0	147,984
Litter Program	38,140	0	0	0	0	0	0	38,140
Other Public Works Grants	110,314	0	0	0	0	0	0	110,314
<u>Other State Revenues</u>								
Alcoholic Beverage Tax	41,817	0	0	0	0	0	0	41,817
State Revenue Sharing - T.V.A.	452,507	0	0	0	0	0	0	452,507
Contracted Prisoner Boarding	459,725	0	0	0	0	0	0	459,725
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,863,173	0	1,863,173
Petroleum Special Tax	0	0	0	0	0	25,211	0	25,211
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	1,750	27,222	0	0	0	0	0	28,972
Other State Revenues	0	0	0	0	7,906,471	0	0	7,906,471
Total State of Tennessee	\$ 1,380,979	\$ 27,222	\$ 0	\$ 0	\$ 7,906,471	\$ 2,084,217	\$ 0	\$ 11,398,889
<u>Federal Government</u>								
<u>Federal Through State</u>								
Other Federal through State	\$ 247,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,484
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	189,757	0	0	0	0	0	0	189,757
Total Federal Government	\$ 437,241	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 437,241
Total	\$ 7,619,471	\$ 710,590	\$ 27,905	\$ 11,809	\$ 7,906,471	\$ 2,886,887	\$ 2,635,919	\$ 21,799,052

Exhibit L-7

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Extended School Program	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,269,885	\$ 0	\$ 0	\$ 3,269,885
Trustee's Collections - Prior Year	117,131	0	0	117,131
Circuit/Clerk & Master Collections - Prior Years	64,104	0	0	64,104
Interest and Penalty	22,996	0	0	22,996
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,348,660	0	0	2,348,660
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	109,867	0	0	109,867
Interstate Telecommunications Tax	4,264	0	0	4,264
<b>Total Local Taxes</b>	<b>\$ 5,936,907</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,936,907</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,446	\$ 0	\$ 0	\$ 2,446
<b>Total Licenses and Permits</b>	<b>\$ 2,446</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,446</b>
<u>Charges for Current Services</u>				
<u>Fees</u>				
Vending Machine Collections	\$ 96	\$ 0	\$ 0	\$ 96
<u>Education Charges</u>				
School Based Health Services - FFS	1,990	0	0	1,990
Receipts from Individual Schools	45,973	0	0	45,973
Community Service Fees - Children	0	0	136,890	136,890
TBI Criminal Background Fee	40	0	0	40
<u>Other Charges for Services</u>				
Other Charges for Services	8,067	0	0	8,067
<b>Total Charges for Current Services</b>	<b>\$ 56,166</b>	<b>\$ 0</b>	<b>\$ 136,890</b>	<b>\$ 193,056</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Miscellaneous Refunds	\$ 53,825	\$ 0	\$ 0	\$ 53,825
<u>Nonrecurring Items</u>				
Sale of Equipment	8,166	0	0	8,166
Contributions & Gifts	2,705	0	4,000	6,705
<b>Total Other Local Revenues</b>	<b>\$ 64,696</b>	<b>\$ 0</b>	<b>\$ 4,000</b>	<b>\$ 68,696</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 13,841,969	\$ 0	\$ 0	\$ 13,841,969
School Food Service	21,172	0	0	21,172
Driver Education	18,480	0	0	18,480
Other State Education Funds	255,547	0	0	255,547
Career Ladder Program	266,114	0	0	266,114
Career Ladder - Extended Contract	108,374	0	0	108,374
<u>Other State Revenues</u>				
Income Tax	41,785	0	0	41,785
Beer Tax	15,314	0	0	15,314
Other State Revenues	220	0	0	220
<b>Total State of Tennessee</b>	<b>\$ 14,568,975</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,568,975</b>

Exhibit L-7

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

	General Purpose School	School Federal Projects	Extended School Program	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 543,128	\$ 0	\$ 0	\$ 543,128
Breakfast	145,914	0	0	145,914
USDA - Other	1,786	0	0	1,786
Vocational Education - Basic Grants to States	0	100,063	0	100,063
Title I Grants to Local Education Agencies	0	475,829	0	475,829
Innovative Education Program Strategies	0	14,531	0	14,531
Special Education - Grants to States	0	859,725	0	859,725
Special Education Preschool Grants	0	38,603	0	38,603
Eisenhower Professional Development State Grants	0	183,900	0	183,900
Other Federal through State	259,343	24,890	0	284,233
Total Federal Government	\$ 950,171	\$ 1,697,541	\$ 0	\$ 2,647,712
Total	\$ 21,579,361	\$ 1,697,541	\$ 140,890	\$ 23,417,792

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	77,860	
Social Security		4,821	
Employer Medicare		1,127	
Dues and Memberships		1,500	
Postal Charges		1,347	
Other Charges		23,179	
Total County Commission			\$ 109,834

County Mayor

County Official/Administrative Officer	\$	60,023	
Secretary(s)		13,930	
Clerical Personnel		19,379	
Other Salaries & Wages		5,857	
Social Security		6,090	
State Retirement		2,898	
Medical Insurance		4,788	
Employer Medicare		1,424	
Communication		2,873	
Dues and Memberships		2,420	
Legal Notices, Recording and Court Costs		628	
Maintenance & Repair Services- Office Equipment		32	
Postal Charges		2,049	
Travel		4,395	
Duplicating Supplies		1,639	
Office Supplies		3,205	
Periodicals		625	
In Service/Staff Development		100	
Office Equipment		2,422	
Total County Mayor			134,777

County Attorney

County Official/Administrative Officer	\$	6,242	
Social Security		387	
Employer Medicare		91	
Other Contracted Services		106,132	
Other Charges		1,500	
Total County Attorney			114,352

Election Commission

County Official/Administrative Officer	\$	41,575	
--	----	--------	--

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Deputy(ies)	\$	38,390	
Election Commission		10,400	
Election Workers		33,598	
Social Security		5,551	
State Retirement		2,959	
Medical Insurance		9,575	
Employer Medicare		1,298	
Communication		1,277	
Data Processing Services		1,622	
Legal Notices, Recording and Court Costs		3,982	
Maintenance Agreements		1,588	
Postal Charges		3,255	
Printing, Stationery and Forms		9,205	
Other Contracted Services		6,426	
Duplicating Supplies		901	
Office Supplies		2,080	
Other Supplies and Materials		1,499	
In Service/Staff Development		5,331	
Total Election Commission			\$ 180,512

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		66,629	
Social Security		7,293	
State Retirement		4,329	
Medical Insurance		4,788	
Employer Medicare		1,706	
Communication		1,109	
Data Processing Services		18,877	
Dues and Memberships		493	
Postal Charges		1,349	
Duplicating Supplies		590	
Office Supplies		3,206	
In Service/Staff Development		942	
Total Register of Deeds			163,280

Planning

Board and Committee Members Fees	\$	5,650	
Contracts with Government Agencies		10,500	
Total Planning			16,150

