

# **ANNUAL FINANCIAL REPORT**

## **THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE 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**  
**THE METROPOLITAN GOVERNMENT OF**  
**LYNCHBURG, MOORE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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

***DIVISION OF COUNTY AUDIT***  
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***State Auditors***

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

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# THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2005.

## ***Results***

Our report on the metropolitan government's financial statements is unqualified.

Our audit resulted in 13 findings and recommendations, which we have reviewed with metropolitan government management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF METROPOLITAN EXECUTIVE**

- ◆ The office did not issue purchase orders for some purchases, and competitive bids were not solicited for a riding lawn mower and a drug control vehicle.

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### **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not issue purchase orders for some purchases, paid several invoices without documentation that goods had been received or services had been rendered, and did not solicit competitive bids for a truck.
  - ◆ The official leave records did not always properly distinguish between sick leave and annual leave. Also, compensatory time was not always properly calculated.
  - ◆ Some litter grant expenditures were not adequately documented.
  - ◆ Expenditures exceeded total appropriations approved by the Metropolitan Council in the Solid Waste/Sanitation Fund (\$5,346), and expenditures exceeded appropriations in two major appropriation categories (the legal level of control) in the Highway/Public Works Fund. Also, expenditures exceeded appropriations in several personal services accounts of the Highway/Public Works Fund and the Solid Waste/Sanitation Fund.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The office paid several invoices without documentation that goods had been received or services had been rendered. Also, the office did not solicit competitive bids for pest control services and the removal/installation of two heating and cooling units.
  - ◆ The School Federal Projects Fund had a cash overdraft of \$4,235 at June 30, 2005.
- 

## **OFFICE OF TRUSTEE**

- ◆ The trustee did not require one depository to sufficiently collateralize funds.
- 

## **OFFICE OF SHERIFF**

- ◆ The office did not file the annual report of drug activity with the district attorney general, did not use forms and reports required by the Office of the Comptroller of the Treasury, made several disbursements of confidential funds with no supporting documentation, and did not file the Quarterly Report of Confidential Funds with the metropolitan clerk.
  - ◆ The office did not remit commissary profits to the General Fund, did not reconcile commissary bank statements, and did not prepare listings of outstanding checks.
  - ◆ The office did not file an accurate annual financial report.
- 

## **OTHER FINDINGS**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Highway Superintendent; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
- ◆ Officials had not adopted a central system of accounting and budgeting.

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# INTRODUCTORY SECTION

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Metropolitan Government Officials  
June 30, 2005

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Officials:

Peggy Gattis, Metropolitan Executive  
Richie Pierce, Highway Superintendent  
Wayne Stewart, Director of Schools  
Lynn Harrison, Trustee  
Wayne Harrison, Assessor of Property  
Nancy Hatfield, Metropolitan Clerk  
Trixie Harrison, Circuit, General Sessions, and Juvenile Courts Clerk  
Tammy Roberts, Clerk and Master  
Barbara Durm, Register  
Mark Logan, Sheriff

Metropolitan Council:

Wayne Brandon, Chairman	Chris Roberts
Coleman March	Sloan Stewart
Mike Womack	Glen Thomas
Jackie Burton	Arvis Bobo
Robin Holt	William Pyrdom
David Maynard	Tommy Brown
Glen Searcy	David Parks
Joe Millsaps	

Urban Council:

Ray McEwen  
Edgar Price  
David Adams

Board of Education:

Chris Grizzard, Chairman	David Camp
Lorrie McKenzie	Ronnie Smith
Terry Evans	

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**FINANCIAL SECTION**

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**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**

January 26, 2006

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

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 the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the metropolitan government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the metropolitan government'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 Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets and revenues of the business-type activities. The Metropolitan Lynchburg – Moore County Water and Sewer Department is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District which represent one 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, insofar as they relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore 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 the Metropolitan Government of Lynchburg, Moore 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 January 26, 2006, on our consideration of the metropolitan government'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 V.B., the metropolitan government implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

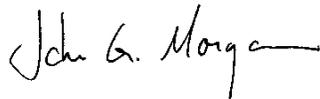
As described in Note V.B., the metropolitan government has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the metropolitan government's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of the metropolitan government 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 Governmental Accounting Standards Board.

The budgetary comparison information on pages 69 through 73 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 the metropolitan government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Metropolitan 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, combining and individual fund financial statements of the Metropolitan 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, 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 in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Net Assets  
June 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Department	Emergency Communications District
<b>ASSETS</b>					
Cash	\$ 425	\$ 231,550	\$ 231,975	\$ 0	\$ 53,953
Equity in Pooled Cash and Investments	834,677	0	834,677	620,807	0
Inventories	0	26,291	26,291	8,655	0
Accounts Receivable	69,826	22,282	92,108	777	2,076
Allowance for Uncollectibles	0	(2,260)	(2,260)	0	0
Other Receivables	0	23,422	23,422	0	0
Due from Other Governments	466,933	0	466,933	103,134	3,257
Due from Component Units	85	0	85	0	0
Prepaid Items	0	18,845	18,845	0	70
Unbilled Charges for Services	0	47,651	47,651	0	0
Accrued Interest Receivable	0	0	0	0	97
Property Taxes Receivable	1,371,586	0	1,371,586	1,662,914	0
Allowance for Uncollectible Property Taxes	(14,134)	0	(14,134)	(17,173)	0
Restricted Assets:					
Customer Deposits	0	520	520	0	0
Revenue Bond Future Debt Service Account	0	62,711	62,711	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	82,950	0	82,950	39,342	0
Construction in Progress	0	52,697	52,697	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,158,142	0	1,158,142	4,278,212	0
Other Capital Assets	642,592	5,469,776	6,112,368	0	17,468
Infrastructure	471,846	0	471,846	427,717	0
<b>Total Assets</b>	<b>\$ 5,084,928</b>	<b>\$ 5,953,485</b>	<b>\$ 11,038,413</b>	<b>\$ 7,124,385</b>	<b>\$ 76,921</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 150,317	\$ 44,023	\$ 194,340	\$ 17,909	\$ 0
Accrued Payroll	14,702	16,551	31,253	0	0
Payroll Deductions Payable	8,206	0	8,206	133,677	0
Accrued Interest Payable	6,995	10,332	17,327	0	0
Due to State of Tennessee	0	4,024	4,024	0	0
Other Current Liabilities	1,564	28,868	30,432	0	0
Cash Overdraft	0	0	0	4,235	0
Deferred Revenue - Current Property Taxes	1,322,648	0	1,322,648	1,603,398	0
Noncurrent Liabilities:					
Due Within One Year	240,268	123,586	363,854	59,208	0
Due In More Than One Year	434,224	2,093,265	2,527,489	79,514	0
<b>Total Liabilities</b>	<b>\$ 2,178,924</b>	<b>\$ 2,320,649</b>	<b>\$ 4,499,573</b>	<b>\$ 1,897,941</b>	<b>\$ 0</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	\$ 2,193,213	\$ 3,314,255	\$ 5,507,468	\$ 0	\$ 0
Invested in Capital Assets Restricted for:	0	0	0	4,745,271	17,468
Debt Service	299,111	62,711	361,822	0	0
Other Purposes	445,634	0	445,634	64,680	0
Unrestricted	(31,954)	255,870	223,916	416,493	59,453
<b>Total Net Assets</b>	<b>\$ 2,906,004</b>	<b>\$ 3,632,836</b>	<b>\$ 6,538,840</b>	<b>\$ 5,226,444</b>	<b>\$ 76,921</b>

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	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	\$ 290,759	\$ 50,255	\$ 20,103	\$ 179,767	\$ (40,634)	\$ 0	\$ (40,634)	\$ 0	\$ 0
Finance	199,014	132,442	1,929	0	(64,643)	0	(64,643)	0	0
Administration of Justice	328,283	100,726	0	0	(227,557)	0	(227,557)	0	0
Public Safety	942,728	160,010	19,694	207,147	(555,877)	0	(555,877)	0	0
Public Health and Welfare	528,826	266,982	27,202	31,960	(202,682)	0	(202,682)	0	0
Social, Cultural, and Recreational Services	131,939	7,413	167	16,700	(107,659)	0	(107,659)	0	0
Agriculture & Natural Resources	52,270	0	0	0	(52,270)	0	(52,270)	0	0
Other Operations	30,777	250	0	0	(30,527)	0	(30,527)	0	0
Highways/Public Works	1,343,450	0	1,195,507	246,953	99,010	0	99,010	0	0
Interest on Long-term Debt	23,499	0	0	0	(23,499)	0	(23,499)	0	0
Other Debt Service	3,073	0	0	0	(3,073)	0	(3,073)	0	0
Total Governmental Activities	\$ 3,874,618	\$ 718,078	\$ 1,264,602	\$ 682,527	\$ (1,209,411)	\$ 0	\$ (1,209,411)	\$ 0	\$ 0
Business-type Activities:									
Water and Sewer Department	\$ 903,011	\$ 946,940	\$ 83,973	\$ 22,150	\$ 0	\$ 150,052	\$ 150,052	\$ 0	\$ 0
Total Business-type Activities	\$ 903,011	\$ 946,940	\$ 83,973	\$ 22,150	\$ 0	\$ 150,052	\$ 150,052	\$ 0	\$ 0
Total Primary Government	\$ 4,777,629	\$ 1,665,018	\$ 1,348,575	\$ 704,677	\$ (1,209,411)	\$ 150,052	\$ (1,059,359)	\$ 0	\$ 0
Component Unit:									
Metropolitan School Department	\$ 7,178,202	\$ 267,719	\$ 605,566	\$ 5,798	\$ 0	\$ 0	\$ 0	\$ (6,299,119)	\$ 0
Emergency Communications District	56,560	35,842	0	0	0	0	0	0	(20,718)
Total Component Unit	\$ 7,234,762	\$ 303,561	\$ 605,566	\$ 5,798	\$ 0	\$ 0	\$ 0	\$ (6,299,119)	\$ (20,718)

(Continued)

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Units	
					Governmental Activities	Business-type Activities	Total	School Department	Emergency Communications District
General Revenues:									
Taxes:									
Property taxes levied for general purposes					\$ 1,295,637	\$ 0	\$ 1,295,637	\$ 1,608,216	\$ 0
Property taxes levied for debt service					23,558	0	23,558	0	0
Local option sales tax					255,010	0	255,010	255,009	0
Other local taxes					131,777	0	131,777	971	0
Grants & Contributions not restricted for specific programs					354,012	0	354,012	4,072,738	0
Unrestricted Investment Earnings					46,969	6,802	53,771	225	445
Miscellaneous					14,051	0	14,051	16,640	(26)
Gain on Disposal of Capital Assets					11,170	0	11,170	1,900	0
Special Items					8,491	0	8,491	0	0
Total General Revenues					\$ 2,140,675	\$ 6,802	\$ 2,147,477	\$ 5,955,699	\$ 419
Change in net assets					\$ 931,264	\$ 156,854	\$ 1,088,118	\$ (343,420)	\$ (20,299)
Net assets, July 1, 2004					1,974,740	3,475,982	5,450,722	5,569,864	97,220
Net assets, June 30, 2005					\$ 2,906,004	\$ 3,632,836	\$ 6,538,840	\$ 5,226,444	\$ 76,921

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

Exhibit C-1

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

	Major Funds		Nonmajor	Total
	General	Highway / Public Works	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 175	\$ 0	\$ 250	\$ 425
Equity in Pooled Cash and Investments	273,403	223,265	337,527	834,195
Accounts Receivable	50,680	11	35,825	86,516
Allowance for Uncollectibles	(15,942)	0	(748)	(16,690)
Due from Other Governments	177,997	263,930	25,006	466,933
Due from Other Funds	814	0	0	814
Due from Component Units	0	0	85	85
Property Taxes Receivable	1,253,391	18,805	99,390	1,371,586
Allowance for Uncollectible Property Taxes	(12,944)	(225)	(965)	(14,134)
Total Assets	\$ 1,727,574	\$ 505,786	\$ 496,370	\$ 2,729,730
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 22,961	\$ 122,797	\$ 4,559	\$ 150,317
Accrued Payroll	0	12,819	1,883	14,702
Payroll Deductions Payable	3,037	4,725	444	8,206
Due to Other Funds	0	0	332	332
Due to State of Tennessee	1,564	0	0	1,564
Deferred Revenue - Current Property Taxes	1,208,531	17,948	96,169	1,322,648
Deferred Revenue - Delinquent Property Taxes	25,103	497	1,778	27,378
Other Deferred Revenues	139,061	152,280	19,178	310,519
Total Liabilities	\$ 1,400,257	\$ 311,066	\$ 124,343	\$ 1,835,666
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 65,991	\$ 0	\$ 0	\$ 65,991
Reserved for Alcohol and Drug Treatment	4,204	0	0	4,204
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	6,207	0	0	6,207
Reserved for Sexual Offender Registration	300	0	0	300
Reserved for Computer System - Register	10,355	0	0	10,355
Reserved for Automation Purposes - Chancery Court	298	0	0	298
Reserved for Other General Purposes	8,473	0	0	8,473
Unreserved, Reported In:				
General Fund	231,489	0	0	231,489
Special Revenue Funds	0	194,720	80,421	275,141
Debt Service Funds	0	0	291,606	291,606
Total Fund Balances	\$ 327,317	\$ 194,720	\$ 372,027	\$ 894,064
Total Liabilities and Fund Balances	\$ 1,727,574	\$ 505,786	\$ 496,370	\$ 2,729,730

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore 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)	\$	894,064
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,355,530
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(681,487)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>337,897</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>2,906,004</u></u>

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

Exhibit D-1

Moore 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	Highway / Public Works	Other Govern- mental Funds	
<b>Revenues</b>				
Local Taxes	\$ 1,451,584	\$ 54,039	\$ 350,395	\$ 1,856,018
Licenses and Permits	7,161	0	1,918	9,079
Fines, Forfeitures, and Penalties	34,955	0	22,016	56,971
Charges for Current Services	114,584	0	147,867	262,451
Other Local Revenues	64,403	40,247	14,863	119,513
Fees Received from County Officials	216,965	0	0	216,965
State of Tennessee	418,321	1,422,372	15,346	1,856,039
Federal Government	308,174	0	0	308,174
Other Governments and Citizens Groups	37,034	0	1,200	38,234
<b>Total Revenues</b>	<b>\$ 2,653,181</b>	<b>\$ 1,516,658</b>	<b>\$ 553,605</b>	<b>\$ 4,723,444</b>
<b>Expenditures</b>				
Current:				
General Government	\$ 325,527	\$ 0	\$ 11,863	\$ 337,390
Finance	162,635	0	0	162,635
Administration of Justice	156,869	0	0	156,869
Public Safety	946,073	0	39,886	985,959
Public Health and Welfare	265,011	0	203,046	468,057
Social, Cultural, and Recreational Services	180,796	0	0	180,796
Agricultural and Natural Resources	48,645	0	0	48,645
Other Operations	579,164	0	0	579,164
Highways	0	1,539,974	0	1,539,974
Debt Service:				
Debt Service Principal	0	0	257,134	257,134
Debt Service Interest	0	0	27,814	27,814
Other Debt Service	0	0	3,073	3,073
<b>Total Expenditures</b>	<b>\$ 2,664,720</b>	<b>\$ 1,539,974</b>	<b>\$ 542,816</b>	<b>\$ 4,747,510</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,539)	\$ (23,316)	\$ 10,789	\$ (24,066)
<b>Other Financing Sources (Uses)</b>				
Notes Issued	\$ 33,000	\$ 0	\$ 0	\$ 33,000
Transfers In	0	0	9,740	9,740
Transfers Out	(9,740)	0	0	(9,740)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 23,260</b>	<b>\$ 0</b>	<b>\$ 9,740</b>	<b>\$ 33,000</b>
Net Change in Fund Balances	\$ 11,721	\$ (23,316)	\$ 20,529	\$ 8,934
Fund Balance, July 1, 2004	315,596	218,036	351,498	885,130
Fund Balance, June 30, 2005	\$ 327,317	\$ 194,720	\$ 372,027	\$ 894,064

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore 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)	\$ 8,934
(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.	464,111
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.	125,295
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	109,803
(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.	224,134
(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>(1,013)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 931,264</u>

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

Exhibit E-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2005

	Major Enterprise Fund Water and Sewer Department
<u>ASSETS</u>	
Current Assets:	
Cash - Note D	\$ 231,550
Inventories	26,291
Accounts Receivable	22,282
Allowance for Uncollectibles	(2,260)
Other Receivables	23,422
Prepaid Items	18,845
Unbilled Charges for Services	47,651
Total Current Assets	<u>\$ 367,781</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 520
Revenue Bond Future Debt Service Account	62,711
Capital Assets:	
Construction in Progress	52,697
Utility Plant in Service	7,386,516
Accumulated Depreciation - Other Capital Assets	(1,916,740)
Total Noncurrent Assets	<u>\$ 5,585,704</u>
Total Assets	<u>\$ 5,953,485</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 44,023
Accrued Payroll	16,551
Accrued Leave	8,634
Due to Other Taxing Units	4,024
Revenue Bonds Payable - Current	114,952
Accrued Interest Payable	10,332
Deferred Fees	13,332
Customer Deposits	15,536
Total Current Liabilities	<u>\$ 227,384</u>
Noncurrent Liabilities:	
Capital Outlay Notes Payable - Long-term	\$ 1,118,638
Revenue Bonds Payable - Long-term	994,238
Less: Deferred Loans Costs	(19,611)
Total Noncurrent Liabilities	<u>\$ 2,093,265</u>
Total Liabilities	<u>\$ 2,320,649</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 3,314,255
Restricted for Debt Service	62,711
Unrestricted	<u>255,870</u>
Total Net Assets	<u>\$ 3,632,836</u>