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	29,277	
Social Security		1,755	
State Retirement		427	
Medical Insurance		4,788	
Employer Medicare		410	
Communication		748	
Janitorial Services		20,761	
Maintenance & Repair Services- Buildings		24,368	
Maintenance & Repair Services- Equipment		17,722	
Pest Control		864	
Other Contracted Services		5,487	
Custodial Supplies		12,647	
Electricity		60,292	
Natural Gas		19,179	
Water and Sewer		4,715	
Other Supplies and Materials		1,841	
Building and Contents Insurance		323,729	
Other Construction		6,242	
Total County Buildings			\$ 535,252

Preservation of Records

Board and Committee Members Fees	\$	2,400	
Social Security		149	
Employer Medicare		35	
Other Contracted Services		8,100	
Office Supplies		179	
Other Charges		447	
Total Preservation of Records			11,310

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	51,969	
Accountants/Bookkeepers		102,741	
Social Security		9,026	
State Retirement		5,647	
Medical Insurance		14,382	
Employer Medicare		2,111	
Communication		3,360	
Contracts with Government Agencies		7,532	
Data Processing Services		5,553	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Legal Notices, Recording and Court Costs	\$	2,366	
Maintenance Agreements		1,018	
Postal Charges		2,562	
Printing, Stationery and Forms		3,959	
Travel		1,428	
Duplicating Supplies		3,265	
Office Supplies		3,704	
Other Supplies and Materials		568	
In Service/Staff Development		706	
Office Equipment		16,399	
Total Accounting and Budgeting			\$ 238,296

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		34,454	
Other Salaries & Wages		3,200	
Board and Committee Members Fees		3,026	
Social Security		5,487	
State Retirement		3,010	
Medical Insurance		4,788	
Employer Medicare		1,283	
Communication		1,466	
Contracts with Private Agencies		13,990	
Data Processing Services		6,736	
Dues and Memberships		1,280	
Maintenance Agreements		4,460	
Postal Charges		1,723	
Travel		219	
Duplicating Supplies		1,095	
Gasoline		2,453	
Office Supplies		2,611	
In Service/Staff Development		360	
Total Property Assessor's Office			143,610

Reappraisal Program

Secretary(s)	\$	19,656	
Other Salaries & Wages		31,007	
Social Security		3,125	
State Retirement		1,849	
Medical Insurance		1,347	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Employer Medicare	\$	731	
Data Processing Services		4,312	
Total Reappraisal Program			\$ 62,027

County Trustee's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		43,159	
Other Salaries & Wages		17,387	
Social Security		6,916	
State Retirement		3,472	
Medical Insurance		4,788	
Employer Medicare		1,617	
Communication		1,114	
Contracts with Government Agencies		9,267	
Data Processing Services		3,151	
Dues and Memberships		528	
Legal Notices, Recording and Court Costs		59	
Maintenance Agreements		960	
Postal Charges		5,178	
Duplicating Supplies		244	
Office Supplies		2,195	
In Service/Staff Development		1,365	
Office Equipment		12,475	
Total County Trustee's Office			165,844

County Clerk's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		81,104	
Social Security		8,195	
State Retirement		4,838	
Medical Insurance		4,403	
Employer Medicare		1,917	
Communication		1,145	
Data Processing Services		4,776	
Dues and Memberships		458	
Maintenance Agreements		1,662	
Postal Charges		5,199	
Printing, Stationery and Forms		2,476	
Duplicating Supplies		934	
Office Supplies		1,419	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

In Service/Staff Development	\$	157	
Office Equipment		23,790	
Total County Clerk's Office			\$ 194,442

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Clerical Personnel		158,726	
Other Salaries & Wages		3,590	
Jury and Witness Fees		3,882	
Social Security		13,212	
State Retirement		7,388	
Medical Insurance		5,942	
Employer Medicare		3,090	
Communication		3,031	
Data Processing Services		2,296	
Dues and Memberships		473	
Legal Notices, Recording and Court Costs		154	
Maintenance Agreements		2,015	
Postal Charges		2,222	
Printing, Stationery and Forms		2,706	
Other Contracted Services		3,650	
Duplicating Supplies		2,012	
Office Supplies		8,426	
In Service/Staff Development		1,652	
Office Equipment		11,789	
Total Circuit Court			288,225

General Sessions Court

Judge(s)	\$	96,566	
Social Security		5,287	
State Retirement		3,525	
Employer Medicare		1,400	
Communication		500	
Travel		830	
Total General Sessions Court			108,108

Chancery Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		81,503	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Other Salaries & Wages	\$	4,360	
Jury and Witness Fees		520	
Social Security		8,420	
State Retirement		4,872	
Medical Insurance		9,739	
Employer Medicare		1,969	
Communication		1,480	
Data Processing Services		1,431	
Dues and Memberships		473	
Legal Notices, Recording and Court Costs		67	
Maintenance Agreements		1,424	
Postal Charges		3,500	
Printing, Stationery and Forms		299	
Duplicating Supplies		904	
Office Supplies		4,716	
In Service/Staff Development		2,057	
Total Chancery Court			\$ 179,703

Juvenile Court

Assistant(s)	\$	25,908	
Youth Service Officer(s)		26,252	
Salary Supplements		10,000	
Other Salaries & Wages		9,401	
Social Security		4,400	
State Retirement		2,545	
Medical Insurance		2,059	
Employer Medicare		1,029	
Communication		2,567	
Postal Charges		182	
Travel		2,775	
Other Contracted Services		14,208	
Office Supplies		2,156	
Other Charges		780	
Total Juvenile Court			104,262

Judicial Commissioners

Other Salaries & Wages	\$	24,294	
Social Security		1,506	
State Retirement		126	
Employer Medicare		352	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Communication	\$ 191	
Total Judicial Commissioners		\$ 26,469

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 57,165
Assistant(s)	37,448
Deputy(ies)	337,701
Investigator(s)	94,578
Captain(s)	36,348
Sergeant(s)	66,146
Accountants/Bookkeepers	21,403
Salary Supplements	19,683
School Resource Officer	12,733
Overtime Pay	16,276
Social Security	43,788
State Retirement	25,163
Medical Insurance	54,302
Employer Medicare	10,241
Communication	18,036
Contracts with Government Agencies	190,987
Contributions	5,000
Dues and Memberships	1,500
Maintenance & Repair Services- Equipment	17
Maintenance & Repair Services- Office Equipment	55
Maintenance & Repair Services- Vehicles	30,954
Medical and Dental Services	28,062
Postal Charges	3,773
Tow-in Services	2,286
Travel	1,676
Duplicating Supplies	1,724
Gasoline	44,619
Law Enforcement Supplies	5,042
Office Supplies	4,882
Uniforms	8,022
Other Supplies and Materials	1,211
In Service/Staff Development	4,787
Other Charges	2,819
Communication Equipment	100
Law Enforcement Equipment	12,284

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Motor Vehicles	\$	87,479	
Office Equipment		<u>2,560</u>	
Total Sheriff's Department	\$		1,290,850