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

Exhibit E-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2005

	Major Enterprise Fund Water and Sewer Department
<u>Operating Revenues</u>	
Charges for Current Services	\$ 946,940
Total Operating Revenues	<u>\$ 946,940</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 641,873
Depreciation	174,577
Total Operating Expenses	<u>\$ 816,450</u>
Operating Income (Loss)	<u>\$ 130,490</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 6,802
Interest Expense	(86,383)
Loss on Retirement of Capital Assets	(178)
Total Nonoperating Revenues (Expenses)	<u>\$ (79,759)</u>
Income Before Contributions and Grants	\$ 50,731
Tap Fees in Excess of Costs	19,351
Contributions From Developers	64,622
Grants	<u>22,150</u>
Change in Net Assets	\$ 156,854
Net Assets, July 1, 2004	<u>3,475,982</u>
Net Assets, June 30, 2005	<u>\$ 3,632,836</u>

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

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2005

	Major Enterprise Fund
	<u>Water and Sewer Department</u>
 <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 941,674
Payments to Suppliers	(226,595)
Payments to Employees	(403,018)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 312,061</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u> <u>ACTIVITIES</u>	
Purchases of Capital Assets	\$ (377,571)
Proceeds from Long-term Debt	161,469
Capital Contributions	106,123
Principal Payments on Long-term Debt	(148,070)
Interest Payments on Long-term Debt	(83,826)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (341,875)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Certificate of Deposit	\$ (50,000)
Investment Income	6,802
Net Cash Provided By (Used In) Investing Activities	<u>\$ (43,198)</u>
 Increase (Decrease) in Cash and Cash Equivalents	 \$ (73,012)
Cash and Cash Equivalents, July 1, 2004	<u>215,761</u>
 Cash and Cash Equivalents, June 30, 2005	 <u>\$ 142,749</u>
 Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	\$ 130,490
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used) Operating Activities:	
Depreciation and Amortization Expense	175,457
(Increase) Decrease in Accounts Receivable	1,059
(Increase) Decrease in Other Receivables	(22,953)
(Increase) Decrease in Other Accrued Revenue	(6,325)
(Increase) Decrease in Prepaid Items	(838)
(Increase) Decrease in Inventories	(5,053)
Increase (Decrease) in Accounts Payable	24,345
Increase (Decrease) in Accrued Wages and Payroll	11,278
Increase (Decrease) in Due to Other Taxing Units	307
Increase (Decrease) in Customer Deposits and Deferred Fees	7,196
Increase (Decrease) in Accrued Leave	<u>(2,902)</u>
 Net Cash Provided By Operating Activities	 <u>\$ 312,061</u>

CAPITAL AND FINANCING ACTIVITIES - OTHER THAN CASH

The department obtained plant assets in exchange for \$25,000 and an installment obligation of \$125,000.

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

Exhibit F

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2005

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 145,523
Total Assets	<u>\$ 145,523</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 482
Due to Litigants, Heirs, and Others	<u>145,041</u>
Total Liabilities	<u>\$ 145,523</u>

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

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Metropolitan Government of Lynchburg, Moore 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 the metropolitan government:

**A. Reporting Entity**

The Metropolitan Government of Lynchburg, Moore County, is a public municipal corporation governed by an elected 15-member Metropolitan Council. As required by GAAP, these financial statements present the metropolitan government (the primary government) and its component units. The component units discussed below are included in the metropolitan government's reporting entity because of the significance of their operational or financial relationships with the metropolitan government.

**Blended Component Units** – There are no legally separate component units of the metropolitan government 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 metropolitan government. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the metropolitan government.

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

The Moore County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Moore County, and the Metropolitan Council 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 Metropolitan Council's approval.

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

Administrative Office:

Moore County Emergency Communications District  
P. O. Box 8051  
Lynchburg, TN 37352

**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. The primary government of Moore County has one business-type activity to report, the Metropolitan Lynchburg – Moore County Water and Sewer Department. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Metropolitan 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.

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. The metropolitan government contributed no debt issues to the School Department during the year ended June 30, 2005.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund 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 the metropolitan government 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. The metropolitan government only reports one proprietary fund, the Metropolitan Lynchburg – Moore County Water and Sewer Department Fund, an enterprise fund. Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund. Major individual governmental funds and the major individual enterprise fund 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. The fiduciary fund is 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 metropolitan government 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. The metropolitan government considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been

accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Proprietary fund and 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.

The metropolitan government reports the following major governmental funds:

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

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

The metropolitan government reports the following major proprietary fund:

**Water and Sewer Department Fund** – The Water and Sewer Department Fund accounts for water and sewer services provided by the metropolitan government.

Additionally, the metropolitan government reports the following fund types:

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

**Agency Fund** – The Constitutional Officers - Agency Fund accounts for amounts collected in an agency capacity by the constitutional officers. 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 Metropolitan 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 Metropolitan 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 metropolitan government's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The metropolitan trustee maintains a cash and internal investment pool that is used by all metropolitan government (excluding the Water and Sewer Fund, enterprise fund) and School Department 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. Most income from these pooled investments is assigned to the General Fund. The metropolitan government and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange

Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to one-half 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. Inventories**

Inventories of the School Department are recorded at cost, determined on the first-in, first-out method.

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items acquired after July 1, 2003), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (\$25,000 for infrastructure) and an estimated useful life of more than one year. 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	20-50
Other Capital Assets	5-15
Infrastructure:	
Roads	10-15
Bridges	40

## **5. Compensated Absences**

It is the metropolitan government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the metropolitan government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred for the metropolitan government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

General policy of the School Department for all professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave for professional personnel has no guaranteed payment attached and therefore requires no accrual or recording. Noncertified personnel of the School Department earn varying amounts of annual and sick leave days. The School Department has an informal policy of paying employees their accumulated balances at termination.

## **6. Long-term Obligations**

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

In 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 notes 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 special termination benefits are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. **Net Assets and Fund Equity**

In the government-wide financial statements and the proprietary fund 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, the metropolitan government had \$471,780 outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the metropolitan government’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:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Building construction	\$ 12,410
Law enforcement equipment	1,774
Discretely Presented Metropolitan School Department:	
General Purpose School:	
Field trips	40

**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 \$681,487 difference are as follows:

Accrued interest payable	\$ (40,395)
Notes payable	(634,097)
Compensated absences	<u>(6,995)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (681,487)</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 \$464,111 difference are as follows:

Capital outlay	\$ 644,700
Depreciation expense	<u>(180,589)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 464,111</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 increase net assets. The details of this \$125,295 difference are as follows:

Donations of capital assets	\$ 141,700
Capital assets disposals	<u>(16,405)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 125,295</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, 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. The details of this \$224,134 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay notes	\$ (33,000)
Principal repayments:	
Notes	<u>257,134</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 224,134</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 \$1,013 difference are as follows:

Net change in compensated absences	\$ (5,327)
Net change in accrued interest on notes	<u>4,314</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,013)</u>

Discretely Presented Metropolitan School Department

The discretely presented Metropolitan School Department's Exhibit J-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 \$25,039 difference are as follows:

Capital outlay	\$ 226,004
Depreciation expense	<u>(251,043)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (25,039)</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Cash Overdraft**

The discretely presented School Department's School Federal Projects Fund had a cash overdraft of \$4,235 at June 30, 2005. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the metropolitan trustee. The cash overdraft was liquidated subsequent to June 30, 2005.

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the Metropolitan Council in several major categories (the legal level of control) of the following funds:

<u>Fund/Category</u>	<u>Amount</u>
Primary Government:	
General:	
Alcohol and Drug Programs	\$ 1,832
Highway/Public Works:	
Operation and Maintenance of Equipment	8,951
Capital Outlay	939

<u>Fund/Category (cont.)</u>	<u>Amount</u>
Discretely Presented School Department:	
School Federal Projects:	
Instruction:	
Regular Instruction Program	1,397
Special Education Program	1,030
Support Services:	
Health Services	631

Expenditures exceeded total appropriations in the Solid Waste/Sanitation Fund by \$5,346.

Such overexpenditures are a violation of state statutes. These overexpenditures were all funded by available fund balances.

**C. The Metropolitan Government Had Deposits That Were Exposed to Custodial Credit Risk**

The metropolitan trustee did not require one depository holding metropolitan funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$24,863. Section 5-8-201, Tennessee Code Annotated, provides for metropolitan officials to require any bank that is a depository of metropolitan funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such metropolitan funds.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The metropolitan government (excluding the Water and Sewer Fund, enterprise fund) and School Department participate in an internal cash and investment pool through the Office of Trustee. The metropolitan trustee is the treasurer of the metropolitan government and in this capacity is responsible for receiving, disbursing, and investing most metropolitan government 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 metropolitan government.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, the metropolitan government's deposits may not be returned to it. The metropolitan government does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for the metropolitan government and the discretely presented metropolitan School Department since both pool their deposits and investments through the metropolitan trustee. As of June 30, 2005, pooled bank balances of \$24,863, which were uninsured and uncollateralized, were exposed to custodial credit risk. Uninsured and uncollateralized deposits are a violation of state statutes.

## **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.

The metropolitan government had no pooled and nonpooled investments as of June 30, 2005.

**B. 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	\$ 57,350	\$ 25,600	\$ 0	\$ 82,950
Total Capital Assets Not Depreciated	<u>\$ 57,350</u>	<u>\$ 25,600</u>	<u>\$ 0</u>	<u>\$ 82,950</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,642,663	\$ 242,506	\$ 0	\$ 1,885,169
Roads and Bridges	258,479	245,105	0	503,584
Other Capital Assets	1,966,488	273,188	(28,310)	2,211,366
Total Capital Assets Depreciated	<u>\$ 3,867,630</u>	<u>\$ 760,799</u>	<u>\$ (28,310)</u>	<u>\$ 4,600,119</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 693,793	\$ 33,234	\$ 0	\$ 727,027
Roads and Bridges	11,927	19,811	0	31,738
Other Capital Assets	1,453,135	127,544	(11,905)	1,568,774
Total Accumulated Depreciation	<u>\$ 2,158,855</u>	<u>\$ 180,589</u>	<u>\$ (11,905)</u>	<u>\$ 2,327,539</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,708,775</u>	<u>\$ 580,210</u>	<u>\$ (16,405)</u>	<u>\$ 2,272,580</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,766,125</u>	<u>\$ 605,810</u>	<u>\$ (16,405)</u>	<u>\$ 2,355,530</u>

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

Governmental Activities:

General Government	\$ 8,758
Finance	1,683
Public Safety	59,296

Governmental Activities: (Cont.)

Public Health and Welfare	\$ 36,462
Social, Cultural, and Recreational Services	7,825
Agriculture and Natural Resources	1,460
Highway/Public Works	<u>65,105</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 180,589</u></u>

Discretely Presented Metropolitan School Department

**Governmental Activities:**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,342</u>
 Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,380,567	\$ 119,183	\$ 0	\$ 9,499,750
Other Capital Assets	799,172	106,821	(57,108)	848,885
Total Capital Assets Depreciated	<u>\$ 10,179,739</u>	<u>\$ 226,004</u>	<u>\$ (57,108)</u>	<u>\$ 10,348,635</u>
 Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,044,899	\$ 176,639	\$ 0	\$ 5,221,538
Other Capital Assets	403,872	74,404	(57,108)	421,168
Total Accumulated Depreciation	<u>\$ 5,448,771</u>	<u>\$ 251,043</u>	<u>\$ (57,108)</u>	<u>\$ 5,642,706</u>
 Total Capital Assets Depreciated, Net	<u>\$ 4,730,968</u>	<u>\$ (25,039)</u>	<u>\$ 0</u>	<u>\$ 4,705,929</u>
 Governmental Activities Capital Assets, Net	<u><u>\$ 4,770,310</u></u>	<u><u>\$ (25,039)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,745,271</u></u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Support Services	\$ 244,501
Operation of Non-instructional Services	<u>6,542</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 251,043</u></u>

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

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 332
General	Agency	482

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

**Due to/from primary government and component units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government:	Component Unit:	
Nonmajor Governmental	School Department:	
	General Purpose School	\$ 85

The above-noted amount (\$85) had been disbursed and was in transit from the General Purpose School Fund, but not received by the Urban Services Fund on June 30, 2005.

**Interfund Transfers:**

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

**Primary Government**

<u>Transfers Out</u>	<u>Transfer In Nonmajor Governmental Fund</u>
General Fund	\$ 9,740
Total	<u>\$ 9,740</u>

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

**D. Long-term Debt**

Primary Government

Notes

Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to ten years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

Capital outlay notes outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rates</u>	<u>Original Amount of Debt</u>	<u>Balance 6-30-05</u>
Capital Outlay Notes	.84 to 4.75%	\$ 1,605,598	\$ 634,097

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

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 219,611	\$ 21,303
2007	202,010	14,077
2008	191,213	7,526
2009	16,373	1,010
2010	4,890	232
Total	<u>\$ 634,097</u>	<u>\$ 44,148</u>

There is \$291,606 available in the General Debt Service Fund to service long-term debt. Total debt per capita amounted to \$111, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2004	\$ 858,231	\$ 35,069
Additions	33,000	55,046
Deductions	(257,134)	(49,720)
Balance, June 30, 2005	<u>\$ 634,097</u>	<u>\$ 40,395</u>
Balance Due Within One Year	<u>\$ 219,611</u>	<u>\$ 20,657</u>

Compensated absences payable will be paid from the employing funds, primarily the General and the Highway/Public Works Funds.

Discretely Presented Metropolitan School Department

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 131,555
Additions	67,367
Deductions	<u>(60,200)</u>
Balance, June 30, 2005	<u>\$ 138,722</u>
Balance Due Within One Year	<u>\$ 59,208</u>

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

**E. Short-term Debt**

The metropolitan government issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to provide adequate cash flow before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	<u>Balance 7-1-04</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6-30-05</u>
Tax Anticipation Notes	\$ 0	\$ 150,000	\$ (150,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

The metropolitan government joined the Tennessee School Boards Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The metropolitan government pays an annual premium 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.

The metropolitan government continues to carry commercial insurance for risks associated with the employees' health insurance plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**B. Accounting Changes**

During the year, the metropolitan government fully implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the metropolitan government had only elected to implement the provisions of Statement 34 that related to the fund financial statement.

During the year, the metropolitan government adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the metropolitan government'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 Events**

On August 15, 2005, the metropolitan government issued a \$100,000 tax anticipation note to provide temporary operating funds for the General Fund.

On September 12, 2005, the metropolitan government issued capital outlay notes totaling \$225,000 for the purchase of land.

**D. Contingent Liabilities**

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

The metropolitan government and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the American with Disabilities Act (ADA). This lawsuit applies to all metropolitan facilities. As of the date of this report, the metropolitan government believes it has completed various projects to

renovate the existing facilities to bring them into substantial compliance with the ADA.

**E. Change in Administration**

Richie Pierce succeeded Glen Pierce as highway superintendent effective September 1, 2004.

**F. Retirement Commitments**

**Plan Description**

Employees of the metropolitan government and School Department 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 the metropolitan government 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**

**Metropolitan Government Employees**

The metropolitan government requires employees to contribute five percent of earnable compensation. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year

ended June 30, 2005, was 7.17 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the metropolitan government is established and may be amended by the TCRS Board of Trustees.

School Department Employees

The School Department requires employees to contribute five percent of earnable compensation. The School Department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 2.12 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

Metropolitan Government Employees

For the year ended June 30, 2005, the metropolitan government’s annual pension cost of \$21,807 to TCRS was equal to the metropolitan government’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. The metropolitan government’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 19 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$21,807	100%	\$0
6-30-04	22,853	100	0
6-30-03	22,664	100	0

School Department Employees

For the year ended June 30, 2005, the School Department's annual pension cost of \$19,456 to TCRS was equal to the School Department'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. School Department'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 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$19,456	100%	\$0
6-30-04	0	100	0
6-30-03	0	100	0

**Required Supplementary Information**

Metropolitan Government Employees

Schedule of Funding Progress for the metropolitan government

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$552	\$668	\$116	82.63%	\$294	39.46%
6-30-01	428	554	126	77.26	286	44.06
6-30-99	376	376	0	100.00	288	0

School Department Employees

Schedule of Funding Progress for the School Department

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$1,873	\$1,873	\$0	100%	\$847	0%
6-30-01	1,724	1,724	0	100	789	0
6-30-99	1,481	1,481	0	100	681	0

SCHOOL TEACHERS

**Plan Description**

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employers 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 the School Department 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 the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$184,065, \$102,941, and \$100,406, respectively, equal to the required contributions for each year.