Jail

Supervisor/Director	\$	31,292
Lieutenant(s)		28,124
Sergeant(s)		124,339
Guards		430,754
Cafeteria Personnel		46,956
Overtime Pay		22,984
Social Security		41,722
State Retirement		22,095
Medical Insurance		57,158
Employer Medicare		9,758
Communication		2,444
Data Processing Services		1,630
Legal Services		144
Maintenance & Repair Services- Buildings		9,551
Maintenance & Repair Services- Equipment		14,624
Maintenance & Repair Services- Vehicles		4,587
Medical and Dental Services		89,322
Pest Control		725
Postal Charges		2,000
Transportation - Other than Students		1,039
Other Contracted Services		39,193
Custodial Supplies		49,179
Drugs and Medical Supplies		60,699
Duplicating Supplies		2,650
Electricity		39,127
Food Supplies		155,893
Gasoline		5,844
Natural Gas		22,690
Office Supplies		7,643
Prisoners Clothing		2,841
Uniforms		7,252
Water and Sewer		27,720
Other Supplies and Materials		7,270
In Service/Staff Development		3,148
Other Charges		1,448

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Administration Equipment	\$	8,273	
Communication Equipment		200	
Maintenance Equipment		398	
Office Equipment		2,926	
Total Jail			\$ 1,385,642

Fire Prevention and Control

Dues and Memberships	\$	160	
Maintenance & Repair Services- Buildings		3,345	
Maintenance & Repair Services- Equipment		10,406	
Maintenance & Repair Services- Vehicles		26,402	
Postal Charges		185	
Travel		29	
Electricity		10,753	
Gasoline		11,977	
Natural Gas		10,502	
Office Supplies		1,084	
Uniforms		4,781	
Water and Sewer		2,438	
Other Supplies and Materials		7,597	
Liability Insurance		2,197	
In Service/Staff Development		2,471	
Other Equipment		1,116	
Other Capital Outlay		220,092	
Total Fire Prevention and Control			315,535

Civil Defense

Supervisor/Director	\$	35,973	
Deputy(ies)		26,017	
Part-time Personnel		11,375	
Other Salaries & Wages		14,520	
Social Security		5,389	
State Retirement		2,263	
Medical Insurance		4,788	
Employer Medicare		1,260	
Communication		2,694	
Maintenance & Repair Services- Buildings		616	
Maintenance & Repair Services- Equipment		1,190	
Maintenance & Repair Services- Office Equipment		646	
Maintenance & Repair Services- Vehicles		8,729	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Pest Control	\$	154	
Postal Charges		72	
Travel		1,064	
Custodial Supplies		386	
Duplicating Supplies		690	
Electricity		3,656	
Gasoline		6,609	
Natural Gas		2,014	
Office Supplies		1,072	
Uniforms		181	
Water and Sewer		494	
Other Supplies and Materials		31,571	
Other Charges		492	
Office Equipment		2,730	
Other Equipment		55,209	
Other Capital Outlay		322,858	
Total Civil Defense			\$ 544,712

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	198,430
Social Security		12,229
State Retirement		3,953
Medical Insurance		5,942
Employer Medicare		2,860
Communication		3,921
Contracts with Government Agencies		60,000
Janitorial Services		9,100
Maintenance & Repair Services- Equipment		130
Pest Control		716
Postal Charges		100
Travel		6,489
Drugs and Medical Supplies		1,035
Duplicating Supplies		1,302
Electricity		8,034
Natural Gas		702
Office Supplies		2,037
Periodicals		23
Water and Sewer		1,668
Other Supplies and Materials		208

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

In Service/Staff Development	\$	50	
Other Charges		120	
Office Equipment		1,149	
Total Local Health Center			\$ 320,198

Maternal and Child Health Services

Contracts with Other Public Agencies	\$	20,000	
Total Maternal and Child Health Services			20,000

Other Local Health Services

Contributions	\$	7,500	
Total Other Local Health Services			7,500

Regional Mental Health Center

Contributions	\$	3,500	
Total Regional Mental Health Center			3,500

Other Local Welfare Services

Contracts with Other Public Agencies	\$	7,614	
Total Other Local Welfare Services			7,614

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries & Wages		20,850	
Social Security		1,363	
State Retirement		805	
Employer Medicare		319	
Contracts with Private Agencies		16,272	
Instructional Supplies and Materials		6,496	
Other Charges		6,363	
Total Sanitation Management			53,668

Other Public Health and Welfare

Contributions	\$	25,000	
Other Charges		500	
Total Other Public Health and Welfare			25,500

Social, Cultural and Recreational Services

Adult Activities

Contributions	\$	11,250	
Total Adult Activities			11,250

(Continued)

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries

Contributions	\$ 61,366	
Total Libraries		\$ 61,366

Parks and Fair Boards

Contracts with Government Agencies	\$ 16,000	
Contributions	16,000	
Total Parks and Fair Boards		32,000

Agriculture & Natural Resources

Agriculture Extension Service

Other Salaries & Wages	\$ 5,078	
Board and Committee Members Fees	1,200	
Social Security	315	
Employer Medicare	74	
Communication	2,377	
Contracts with Other Public Agencies	55,284	
Duplicating Supplies	397	
Office Supplies	671	
Office Equipment	1,376	
Total Agriculture Extension Service		66,772

Forest Service

Contributions	\$ 2,000	
Total Forest Service		2,000

Soil Conservation

Secretary(s)	\$ 17,989	
Social Security	1,055	
State Retirement	657	
Medical Insurance	4,788	
Employer Medicare	247	
Other Charges	2,043	
Total Soil Conservation		26,779

Other Operations

Industrial Development

Contributions	\$ 75,000	
Total Industrial Development		75,000

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contributions	\$	12,460	
Other Supplies and Materials		5,000	
Other Charges		110,280	
Total Other Economic and Community Development	\$		127,740

Airport

Airport Improvement	\$	11,900	
Total Airport			11,900

Veterans' Services

Clerical Personnel	\$	10,296	
Social Security		614	
Employer Medicare		144	
Communication		649	
Postal Charges		78	
Travel		424	
Gasoline		193	
Office Supplies		142	
Total Veterans' Services			12,540

Contributions to Other Agencies

Contributions	\$	4,900	
Total Contributions to Other Agencies			4,900

Miscellaneous

Unemployment Compensation	\$	16,900	
Communication		889	
Dues and Memberships		4,561	
Medical and Dental Services		8,400	
Pauper Burials		3,000	
Premiums on Corporate Surety Bonds		540	
Trustee's Commission		75,594	
Workers' Compensation Insurance		67,673	
Other Charges		36,944	
Total Miscellaneous			214,501

Total General Fund	\$		7,397,920
--------------------	----	--	-----------

(Continued)