## **G. Purchasing Law**

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and all contracts for the purchase of goods or services to be made through a consolidated Metropolitan Purchasing Department. The charter further provides for the Metropolitan Purchasing Department to be administered by the metropolitan executive and conducted according to the procedures adopted by the Metropolitan Council. The Metropolitan Council is required by the charter to establish a committee of three of its members to serve as an oversight committee over the activity of the Metropolitan Purchasing Department.

The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department, but effective June 21, 1999 (amended October 18, 2004), has adopted the following purchasing procedures to be administered by the metropolitan executive assisted by the director of schools and the highway superintendent:

1. Purchase orders are required for all purchases estimated to exceed \$250.
2. Purchase orders shall be approved by the metropolitan executive for the general metropolitan government, the director of schools for the School Department, and the highway superintendent for the Highway Department.
3. Evidence of receiving goods or services should be noted on all invoices prior to payment.
4. The Metropolitan Council set bid requirements for the Office of Metropolitan Executive to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for competitive bids on all purchases exceeding \$5,000.

5. The Metropolitan Council set the bid requirements for the Office of Highway Superintendent to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA) and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.
6. The Metropolitan Council set the bid requirements for the Office of Director of Schools to follow the general statutes applicable to schools as set forth in Section 49-2-203, TCA, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**VI. OTHER NOTES – WATER AND SEWER DEPARTMENT (ENTERPRISE FUND)**

**A. General**

The financial statements include the accounts of Metropolitan Lynchburg – Moore County Water and Sewer Department, which is owned by Metropolitan Lynchburg – Moore County, Tennessee, (the primary government) and is governed by the Metropolitan Council and a Utility Board composed of members of the council. The department does not represent a separate legal entity separate and apart from the primary government.

**B. Summary of Significant Accounting Policies**

The accounting policies of the department conform to generally accepted accounting principles as applicable to enterprise funds. The department 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, in which case, GASB prevails. A proprietary activity may also elect to apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The department has not elected this option. The following is a summary of significant policies:

Accounting Method – These financial statements have been prepared on the accrual basis of accounting. The department accrues the unbilled revenue from the dates of the most recent meter readings to the balance sheet date.

Utility Plant and Depreciation – The utility plant in service is reported at cost and includes improvements, with a cost in excess of \$3,000 that significantly adds to utility plant or extends useful lives. The costs of maintenance and repairs are charged to expense, as are tap connection costs. Depreciation is calculated by the straight-line

method to allocate the cost of the assets over their estimated useful lives using guidelines set forth by the Utility Review Board. The estimated useful lives are as follows:

	<u>Years</u>
Structures	20-50
Utility plant other than structure and equipment	25-50
Equipment	5-10

Allowance for Uncollectible Accounts – The department provides an allowance for uncollectible accounts equal to estimated losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the outstanding receivables.

Inventories – Inventories are stated at cost, first-in, first-out method.

Amortization of Deferred Loan Costs – Deferred loan costs are being amortized, on the straight-line method, over the life of the bonds.

Compensated Absences – The costs of vacation pay granted to employees are recorded as expenditures when earned.

Cash Equivalents – For purposes of the statement of cash flows, the department considers all highly liquid investments (including restricted assets) purchased with an original maturity of three months or less to be cash equivalents.

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.

Capitalized Interest – 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. The department capitalized \$1,908 of interest cost during the current year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. The department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative and maintenance expenses, and depreciation on capital

assets. All revenues and expenses not meeting this definition are reported as nonreporting revenues and expenses.

As a general rule, when both restricted and unrestricted resources are available for use, it is the department's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Utility Plant Additions and Retirements**

Assets	Balance			Balance
	7-1-04	Additions	Deductions	
General	\$ 319,149	\$ 19,914	\$ 4,292	\$ 334,771
Water	4,624,441	660,376	0	5,284,817
Sewer	1,684,640	0	75	1,684,565
Maintenance	82,363	0	0	82,363
Total Utility Plant	<u>\$ 6,710,593</u>	<u>\$ 680,290</u>	<u>\$ 4,367</u>	<u>\$ 7,386,516</u>

Allowances for Depreciation

General	\$ 44,683	\$ 16,902	\$ 4,114	\$ 57,471
Water	875,303	108,166	0	983,469
Sewer	818,912	42,765	75	861,602
Maintenance	7,454	6,744	0	14,198
Total Utility Plant	<u>\$ 1,746,352</u>	<u>\$ 174,577</u>	<u>\$ 4,189</u>	<u>\$ 1,916,740</u>

**D. Cash and Restricted Funds**

The following is a summary of cash and restricted funds at June 30, 2005:

	Cash	Certificates	Total
	Equivalents	of Deposit	
Cash for general use:			
Cash on Hand	\$ 300	\$ 0	\$ 300
Cash in Bank	79,738	151,512	231,250
Restricted funds:			
Bond reserve fund	62,711	0	62,711
Total	<u>\$ 142,749</u>	<u>\$ 151,512</u>	<u>\$ 294,261</u>

The Bond Reserve Fund is restricted for future bond and interest payments.

The department has also designated \$173,884 as a depreciation reserve account to be used to fund capital asset replacements.

It is the department's policy to require its financial institution to collateralize deposits not covered by depository insurance by pledging securities held in the department's name by depositories acting as agents for the department.

**E. Revenue Bonds**

A summary of transactions for the year ended June 30, 2005, includes the following:

Balance - beginning of year	\$ 1,064,129
Bond payments	(36,501)
Less current maturities	<u>(33,390)</u>
Revenue bonds, less current maturities - end of year	<u>\$ 994,238</u>

Details of water and sewer revenue bonds are as follows:

Series 1989 Sewer Revenue and Tax Bonds, 5%, payable \$1,530 per month including principal and interest with final maturity in 2009	\$ 54,662
Rural Development - USDA Note, 5%, payable \$1,778 annually including principal and interest with final maturity in 2009	5,683
Series 1992 Water Revenue and Tax Bonds, 6.625%, payable \$301 per month including principal and interest with final maturity in 2030	43,694
Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029	20,315
Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	77,229
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	276,465
Series 2000 Water Revenue and Tax Bonds, 4.75% payable \$1,711 per month including principal and interest with final maturity in 2038	341,064
Winchester Utility System Note, \$71,716 face amount, noninterest bearing (less unamortized discount based on imputed interest rate of 5%- \$13,996), payable \$618 per month with final maturity in 2006	2,447
Series 2001 Water Revenue and Tax Bonds, 4.75% payable \$1,012 per month including principal and interest with final maturity in 2040	<u>206,069</u>
Total	<u>\$ 1,027,628</u>

The bonds are payable from and secured primarily by a pledge of the net revenues of the department; in the event such revenues are insufficient, the bonds are further secured by the taxing power of the metropolitan government.

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2005, are as follows:

Year	Principal	Interest
2006	\$ 33,390	\$ 50,216
2007	32,528	48,636
2008	34,193	46,941
2009	20,668	45,463
2010	16,405	44,591
2011-2015	95,589	209,391
2016-2020	122,916	182,064
2021-2025	158,169	146,811
2026-2030	199,364	101,416
2031-2035	207,285	51,056
2036-2040	107,121	9,460
Total	<u>\$ 1,027,628</u>	<u>\$ 936,045</u>

Under provisions of the bond agreements, the department is required to establish and maintain various funds as follows:

Revenue Fund – All revenues are to be deposited in this fund and shall be disbursed for the establishment of the other required funds.

Operation and Maintenance Fund – The money transferred from the revenue fund is to be deposited to this fund for payment of current expenses. The maximum balance of this fund shall not exceed one-fourth of the amount budgeted for current expenses for the fiscal year.

Bond Funds – The next monies available are to be used to establish bond funds to be used to pay the principal and interest on the bonds as such payments are due. As part of the Bond Funds, Debt Service Reserve Accounts are also to be funded in the amount of \$18,360 for the 1989 series, \$3,612 for the 1992 series, \$1,656 for the 1992A series, \$5,544 for the 1994 series, \$17,508 for the 1997 series, \$20,532 for the 2000 series, and \$12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2005.

The department has also set aside reserve funds for the loan payable to Rural Development – USDA (County Line Cooperative – See Note G) in the amount of \$1,778.

As required by provisions of the bond agreements, the beginning and end of the year balances of the required funds are as follows:

	<u>7-1-04</u>	<u>6-30-05</u>
Revenue	\$ 255,760	\$ 230,038
Operation and Maintenance	1,512	1,512
Bond	60,002	62,711

**F. Notes Payable**

Interest rates and repayment schedules for loans the department has with Farmers Bank are as follows:

Years Ending June 30	Telemetry System 6.5%		Office Building 3.23%	
	Principal	Interest	Principal	Interest
2006	\$ 6,128	\$ 103	\$ 10,965	\$ 3,095
2007	0	0	11,325	2,735
2008	0	0	11,690	2,371
2009	0	0	12,080	1,981
2010	0	0	12,475	1,585
Thereafter	0	0	42,186	2,258
Total	<u>\$ 6,128</u>	<u>\$ 103</u>	<u>\$ 100,721</u>	<u>\$ 14,025</u>

Years Ending June 30	Sewer Lift Station 2.55%	
	Principal	Interest
2006	\$ 29,608	\$ 1,980
2007	30,372	1,216
2008	30,485	432
2009	0	0
2010	0	0
Thereafter	0	0
Total	<u>\$ 90,465</u>	<u>\$ 3,628</u>

A summary of notes payable activity for loans with Farmers Bank is as follows:

Balance 7-1-04	Additions	Repayments	Balance 6-30-05
\$ 248,478	\$ 0	\$ 51,164	\$ 197,314

The department also has a line of credit with Moore County Bank of which \$30,958 was drawn and repaid during the year ended June 30, 2005. The purpose of the draw was to fund expansion costs until long-term funding was available. The Utility Board has accepted a bid of 2.875 percent from Moore County Bank for a \$1,023,000 line of credit and a bid of 2.375 percent for a \$100,000 loan to be repaid over five years. No draws had been made as of June 30, 2005, under these two agreements.

Obligations are secured by the full faith and credit of the Metropolitan Government of Lynchburg, Moore County.

Metropolitan Lynchburg, Moore County, Tennessee, (the primary government) has borrowed \$979,353 under the State of Tennessee's revolving loan program for the department's construction projects. The principal and interest payments required under the terms of the loan, which is secured by the department's revenues and has a stated interest rate of 2.95 percent, are as follows:

Year	Principal	Interest
2006	\$ 34,767	\$ 24,681
2007	35,047	24,401
2008	36,095	23,353
2009	37,175	22,273
2010	38,286	21,162
2011-2015	209,304	87,936
2016-2020	242,526	54,714
2021-2025	244,685	16,500
Total	<u>\$ 877,885</u>	<u>\$ 275,020</u>

State revolving loan activity for the year ended June 30, 2005, is as follows:

Balance 7-1-04	Draws	Repayments	Balance 6-30-05
\$ 776,821	\$ 130,511	\$ 29,447	\$ 877,885

**G. Lease-Purchase Agreement with County Line Cooperative**

During 1979, the Town of Lynchburg (prior to its restructuring as Metropolitan Lynchburg – Moore County) entered into a lease-purchase agreement with County Line Cooperative in Moore County, Tennessee, to take over the operation and maintenance of the cooperative’s water distribution system. The Metropolitan Council has the option to purchase the water distribution system at any time during the term of this lease either for the sum of one dollar, or the then-existing balance due on the loan to Rural Development – USDA, whichever is greater. The Metropolitan Council has the option to renew the lease for additional periods of two years until September 11, 2010. The department accounted for this transaction as a capitalized lease and recorded the assets and related capitalized lease obligation (Rural Development – USDA note payable – See Note E).

**H. Water Line Purchase**

The department purchased the old Fayetteville Road water line from the Lincoln County Utility Board for \$150,000. The sales agreement executed July 27, 2004, requires a payment of \$25,000 at execution of the agreement with the balance to be paid in six equal annual installments with interest on the outstanding principal balance of four percent. Principal and interest payments required under the agreement are as follows:

	Principal	Interest
August 2005	\$ 20,833	\$ 5,000
August 2006	20,833	4,167
August 2007	20,833	3,333
August 2008	20,833	2,500
August 2009	20,833	1,667
August 2010	20,835	833
Total	<u>\$ 125,000</u>	<u>\$ 17,500</u>

**I. Risk Management**

The department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The department obtains insurance coverage covering the above risks of loss through a public risk entity pool, Tennessee School Boards Risk Management Trust (TSB-RMT), which reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event. An annual loss fund is established based on TSB-RMT’s known losses. If this amount is exhausted, TSB-RMT will pay the additional amount in self-insured retentions from surplus. If loss fund

payments exceed available surplus, assessments to members could be possible. No estimates of any possible future assessments have been made.

Settled claims in the past three years have not exceeded the coverages.

**J. Income Taxes**

As a governmental entity, the department is exempt from federal, state, and local income taxes.

**K. Significant Concentrations**

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2005, totaled \$22,281. Deposits from these customers, totaling \$15,536 at June 30, 2005, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 25 percent of the department's total water and sewer revenues.

**L. Environmental Contingency**

The department's facilities and operations are subject to a wide range of environmental protection laws related to the use and disposal of hazardous materials. As a result, there is the possibility that environmental conditions may arise which would require the department to incur clean-up costs. As in prior years, management continues its efforts to comply, and to determine compliance, with all applicable environmental protection laws and does not believe such costs, if any, would materially affect the department's financial position or its future cash flows.

**M. Loan and Grant Funding**

USDA Rural Development has awarded a \$1,050,000 loan and a \$400,000 grant to Metropolitan Lynchburg, Moore County. The funding will be used to construct a water treatment plant expansion, a transmission line, a 500,000 gallon storage tank, and other improvements for the department.

Metropolitan Lynchburg Moore County has also received a Community Development Block Grant, totaling \$265,000 for department expansion. The department will be required to expend \$100,000 in matching funds.

**N. Subsequent Events**

On July 11, 2005, the Utility Board accepted a bid of \$332,685 from T & W Plumbing for water line construction to be funded by the Community Development Block Grant.

On August 8, 2005, the Utility Board accepted a proposal from Tullahoma Utility Board to purchase water lines. The Department would acquire water

lines for a purchase price of \$325,169, which it intends to finance over ten years at an interest rate of 3.55 percent.

**VII. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

The Moore County Emergency Communications District was established to provide an enhanced level of 911 services to the Moore County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of the metropolitan government. The Moore County Emergency Communications District is run by a board of directors, which is appointed by the metropolitan government. The district must file a budget with the metropolitan government each year. Any bond issued by the district is subject to approval by the metropolitan government.

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

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

	Method	Estimated Useful Life	Depreciation
Owned Operating Equipment	S/L	5, 7, & 10 Years	\$ 2,459
Leased Operating Equipment	S/L	10 Years	<u>3,209</u>
Total Depreciation			<u><u>\$ 5,668</u></u>

Intangible Assets – Amortization of the cost of intangible assets commence on completion of each project and when they are integrated into operation. The amortization is summarized as follows:

	Method	Estimated Useful Life	Depreciation
Installation Costs – Leased Equipment	S/L	10 Years	\$ 381
Total Depreciation			\$ 381

Operating and Non-Operating Income – Operating income includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are emergency telephone and wireless surcharges. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Non-operating income consists of interest income.

**B. Deposits**

The following is a schedule of bank accounts at June 30, 2005:

Checking -Farmer's Bank	\$ 15,425
Savings- Moore County Bank	9,137
Certificates of Deposit - Moore County Bank	19,123
Certificates of Deposit - Farmer's Bank	4,067
Certificates of Deposit - Farmer's Bank	6,201
Total	\$ 53,953

**C. Bonding**

Moore County Emergency Communications District has a bond covering certain members of the board at June 30, 2005. This is the only risk area the district is exposed to at this time. There have been no losses or settlements during the past three years.

**D. Capital Assets**

The following is a schedule of equipment at June 30, 2005:

Assets	Balance 7-1-04	Changes	Balance 6-30-05
Installation Costs	\$ 3,812	\$ 0	\$ 3,812
Leases Equipment	32,090	0	32,090
Owned Equipment	18,737	0	18,737
Total	\$ 54,639	\$ 0	\$ 54,639

Assets	Balance 6-30-05	Accumulated Depreciation	Net
Installation Costs	\$ 3,812	\$ 2,478	\$ 1,334
Leases Equipment	32,090	20,858	11,232
Owned Equipment	18,737	13,835	4,902
Total	\$ 54,639	\$ 37,171	\$ 17,468

**E. Cash and Cash Equivalents**

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

**F. Lease Payable**

Lease payable at June 30, 2005, consisted of a lease contracted with BSFS equipment leasing for computer equipment. Monthly payments for the year totaled \$1,954, which includes a \$26 interest charge. Monthly payments of \$651 paid through September 2004, as well as the principle and interest requirements are as follows:

	Lease Payable
Balance, July 1, 2004	\$ 1,928
Deductions	<u>(1,928)</u>
Balance, June 30, 2005	<u><u>0</u></u>

**G. Accounts Receivable/Due From State Emergency Communications Board**

The amounts of \$2,076 from Bell South Telephone Company and \$3,257 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2005. There is no need for an allowance for bad debts.