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

<u>Solid Waste/Sanitation Fund</u>		
<u>Public Health and Welfare</u>		
<u>Sanitation Management</u>		
Contributions	\$ 19,000	
Total Sanitation Management		\$ 19,000
 <u>Convenience Centers</u>		
Communication	\$ 543	
Contracts with Other Public Agencies	89,092	
Electricity	1,333	
Water and Sewer	222	
Other Capital Outlay	14,023	
Total Convenience Centers		105,213
 <u>Other Waste Disposal</u>		
Clerical Personnel	\$ 15,968	
Other Salaries & Wages	10,000	
Social Security	1,550	
State Retirement	948	
Medical Insurance	4,336	
Unemployment Compensation	224	
Employer Medicare	363	
Contracts with Other Public Agencies	351,397	
Legal Notices, Recording and Court Costs	89	
Postal Charges	100	
Travel	327	
Disposal Fees	61,134	
Office Supplies	370	
Trustee's Commission	6,808	
In Service/Staff Development	359	
Other Charges	1,861	
Administration Equipment	2,730	
Total Other Waste Disposal		458,564
 <u>Postclosure Care Costs</u>		
Contracts for Postclosure Care Costs	\$ 11,827	
Total Postclosure Care Costs		11,827
 Total Solid Waste/Sanitation Fund		 \$ 594,604

(Continued)

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

Drug Control Fund

Public Safety

Drug Enforcement

Maintenance Agreements	\$	5,954	
Tow-in Services		175	
Instructional Supplies and Materials		270	
Law Enforcement Supplies		12,670	
Trustee's Commission		300	
In Service/Staff Development		2,133	
Office Equipment		494	
Total Drug Enforcement			\$ 21,996

Total Drug Control Fund \$ 21,996

District Attorney General Fund

Administration of Justice

District Attorney General

Contracts with Government Agencies	\$	18,777	
Dues and Memberships		410	
Maintenance & Repair Services- Buildings		43	
Travel		5,261	
Periodicals		2,224	
Trustee's Commission		115	
Other Charges		565	
Total District Attorney General			\$ 27,395

Total District Attorney General Fund 27,395

Other Special Revenue Fund

Other Operations

Miscellaneous

Contracts with Government Agencies	\$	7,751,471	
Trustee's Commission		1,550	
Interest on Notes		1,723	
Other Debt Issuance Charges		14,803	
Total Miscellaneous			\$ 7,769,547

Total Other Special Revenue Fund 7,769,547

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
--	----	--------	--

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Assistant(s)	\$	34,294	
Accountants/Bookkeepers		24,492	
Social Security		7,213	
State Retirement		4,232	
Medical Insurance		9,612	
Employer Medicare		1,687	
Communication		3,649	
Dues and Memberships		3,128	
Janitorial Services		1,920	
Legal Services		9,613	
Legal Notices, Recording and Court Costs		400	
Maintenance & Repair Services- Office Equipment		600	
Postal Charges		569	
Travel		1,153	
Electricity		3,991	
Office Supplies		174	
Water and Sewer		1,114	
Total Administration			\$ 165,006

Highway and Bridge Maintenance

Foremen	\$	48,784	
Equipment Operators		178,919	
Truck Drivers		106,043	
Laborers		81,336	
Social Security		25,082	
State Retirement		13,823	
Medical Insurance		56,081	
Employer Medicare		5,866	
Rentals		25	
Other Contracted Services		27,702	
Asphalt		366,033	
Asphalt - Hot Mix		962,246	
Crushed Stone		42,876	
General Construction Materials		2,088	
Pipe - Metal		51,220	
Road Signs		13,402	
Wood Products		1,200	
Total Highway and Bridge Maintenance			1,982,726

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	77,152	
Social Security		4,783	
State Retirement		2,816	
Employer Medicare		1,119	
Laundry Service		1,912	
Maintenance & Repair Services- Equipment		13,298	
Diesel Fuel		115,010	
Equipment and Machinery Parts		69,026	
Garage Supplies		12,561	
Gasoline		26,247	
Lubricants		7,538	
Propane Gas		8,212	
Tires and Tubes		33,201	
Communication Equipment		1,840	
Total Operation and Maintenance of Equipment			\$ 374,715

Quarry Operations

Foremen	\$	22,179	
Equipment Operators		25,859	
Truck Drivers		21,349	
Social Security		4,179	
State Retirement		2,382	
Medical Insurance		9,612	
Employer Medicare		977	
Explosive and Drilling Services		29,124	
Maintenance & Repair Services- Equipment		50,163	
Electricity		31,456	
Water and Sewer		1,093	
In Service/Staff Development		364	
Total Quarry Operations			198,737

Other Charges

Electricity	\$	229	
Trustee's Commission		30,211	
Vehicle and Equipment Insurance		84,240	
Total Other Charges			114,680

Employee Benefits

Unemployment Compensation	\$	4,120	
Workers' Compensation Insurance		77,189	
Total Employee Benefits			81,309

(Continued)

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

<u>Highway/Public Works Fund (Cont.)</u>			
<u>Highways (Cont.)</u>			
<u>Capital Outlay</u>			
Engineering Services	\$	18,459	
Bridge Construction		110,140	
Highway Equipment		56,780	
Other Construction		42,000	
Total Capital Outlay		<u>227,379</u>	\$ 227,379
Total Highway/Public Works Fund			\$ 3,144,552
<u>General Debt Service Fund</u>			
<u>Principal</u>			
<u>General Government</u>			
Principal on Notes	\$	110,000	
Total General Government			\$ 110,000
<u>Education</u>			
Principal on Bonds	\$	1,090,000	
Principal on Notes		10,326	
Principal on Other Loans Payable		181,414	
Total Education		<u>1,281,740</u>	1,281,740
<u>Interest</u>			
<u>General Government</u>			
Interest on Notes	\$	25,200	
Total General Government			25,200
<u>Education</u>			
Interest on Bonds	\$	961,251	
Interest on Other Loans Payable		95,868	
Total Education		<u>1,057,119</u>	1,057,119
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	25,891	
Other Debt Issuance Charges		327	
Total General Government		<u>26,218</u>	26,218
<u>Education</u>			
Other Debt Issuance Charges	\$	13,395	
Total Education		<u>13,395</u>	13,395
Total General Debt Service Fund			<u>2,513,672</u>
Total Governmental Funds - Primary Government			<u>\$ 21,469,686</u>

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,791,732	
Career Ladder Program	162,612	
Career Ladder Extended Contracts	95,600	
Educational Assistants	323,976	
Other Salaries & Wages	2,724	
Certified Substitute Teachers	112,428	
Social Security	500,547	
State Retirement	449,518	
Employee and Dependent Insurance	37,726	
Medical Insurance	603,812	
Unemployment Compensation	33,673	
Employer Medicare	117,064	
Maintenance & Repair Services- Equipment	19,765	
Instructional Supplies and Materials	88,923	
Textbooks	155,710	
Other Supplies and Materials	3,728	
Other Charges	2,236	
Furniture and Fixtures	3,036	
Regular Instruction Equipment	119,932	
Total Regular Instruction Program		\$ 10,624,742

Alternative Instruction Program

Teachers	\$ 108,062	
Career Ladder Program	2,000	
Social Security	6,322	
State Retirement	6,053	
Medical Insurance	11,926	
Employer Medicare	1,479	
Total Alternative Instruction Program		135,842

Special Education Program

Teachers	\$ 899,684	
Career Ladder Program	15,880	
Educational Assistants	397,640	
Certified Substitute Teachers	20,685	
Social Security	78,993	
State Retirement	62,925	
Employee and Dependent Insurance	67,082	
Medical Insurance	61,733	