**H. Compensated Absences**

There were no employees at June 30, 2005.

**I. Calculation of Invested in Capital Assets**

Net Book Value	\$ 17,468
Current and NonCurrent Assets	<u>0</u>
Invested in Capital Assets	<u><u>\$ 17,468</u></u>

**J. Restricted and Unrestricted Resources**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit G-1

Moore 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	
<b>Revenues</b>							
Local Taxes	\$ 1,451,584	\$ 0	\$ 0	\$ 1,451,584	\$ 1,388,989	\$ 1,402,489	\$ 49,095
Licenses and Permits	7,161	0	0	7,161	6,200	6,200	961
Fines, Forfeitures, and Penalties	34,955	0	0	34,955	19,750	21,426	13,529
Charges for Current Services	114,584	0	0	114,584	87,150	88,414	26,170
Other Local Revenues	64,403	0	0	64,403	73,486	96,689	(32,286)
Fees Received from County Officials	216,965	0	0	216,965	201,500	201,500	15,465
State of Tennessee	418,321	0	0	418,321	376,309	415,052	3,269
Federal Government	308,174	0	0	308,174	0	372,594	(64,420)
Other Governments and Citizens Groups	37,034	0	0	37,034	0	0	37,034
<b>Total Revenues</b>	<b>\$ 2,653,181</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,653,181</b>	<b>\$ 2,153,384</b>	<b>\$ 2,604,364</b>	<b>\$ 48,817</b>
<b>Expenditures</b>							
<b>General Government</b>							
Metropolitan Council	\$ 5,252	\$ 0	\$ 0	\$ 5,252	\$ 6,327	\$ 6,327	\$ 1,075
Metropolitan Executive	82,845	0	0	82,845	82,571	83,121	276
County Attorney	5,737	0	0	5,737	5,737	5,737	0
Election Commission	50,900	0	0	50,900	52,130	52,130	1,230
Register of Deeds	52,347	0	0	52,347	53,569	54,833	2,486
Planning	11,582	0	0	11,582	11,988	11,988	406
County Buildings	115,360	(67,700)	5,047	52,707	68,355	67,155	14,448
Preservation of Records	1,504	0	0	1,504	0	1,504	0
<b>Finance</b>							
Property Assessor's Office	60,188	0	0	60,188	60,368	60,368	180
County Trustee's Office	51,332	0	0	51,332	51,834	51,834	502
County Clerk's Office	51,115	0	0	51,115	51,734	51,734	619
<b>Administration of Justice</b>							
Circuit Court	53,840	0	0	53,840	58,863	58,863	5,023

(Continued)

Exhibit G-1

Moore 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 (Cont.)</u>							
General Sessions Court	\$ 41,024	\$ 0	\$ 0	\$ 41,024	\$ 43,389	\$ 43,389	\$ 2,365
Chancery Court	47,423	0	0	47,423	47,919	47,919	496
Juvenile Court	8,685	0	0	8,685	9,000	9,000	315
Judicial Commissioners	5,897	0	0	5,897	8,187	8,187	2,290
<u>Public Safety</u>							
Sheriff's Department	557,197	0	51,640	608,837	530,928	608,966	129
Jail	176,471	0	0	176,471	177,035	185,929	9,458
Fire Prevention and Control	203,430	0	4,777	208,207	59,000	213,330	5,123
Other Emergency Management	8,975	0	0	8,975	0	8,975	0
County Coroner/Medical Examiner	0	0	0	0	200	200	200
<u>Public Health and Welfare</u>							
Local Health Center	30,593	0	0	30,593	38,931	42,853	12,260
Ambulance/Emergency Medical Services	228,723	0	0	228,723	229,960	244,988	16,265
Alcohol and Drug Programs	3,695	0	0	3,695	0	1,863	(1,832)
Regional Mental Health Center	2,000	0	0	2,000	2,000	2,000	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	5,880	0	0	5,880	5,880	5,880	0
Libraries	97,411	0	427	97,838	84,055	100,335	2,497
Parks and Fair Boards	77,505	0	4,100	81,605	53,779	93,779	12,174
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	42,558	0	0	42,558	45,484	45,484	2,926
Forest Service	350	0	0	350	350	350	0
Soil Conservation	5,737	0	0	5,737	5,915	5,915	178
<u>Other Operations</u>							
Tourism	1,095	0	0	1,095	1,095	1,095	0
Other Economic and Community Development	152,661	0	0	152,661	0	152,661	0

(Continued)

Exhibit G-1

Moore 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>Other Operations (Cont.)</u>							
Employee Benefits	\$ 322,443	\$ 0	\$ 0	\$ 322,443	\$ 360,000	\$ 355,000	\$ 32,557
Miscellaneous	102,965	0	0	102,965	99,320	104,320	1,355
Total Expenditures	\$ 2,664,720	\$ (67,700)	\$ 65,991	\$ 2,663,011	\$ 2,305,903	\$ 2,788,012	\$ 125,001
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (11,539)	\$ 67,700	\$ (65,991)	\$ (9,830)	\$ (152,519)	\$ (183,648)	\$ 173,818
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 33,000	\$ 0	\$ 0	\$ 33,000	\$ 25,000	\$ 33,000	\$ 0
Transfers Out	(9,740)	0	0	(9,740)	(9,740)	(9,740)	0
Total Other Financing Sources (Uses)	\$ 23,260	\$ 0	\$ 0	\$ 23,260	\$ 15,260	\$ 23,260	\$ 0
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2004	\$ 11,721	\$ 67,700	\$ (65,991)	\$ 13,430	\$ (137,259)	\$ (160,388)	\$ 173,818
	315,596	(67,700)	0	247,896	198,102	198,102	49,794
Fund Balance, June 30, 2005	\$ 327,317	\$ 0	\$ (65,991)	\$ 261,326	\$ 60,843	\$ 37,714	\$ 223,612

Exhibit G-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 54,039	\$ 54,861	\$ 54,862	\$ (823)
Other Local Revenues	40,247	6,800	6,800	33,447
State of Tennessee	1,422,372	1,458,630	1,458,630	(36,258)
Total Revenues	<u>\$ 1,516,658</u>	<u>\$ 1,520,291</u>	<u>\$ 1,520,292</u>	<u>\$ (3,634)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 92,984	\$ 94,703	\$ 94,703	\$ 1,719
Highway and Bridge Maintenance	542,532	675,313	657,910	115,378
Operation and Maintenance of Equipment	206,104	181,053	197,153	(8,951)
Litter and Trash Collection	33,039	31,737	33,040	1
Other Charges	42,220	44,850	44,850	2,630
Employee Benefits	198,045	207,600	207,600	9,555
Capital Outlay	425,050	424,111	424,111	(939)
Total Expenditures	<u>\$ 1,539,974</u>	<u>\$ 1,659,367</u>	<u>\$ 1,659,367</u>	<u>\$ 119,393</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,316)</u>	<u>\$ (139,076)</u>	<u>\$ (139,075)</u>	<u>\$ 115,759</u>
Net Change in Fund Balance	\$ (23,316)	\$ (139,076)	\$ (139,075)	\$ 115,759
Fund Balance, July 1, 2004	218,036	323,062	323,062	(105,026)
Fund Balance, June 30, 2005	<u>\$ 194,720</u>	<u>\$ 183,986</u>	<u>\$ 183,987</u>	<u>\$ 10,733</u>

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

The metropolitan government 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 Metropolitan Council 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: Metropolitan Council, Board of Equalization, Metropolitan Executive, County Attorney, etc.). Management may make revisions within major categories, but only the Metropolitan Council may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The metropolitan government'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.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the Metropolitan Council in the Alcohol and Drug Programs (\$1,832) major appropriation category (the legal level of control) of the General Fund. Expenditures exceeded appropriations in the Operation and Maintenance of Equipment (\$8,951) and Capital Outlay (\$939) major appropriation categories (the legal level of control) of the Highway/Public Works Fund. Such overexpenditures are violations of state statutes. These overexpenditures were funded by available fund balances.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Urban Services Fund – The Urban Services Fund represents financial activity for the Urban Services District.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for household garbage pick-up and the convenience center operations.