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	18,518	
Contracts with Other Public Agencies		17,840	
Maintenance & Repair Services- Equipment		826	
Instructional Supplies and Materials		21,482	
Special Education Equipment		3,799	
Total Special Education Program			\$ 1,667,087

Vocational Education Program

Teachers	\$	716,374	
Career Ladder Program		13,000	
Certified Substitute Teachers		1,165	
Social Security		41,436	
State Retirement		39,629	
Medical Insurance		69,709	
Employer Medicare		9,691	
Maintenance & Repair Services- Equipment		5,453	
Instructional Supplies and Materials		32,483	
Vocational Instruction Equipment		8,172	
Total Vocational Education Program			937,112

Student Body Education Program

Other Salaries & Wages	\$	42,653	
Social Security		2,557	
State Retirement		1,359	
Employer Medicare		598	
Other Charges		5,599	
Total Student Body Education Program			52,766

Support Services

Attendance

Supervisor/Director	\$	59,438	
Career Ladder Program		2,000	
Social Security		3,492	
State Retirement		3,353	
Medical Insurance		5,813	
Employer Medicare		817	
Travel		1,975	
Total Attendance			76,888

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Other Salaries & Wages	\$	151,680	
Social Security		9,270	
State Retirement		4,652	
Employee and Dependent Insurance		10,105	
Employer Medicare		2,168	
Drugs and Medical Supplies		740	
Total Health Services			\$ 178,615

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		330,824	
Social Workers		42,207	
School Resource Officer		15,000	
Other Salaries & Wages		44,978	
Social Security		25,422	
State Retirement		22,364	
Employee and Dependent Insurance		4,860	
Medical Insurance		24,722	
Employer Medicare		5,945	
Evaluation and Testing		9,650	
Travel		23,472	
Instructional Supplies and Materials		3,807	
Other Supplies and Materials		143,780	
In Service/Staff Development		11,389	
Other Charges		5,788	
Other Equipment		8,061	
Total Other Student Support			729,269

Regular Instruction Program

Supervisor/Director	\$	67,357	
Career Ladder Program		14,900	
Librarians		361,620	
Instructional Computer Personnel		73,074	
Other Salaries & Wages		32,105	
Social Security		32,754	
State Retirement		29,521	
Employee and Dependent Insurance		4,860	
Medical Insurance		29,644	
Employer Medicare		7,660	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Travel	\$	3,122	
Instructional Supplies and Materials		4,030	
Library Books/Media		14,213	
In Service/Staff Development		19,849	
Other Charges		12,863	
Total Regular Instruction Program			\$ 707,572

Special Education Program

Supervisor/Director	\$	39,457	
Career Ladder Program		2,000	
Psychological Personnel		46,201	
Social Security		5,241	
State Retirement		4,795	
Medical Insurance		4,321	
Employer Medicare		1,226	
Travel		5,379	
In Service/Staff Development		4,491	
Total Special Education Program			113,111

Vocational Education Program

Supervisor/Director	\$	46,945	
Career Ladder Program		1,000	
Clerical Personnel		11,407	
Social Security		3,651	
State Retirement		3,028	
Medical Insurance		600	
Employer Medicare		854	
Travel		6,422	
In Service/Staff Development		4,177	
Other Charges		5,000	
Total Vocational Education Program			83,084

Board of Education

Secretary to Board	\$	660	
Other Salaries & Wages		10,500	
Board and Committee Members Fees		26,220	
Social Security		2,318	
State Retirement		592	
Employer Medicare		542	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	10,150	
Dues and Memberships		7,410	
Legal Services		48,044	
Travel		2,456	
Liability Insurance		157,492	
Trustee's Commission		117,278	
Workers' Compensation Insurance		131,009	
Criminal Investigation of Applicants - TBI		4,995	
Other Charges		15,529	
Total Board of Education			\$ 535,195

Director of Schools

County Official/Administrative Officer	\$	90,138	
Secretary(s)		34,980	
Other Salaries & Wages		3,410	
Social Security		7,759	
State Retirement		6,594	
Employee and Dependent Insurance		4,860	
Medical Insurance		4,675	
Employer Medicare		1,891	
Communication		23,911	
Postal Charges		1,204	
Travel		4,950	
Office Supplies		3,450	
Other Charges		1,000	
Administration Equipment		4,000	
Total Director of Schools			192,822

Office of the Principal

Assistant(s)	\$	111,115	
Principals		474,048	
Career Ladder Program		12,000	
Clerical Personnel		151,704	
Social Security		44,173	
State Retirement		38,225	
Employee and Dependent Insurance		4,860	
Medical Insurance		40,696	
Employer Medicare		10,331	
Communication		13,962	
Total Office of the Principal			901,114

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	360,969	
Social Security		21,843	
State Retirement		10,278	
Employee and Dependent Insurance		41,816	
Employer Medicare		5,108	
Janitorial Services		4,263	
Other Contracted Services		12,186	
Custodial Supplies		72,862	
Electricity		766,624	
Natural Gas		253,852	
Water and Sewer		71,823	
Other Charges		8,599	
Total Operation of Plant			\$ 1,630,223

Maintenance of Plant

Supervisor/Director	\$	62,817	
Maintenance Personnel		122,467	
Other Salaries & Wages		48,784	
Social Security		13,510	
State Retirement		8,945	
Employee and Dependent Insurance		4,860	
Medical Insurance		3,077	
Employer Medicare		3,360	
Maintenance & Repair Services- Buildings		39,518	
Maintenance & Repair Services- Equipment		46,165	
General Construction Materials		23,065	
Other Supplies and Materials		33,301	
Other Charges		11,053	
Total Maintenance of Plant			420,922

Transportation

Supervisor/Director	\$	37,793	
Mechanic(s)		80,150	
Bus Drivers		404,862	
Other Salaries & Wages		22,740	
Social Security		32,623	
State Retirement		19,635	
Employee and Dependent Insurance		72,623	
Employer Medicare		7,630	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	973	
Medical and Dental Services		4,648	
Gasoline		155,714	
Lubricants		3,756	
Tires and Tubes		23,293	
Vehicle Parts		74,934	
Other Supplies and Materials		4,685	
Other Charges		970	
Transportation Equipment		55,785	
Total Transportation			\$ 1,002,814

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	58,548	
Social Security		3,503	
State Retirement		3,195	
Medical Insurance		3,077	
Employer Medicare		819	
Maintenance & Repair Services- Equipment		1,328	
Payments to Schools - Breakfast		145,914	
Payments to Schools - Lunch		543,129	
Payments to Schools - Other USDA		1,786	
Travel		1,701	
Other Contracted Services		1,655	
Other Supplies and Materials		2,200	
In Service/Staff Development		633	
Other Charges		2,524	
Total Food Service			770,012

Community Services

Other Salaries & Wages	\$	66,305	
Social Security		4,088	
State Retirement		2,204	
Employer Medicare		956	
Maintenance & Repair Services- Equipment		3,784	
Travel		3,461	
Other Supplies and Materials		11,640	
Other Charges		17,710	
Total Community Services			110,148

(Continued)

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	137,708	
Other Capital Outlay		106,371	
Total Regular Capital Outlay			\$ 244,079

Total General Purpose School Fund \$ 21,113,417

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	365,761	
Educational Assistants		25,295	
Certified Substitute Teachers		1,798	
Social Security		20,768	
State Retirement		20,889	
Medical Insurance		30,810	
Employer Medicare		4,857	
Instructional Supplies and Materials		11,448	
Other Equipment		21,918	
Total Regular Instruction Program			\$ 503,544

Alternative Instruction Program

Teachers	\$	40,345	
Social Security		2,501	
State Retirement		2,219	
Employer Medicare		585	
Total Alternative Instruction Program			45,650

Special Education Program

Teachers	\$	136,474	
Educational Assistants		170,900	
Other Salaries & Wages		103,650	
Social Security		24,840	
State Retirement		16,531	
Medical Insurance		29,768	
Employer Medicare		5,765	
Contracts with Other Public Agencies		50,264	
Contracts with Private Agencies		7,937	
Maintenance & Repair Services- Equipment		1,254	
Instructional Supplies and Materials		95,394	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	504	
Other Charges		14,095	
Special Education Equipment		31,278	
Total Special Education Program			\$ 688,654

Vocational Education Program

Other Salaries & Wages	\$	16,346	
Social Security		965	
State Retirement		899	
Medical Insurance		1,538	
Employer Medicare		226	
Other Supplies and Materials		33,834	
Vocational Instruction Equipment		49,164	
Total Vocational Education Program			102,972

Support Services

Health Services

Medical Personnel	\$	37,364	
Social Security		2,266	
State Retirement		1,096	
Medical Insurance		4,475	
Employer Medicare		530	
Total Health Services			45,731

Other Student Support

Social Workers	\$	23,815	
Attendants		4,563	
Other Salaries & Wages		4,000	
Social Security		1,771	
State Retirement		1,053	
Employer Medicare		414	
Travel		328	
Instructional Supplies and Materials		304	
Other Charges		6,456	
Total Other Student Support			42,704

Regular Instruction Program

Supervisor/Director	\$	67,914	
Secretary(s)		18,742	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	42,065	
Social Security		7,489	
State Retirement		6,718	
Employee and Dependent Insurance		4,854	
Medical Insurance		9,297	
Employer Medicare		1,751	
Travel		1,098	
Other Contracted Services		643	
Other Supplies and Materials		9,139	
In Service/Staff Development		55,128	
Total Regular Instruction Program			\$ 224,838

Special Education Program

Supervisor/Director	\$	9,708	
Clerical Personnel		10,712	
Social Security		1,266	
State Retirement		738	
Medical Insurance		6,000	
Employer Medicare		296	
Consultants		2,182	
Travel		3,832	
In Service/Staff Development		33,790	
Total Special Education Program			68,524

Vocational Education Program

In Service/Staff Development	\$	4,925	
Total Vocational Education Program			4,925

Maintenance of Plant

Maintenance & Repair Services- Buildings	\$	249	
Total Maintenance of Plant			249

Transportation

Bus Drivers	\$	45,824	
Social Security		2,780	
State Retirement		1,675	
Medical Insurance		8,390	
Employer Medicare		650	
Transportation Equipment		95,277	
Total Transportation			154,596

Total School Federal Projects Fund \$ 1,882,387

(Continued)

Exhibit L-9

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

<u>Extended School Program Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Community Services</u>		
Supervisor/Director	\$	21,488
Other Salaries & Wages		75,938
Social Security		6,040
State Retirement		4,240
Employer Medicare		1,413
Other Charges		12,420
Other Equipment		10,000
Total Community Services		<u>\$ 131,539</u>
Total Extended School Program Fund		<u>\$ 131,539</u>
Total Governmental Funds - School Department		<u><u>\$ 23,127,343</u></u>

Exhibit L-10

Lincoln County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 760,095	\$ 760,095
Trustee's Collections - Prior Years	0	31,521	31,521
Circuit/Clerk & Master Collections - Prior Years	0	16,769	16,769
Interest and Penalty	0	5,400	5,400
Local Option Sales Tax	1,461,198	547,251	2,008,449
Wholesale Beer Tax	0	25,530	25,530
Interstate Telecommunications Tax	0	976	976
Marriage Licenses	0	570	570
Income Tax	0	4,114	4,114
Beer Tax	0	1,464	1,464
Total Cash Receipts	<u>\$ 1,461,198</u>	<u>\$ 1,393,690</u>	<u>\$ 2,854,888</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,461,198	\$ 1,372,530	\$ 2,833,728
Trustee's Commission	0	16,259	16,259
Total Cash Disbursements	<u>\$ 1,461,198</u>	<u>\$ 1,388,789</u>	<u>\$ 2,849,987</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 4,901	\$ 4,901
Cash Balance, July 1, 2004	0	61,158	61,158
Cash Balance, June 30, 2005	<u>\$ 0</u>	<u>\$ 66,059</u>	<u>\$ 66,059</u>

---

---

## STATISTICAL SECTION

---

---

Table 1

Lincoln County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1994	\$ 516
1995	975
1996	1,299
1997	1,247
1998	3,509
1999	8,154
2000	13,660
2001	27,321
2002	49,954
2003	113,520
Total	\$ 220,155

Table 2

Lincoln County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.50	\$ 0.50	\$ 0.57	\$ 0.57	\$ 0.69	\$ 0.69	\$ 0.575	\$ 0.575	\$ 0.710	\$ 0.795
Highway/Public Works	0.12	0.12	0.13	0.13	0.13	0.13	0.105	0.105	0.105	0.105
General Purpose School	1.32	1.32	1.38	1.36	1.36	1.36	1.075	1.075	1.115	1.115
General Debt Service	0.49	0.49	0.45	0.47	0.35	0.35	0.275	0.275	0.300	0.215
<b>Total Tax Rate</b>	<b>\$ 2.43</b>	<b>\$ 2.43</b>	<b>\$ 2.53</b>	<b>\$ 2.53</b>	<b>\$ 2.53</b>	<b>\$ 2.53</b>	<b>\$ 2.03</b>	<b>\$ 2.03</b>	<b>\$ 2.23</b>	<b>\$ 2.23</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 224,149,790	\$ 233,227,455	\$ 241,209,963	\$ 248,424,473	\$ 256,573,440	\$ 259,617,736	\$ 338,440,797	\$ 348,421,361	\$ 355,533,123	\$ 365,200,861
Public Utilities	10,230,884	10,722,675	9,043,677	9,791,046	9,962,472	8,568,205	12,218,720	10,938,663	9,425,667	9,741,715
<b>Total Assessed Valuation</b>	<b>\$ 234,380,674</b>	<b>\$ 243,950,130</b>	<b>\$ 250,253,640</b>	<b>\$ 258,215,519</b>	<b>\$ 266,535,912</b>	<b>\$ 268,185,941</b>	<b>\$ 350,659,517</b>	<b>\$ 359,360,024</b>	<b>\$ 364,958,790</b>	<b>\$ 374,942,576</b>

---

---

## **SINGLE AUDIT SECTION**

---

---



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

October 4, 2005

Lincoln County Mayor and  
Board of County Commissioners  
Lincoln County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lincoln County's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04, 05.05, and 05.06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 05.01.

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

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

October 4, 2005

Lincoln County Mayor and  
Board of County Commissioners  
Lincoln County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Lincoln County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Lincoln County's compliance with those requirements and

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

As described in items 05.01 and 05.07, in the accompanying Schedule of Findings and Questioned Costs, Lincoln County did not comply with the requirements regarding Procurement and Suspension and Debarment that are applicable to its Homeland Security Grants Program (CFDA No. 97.004). Compliance with such requirements is necessary, in our opinion, for Lincoln County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Lincoln County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

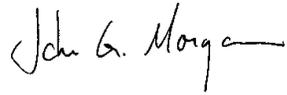
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 4, 2005. Our audit was performed for the purpose of forming opinions on the basis financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
For the Lincoln County Health System

To the Health System Committee  
Lincoln County Health System  
Lincoln County, Tennessee

We have audited the financial statements of the Lincoln County Health System as of and for the year ended June 30, 2005, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the health system's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended for the information and use of the Health System Committee and management and is not intended to be used and should not be used by anyone other than these specified parties.

OTHER AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
For the Lincoln County Board of Public Utilities

To the Members of the  
Lincoln County Board of Public Utilities  
Fayetteville, Tennessee

I have audited the financial statements of the Lincoln County Board of Public Utilities as of and for the year ended June 30, 2005, and have issued my report thereon. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Lincoln County Board of Public Utilities' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the board in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lincoln County Board of Public Utilities' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board members, the Lincoln County Tennessee Board of Commissioners, and the United States Department of Agriculture, and is not intended to be and should not be used by anyone other than these specified parties.

OTHER AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
For the Lincoln County Emergency Communications District

Board of Directors  
Lincoln County Emergency Communications District  
Fayetteville, Tennessee

We have audited the financial statements of the Lincoln County Emergency Communications District, a component unit of Lincoln County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, of the reportable conditions described above, we consider item 05-1 to be a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

LINCOLN COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
AUDIT FINDINGS AND RESPONSES  
For the Year Ended June 30, 2005

FINDING 05-1:      **INCOMPATIBLE DUTIES (1)**

The board treasurer is responsible for receiving and depositing funds, preparing checks, and reconciling bank statements. From an accounting control standpoint, these are incompatible duties.

RECOMMENDATION

We realize that due to the fact there is no staff, the board is limited in adequate segregation of duties and functions within the accounting system and may not be able to correct this finding. However, our professional standards require that we bring this finding to your attention in this report.

MANAGEMENT'S COMMENTS

In our opinion, the cost of hiring personnel to improve segregation of duties would exceed the internal control benefits. We believe this weakness is mitigated through installation of certain compensating controls, such as the use of budgets and active involvement of the board in day-to-day operations.

(1) Prior Year Finding.

Lincoln County, Tennessee  
 Schedule of Expenditures of Federal Awards and State Grants (1)  
 For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	\$ 89,797
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 145,914
National School Lunch Program	10.555	(2)	544,914
Total Passed-through State Department of Education			\$ 690,828
Total U.S. Department of Agriculture			\$ 780,625
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-48	\$ 110,314
Total U.S. Department of Housing and Urban Development			\$ 110,314
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 5,030
Total U.S. Department of Justice			\$ 5,030
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	GG-04-10888-00	\$ 7,000
Total U.S. Department of Transportation			\$ 7,000
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 184,727
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	Z-03-017773-00	40,000 (3)
Homeland Security Grant Program	97.004	Z-04-020118-00	94,020 (3)
Homeland Security Grant Program	97.004	Z-04-022466-00	234,250 (3)
Public Assistance Grants	97.036	GG-04-10284-00	15,060
Hazard Mitigation Grant	97.039	GG-02-09512-00	3,495 (4)
Hazard Mitigation Grant	97.039	GG-04-10694-00	38,565 (4)
Emergency Management Performance Grants	97.042	Z-04-020276-00	14,830 (5)
Emergency Management Performance Grants	97.042	Z-05-025392-00	30,859 (5)
Total U.S. Department of Homeland Security			\$ 655,806

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 545,878
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	905,855
Special Education - Preschool Grants	84.173	N/A	38,751
Vocational Education - Basic Grants to States	84.048	N/A	100,063
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	25,017
Twenty-First Century Community Learning Centers	84.287	(2)	55,790
State Grants for Inovative Programs	84.298	N/A	17,502
Education Technology State Grants	84.318	(2)	13,865
Reading First State Grants	84.357	GG-0411037-00	219,636
English Language Acquisition Grants	84.365	N/A	1,934
Improving Teacher Quality State Grants	84.367	N/A	164,622
Total U.S. Department of Education			\$ 2,088,913
U.S. Department Health and Human Services:			
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-04-016591-00	\$ 28,483
Total U.S. Department Health and Human Services			\$ 28,483
Total Federal Awards			\$ 3,676,171
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 10,746
Archives Grant - State Department of State	N/A	Z-05-025796-00	1,750
Health Department Programs - State Department of Health	N/A	(2)	232,838
Safe and Drug-Free Schools and Communities - State Department of Education	N/A	(2)	20,840
Early Childhood Education Pilot Program - State Department of Education	N/A	DG-05-01905-00	64,251
Optional Waste Tire - State Department of Conservation	N/A	Z-03-011302-00	30,323
Family Resource Grant - State Department of Conservation	N/A	DG-05-01892-00	32,648
Block Grants for Prevention and Treatment of Substance Abuse - State Department of Health	N/A	DG-05-1882-00	5,026
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-05-020401-00	9,000
Litter Program - State Department of Transportation	N/A	GG0410861	34,787
Total State Grants			\$ 442,209

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 was not available.

(3) - Total Homeland Security Grant Program (CFDA No. 97.004) from the U.S. Department of Homeland Security \$368,270.

(4) - Total Hazard Mitigation Program (CFDA No. 97.039) from the U.S. Department of Homeland Security \$42,060.

(5) - Total Emergency Management Performance Grants (CFDA No. 97.042) from the U.S. Department of Homeland Security \$45,689.

Lincoln County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are the findings from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2004, that have not been corrected.

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	191	The Highway Department did not maintain a system to account for the use of road materials
04.03	191	The Highway Department did not reconcile gasoline usage with gasoline purchases

**OTHER FINDING AND RECOMMENDATION**

04.04	192	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
-------	-----	---

---

---

**LINCOLN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

---

---

**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. An unqualified opinion was issued on the financial statements of Lincoln County.
2. The audit of the financial statements disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. A qualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Homeland Security Grant Program (CFDA No. 97.004) and the Special Education Cluster: the Special Education – Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Lincoln 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 have reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of finance, trustee, circuit and general sessions courts clerk, and the current clerk and master are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **OFFICE OF DIRECTOR OF FINANCE**

#### **FINDING 05.01      **THE OFFICE HAD PURCHASING DEFICIENCIES IN THE ADMINISTRATION OF HOMELAND SECURITY GRANTS** (Noncompliance Under Government Auditing Standards and OMB Circular A-133)**

Our audit noted the following purchasing deficiencies in the administration of homeland security grants:

- A. Competitive bids were not solicited for the purchase of portable radios (\$10,355). However, the county did obtain quotes and accepted the lowest quote.
- B. The office purchased hand-held radios (\$30,091) at the state bid price from a local vendor who had not been awarded the state contract.
- C. The office solicited bids for the purchase of additional portable radios (\$20,868) using bid specifications that could be met by only one manufacturer and accepted the lower of the two bids received. Using bid specifications that apply only to a particular brand of equipment violates the intent of the County Financial Management System of 1981, which requires competitive bids on purchases exceeding \$5,000.
- D. Additionally, the office solicited competitive bids for the purchase of a rescue vehicle (\$215,328) using bid specifications that could be met by only one manufacturer and accepted the lowest of several bids received.

### **RECOMMENDATION**

The office should solicit competitive bids for all purchases exceeding \$5,000 as required by state statute. County officials should verify that a vendor indeed has the state contract for the needed item prior to purchasing from the vendor representing to have the state contract. Otherwise, the purchase should be competitively bid. Bid specifications should not be written so specifically that they can be met by only one manufacturer or vendor.

### **MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE**

We concur. The county policy for competitive bids for all purchases over \$5,000 will be followed. Purchases made from a state contract will be from the vendor awarded the state contract or will be competitively bid. Specifications will clearly state that they are not brand specific and that performance comparable products may be bid.

**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 05.02**      **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN A SYSTEM TO ACCOUNT FOR THE USE OF ROAD MATERIALS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department stockpiled culverts and maintained an inventory; however, the department did not have a system to account for materials used on road projects. The failure to maintain a system to document the use of road materials results in a loss of control over the assets and increases the risk of inventory loss.

**RECOMMENDATION**

The Highway Department should develop and implement a system to account for materials used on all road projects.

**MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE**

We concur. The highway superintendent and finance director will work to develop inventory controls; however, the cost of hiring personnel may exceed the benefits.

**REBUTTAL**

Developing and implementing a system to account for materials does not necessarily require additional personnel or increased costs.

---

**FINDING 05.03**      **THE DEPARTMENT DID NOT RECONCILE GASOLINE USAGE WITH GASOLINE PURCHASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department dispensed fuel from pumps located at the department. However, the department did not reconcile amounts used with amounts purchased and on hand.

**RECOMMENDATION**

The Highway Department should reconcile gasoline usage with gasoline purchased and on hand, as well as with gallons pumped as indicated on the fuel pump meter.

**MANAGEMENT’S RESPONSE – DIRECTOR OF FINANCE**

We concur. The highway superintendent and finance director will work to develop fuel controls; however, the cost of purchasing a fuel control system may exceed the benefits.

## REBUTTAL

Developing a system to reconcile gasoline usage does not necessarily require the purchase of a fuel control system or increased costs.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 05.04      **CIRCUIT AND GENERAL SESSIONS COURTS HAD ACCOUNTING DEFICIENCIES** (Internal Control – Reportable Condition Under Government Auditing Standards)

The following accounting deficiencies were noted in Circuit and General Sessions Courts:

- A. In several instances, amounts were incorrectly posted to general ledger accounts. As a result, at June 30, 2005, the Circuit Court balance sheet reflected several accounts with negative balances while other accounts reflected offsetting positive balances. Also, the General Sessions Court balance sheet reflected a negative balance in the fee and commission account when the correct balance should have been a positive \$150. Management has properly corrected these accounts in the financial statements of this report.
- B. The circuit and general sessions courts clerk prepared trial balances of execution docket case balances as of June 30, 2005, as required by Section 18-2-103, Tennessee Code Annotated. However, the trial balances presented to auditors did not reconcile with cash journal accounts. Subsequently, the clerk performed additional procedures and presented trial balances for both courts that did reconcile with cash journal accounts.

## RECOMMENDATION

The general ledger should be accurately maintained, reviewed monthly, and any errors detected should be corrected promptly. The clerk should accurately reconcile trial balances of execution docket cause balances with general ledger accounts monthly.

## MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Monies were actually available for all negative balances; however, adjusting entries were necessary to correct some postings. In prior years, undisbursed receipt registers were prepared prior to the distribution of month-end checks causing confusion on our reconciliation. In the future we will prepare the register after monthly checks are issued.

**FINDING 05.05      THE CIRCUIT COURT CLERK DID NOT PROPERLY POST SHORT-TERM ACCOUNT ACTIVITY TO THE CASH JOURNAL  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Short-term account activity in Circuit Court was not properly posted to the cash journal, and the clerk did not reconcile the subsidiary investment ledger with the cash journal. Our examination of the clerk's subsidiary investment ledger revealed that eight investments reflected balances, although the clerk had closed the accounts, and another ten investments reflected incorrect account balances. These errors (\$7,558) would have been detected if the clerk had periodically reconciled the subsidiary investment ledger with the cash journal. We provided audit adjustments to management for approval and posting so the account balances would be presented properly in the financial statements of this report.

**RECOMMENDATION**

The circuit court clerk should post all short-term account activity to the cash journal and reconcile the subsidiary investment ledger with the cash journal monthly.

**MANAGEMENT'S RESPONSE – CIRCUIT COURT CLERK**

Investment information obtained by auditors showed balances as of June 30, 2005. Timing becomes an issue since we update these accounts as we receive interest from the banks. Some are received annually, quarterly, or when the certificates of deposit mature. Some closed certificates of deposit reflected small balances, when in reality, the account had been disbursed. Adjusting entries were posted to correct these errors.

---

**OTHER FINDING AND RECOMMENDATION**

**FINDING 05.06      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records were also involved in receipting, depositing, and disbursing funds.

**RECOMMENDATION**

To strengthen internal controls over operations, these offices should segregate duties adequately among employees.

MANAGEMENT'S RESPONSE – TRUSTEE

I concur. We segregate duties among employees to the best of our abilities with limited staff.

MANAGEMENT'S RESPONSE – CURRENT CLERK AND MASTER – REBECCA BARTLETT

I have segregated the duties of my office, but when any of the three employees are absent, it is necessary for those present to perform all duties of the office.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Homeland Security: Passed through State Department of Military: Homeland Security Grant Program	05.07	97.004	Circular A-133, Section 300 [b]	Noncompliance, see Finding 05.01: The Office Had Deficiencies In The Administration of Homeland Security Grants	\$ 0

**LINCOLN COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2005**

There was one audit finding relative to federal awards presented in the current audit's Schedule of Findings and Questioned Costs and no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

**Director of Finance – Corrective Action Plan for Current-year Findings**

**FINDING 05.01 and 05.07**

The county policy for competitive bids for all purchase over \$5,000 will be followed. Purchases on the state contract will be from the vendor awarded the state contract or will be competitively bid. Specifications will clearly state that they are not brand specific and that performance comparable products may be bid.