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

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

## Debt Service Fund

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Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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

Exhibit H-1

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

	Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Debt Service	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 250	\$ 250	\$ 0	250
Equity in Pooled Cash and Investments	7,683	24,334	42,256	0	74,273	263,254	337,527
Accounts Receivable	0	18,529	0	82	18,611	17,214	35,825
Allowance for Uncollectibles	0	(748)	0	0	(748)	0	(748)
Due from Other Governments	0	0	0	0	0	25,006	25,006
Due from Component Units	85	0	0	0	85	0	85
Property Taxes Receivable	6,505	62,050	0	0	68,555	30,835	99,390
Allowance for Uncollectible Property Taxes	(35)	(641)	0	0	(676)	(289)	(965)
<b>Total Assets</b>	<b>\$ 14,238</b>	<b>\$ 103,524</b>	<b>\$ 42,256</b>	<b>\$ 332</b>	<b>\$ 160,350</b>	<b>\$ 336,020</b>	<b>\$ 496,370</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 4,559	\$ 0	\$ 0	\$ 4,559	\$ 0	4,559
Accrued Payroll	0	1,883	0	0	1,883	0	1,883
Payroll Deductions Payable	0	444	0	0	444	0	444
Due to Other Funds	0	0	0	332	332	0	332
Deferred Revenue - Current Property Taxes	6,427	59,828	0	0	66,255	29,914	96,169
Deferred Revenue - Delinquent Property Taxes	38	1,243	0	0	1,281	497	1,778
Other Deferred Revenues	0	5,175	0	0	5,175	14,003	19,178
<b>Total Liabilities</b>	<b>\$ 6,465</b>	<b>\$ 73,132</b>	<b>\$ 0</b>	<b>\$ 332</b>	<b>\$ 79,929</b>	<b>\$ 44,414</b>	<b>\$ 124,343</b>
<u>Fund Balances</u>							
Unreserved	\$ 7,773	\$ 30,392	\$ 42,256	\$ 0	\$ 80,421	\$ 291,606	\$ 372,027
<b>Total Fund Balances</b>	<b>\$ 7,773</b>	<b>\$ 30,392</b>	<b>\$ 42,256</b>	<b>\$ 0</b>	<b>\$ 80,421</b>	<b>\$ 291,606</b>	<b>\$ 372,027</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,238</b>	<b>\$ 103,524</b>	<b>\$ 42,256</b>	<b>\$ 332</b>	<b>\$ 160,350</b>	<b>\$ 336,020</b>	<b>\$ 496,370</b>

Exhibit H-2

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

	Special Revenue Funds				Debt Service Fund	Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	General Debt Service	
<u>Revenues</u>						
Local Taxes	\$ 958	\$ 58,845	\$ 0	\$ 59,803	\$ 290,592	\$ 350,395
Licenses and Permits	1,918	0	0	1,918	0	1,918
Fines, Forfeitures, and Penalties	0	0	22,016	22,016	0	22,016
Charges for Current Services	0	147,867	0	147,867	0	147,867
Other Local Revenues	85	7,678	7,100	14,863	0	14,863
State of Tennessee	0	696	14,650	15,346	0	15,346
Other Governments and Citizens Groups	0	0	1,200	1,200	0	1,200
Total Revenues	<u>\$ 2,961</u>	<u>\$ 215,086</u>	<u>\$ 44,966</u>	<u>\$ 263,013</u>	<u>\$ 290,592</u>	<u>\$ 553,605</u>
<u>Expenditures</u>						
Current:						
General Government	\$ 11,863	\$ 0	\$ 0	\$ 11,863	\$ 0	\$ 11,863
Public Safety	0	0	39,886	39,886	0	39,886
Public Health and Welfare	0	203,046	0	203,046	0	203,046
Debt Service:						
Debt Service Principal	0	0	0	0	257,134	257,134
Debt Service Interest	0	0	0	0	27,814	27,814
Other Debt Service	0	0	0	0	3,073	3,073
Total Expenditures	<u>\$ 11,863</u>	<u>\$ 203,046</u>	<u>\$ 39,886</u>	<u>\$ 254,795</u>	<u>\$ 288,021</u>	<u>\$ 542,816</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,902)	\$ 12,040	\$ 5,080	\$ 8,218	\$ 2,571	\$ 10,789
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,740	\$ 9,740
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,740</u>	<u>\$ 9,740</u>
Net Change in Fund Balances	\$ (8,902)	\$ 12,040	\$ 5,080	\$ 8,218	\$ 12,311	\$ 20,529
Fund Balance, July 1, 2004	16,675	18,352	37,176	72,203	279,295	351,498
Fund Balance, June 30, 2005	<u>\$ 7,773</u>	<u>\$ 30,392</u>	<u>\$ 42,256</u>	<u>\$ 80,421</u>	<u>\$ 291,606</u>	<u>\$ 372,027</u>

Exhibit H-3

Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Urban Services Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 958	\$ 1,155	\$ 1,155	\$ (197)
Licenses and Permits	1,918	1,816	1,816	102
Other Local Revenues	85	0	0	85
Total Revenues	<u>\$ 2,961</u>	<u>\$ 2,971</u>	<u>\$ 2,971</u>	<u>\$ (10)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 11,863	\$ 12,260	\$ 12,260	\$ 397
Total Expenditures	<u>\$ 11,863</u>	<u>\$ 12,260</u>	<u>\$ 12,260</u>	<u>\$ 397</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,902)</u>	<u>\$ (9,289)</u>	<u>\$ (9,289)</u>	<u>\$ 387</u>
Net Change in Fund Balance	\$ (8,902)	\$ (9,289)	\$ (9,289)	\$ 387
Fund Balance, July 1, 2004	16,675	17,273	17,273	(598)
Fund Balance, June 30, 2005	<u>\$ 7,773</u>	<u>\$ 7,984</u>	<u>\$ 7,984</u>	<u>\$ (211)</u>

Exhibit H-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 58,845	\$ 57,855	\$ 57,855	\$ 990
Charges for Current Services	147,867	144,000	144,000	3,867
Other Local Revenues	7,678	3,800	3,800	3,878
State of Tennessee	696	3,300	3,300	(2,604)
Total Revenues	<u>\$ 215,086</u>	<u>\$ 208,955</u>	<u>\$ 208,955</u>	<u>\$ 6,131</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Recycling Center	\$ 203,046	\$ 197,700	\$ 197,700	\$ (5,346)
Total Expenditures	<u>\$ 203,046</u>	<u>\$ 197,700</u>	<u>\$ 197,700</u>	<u>\$ (5,346)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,040</u>	<u>\$ 11,255</u>	<u>\$ 11,255</u>	<u>\$ 785</u>
Net Change in Fund Balance	\$ 12,040	\$ 11,255	\$ 11,255	\$ 785
Fund Balance, July 1, 2004	18,352	6,736	6,736	11,616
Fund Balance, June 30, 2005	<u>\$ 30,392</u>	<u>\$ 17,991</u>	<u>\$ 17,991</u>	<u>\$ 12,401</u>

Exhibit H-5

Moore 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	\$ 22,016	\$ 9,500	\$ 9,500	\$ 12,516
Other Local Revenues	7,100	0	0	7,100
State of Tennessee	14,650	0	14,650	0
Other Governments and Citizens Groups	1,200	0	0	1,200
Total Revenues	<u>\$ 44,966</u>	<u>\$ 9,500</u>	<u>\$ 24,150</u>	<u>\$ 20,816</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,886	\$ 24,000	\$ 43,533	\$ 3,647
Total Expenditures	<u>\$ 39,886</u>	<u>\$ 24,000</u>	<u>\$ 43,533</u>	<u>\$ 3,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,080</u>	<u>\$ (14,500)</u>	<u>\$ (19,383)</u>	<u>\$ 24,463</u>
Net Change in Fund Balance	\$ 5,080	\$ (14,500)	\$ (19,383)	\$ 24,463
Fund Balance, July 1, 2004	37,176	32,158	32,158	5,018
Fund Balance, June 30, 2005	<u>\$ 42,256</u>	<u>\$ 17,658</u>	<u>\$ 12,775</u>	<u>\$ 29,481</u>

Exhibit H-6

Moore 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	\$ 290,592	\$ 223,687	\$ 223,687	\$ 66,905
Total Revenues	\$ 290,592	\$ 223,687	\$ 223,687	\$ 66,905
<u>Expenditures</u>				
<u>Debt Service Principal</u>				
General Government	\$ 107,176	\$ 101,908	\$ 107,408	\$ 232
Education	149,958	147,900	149,958	0
<u>Debt Service Interest</u>				
General Government	9,046	9,321	9,321	275
Education	18,768	20,827	18,769	1
<u>Other Debt Service</u>				
General Government	3,073	3,000	3,400	327
Total Expenditures	\$ 288,021	\$ 282,956	\$ 288,856	\$ 835
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,571	\$ (59,269)	\$ (65,169)	\$ 67,740
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 9,740	\$ 9,740	\$ 9,740	\$ 0
Total Other Financing Sources (Uses)	\$ 9,740	\$ 9,740	\$ 9,740	\$ 0
Net Change in Fund Balance	\$ 12,311	\$ (49,529)	\$ (55,429)	\$ 67,740
Fund Balance, July 1, 2004	279,295	238,689	238,689	40,606
Fund Balance, June 30, 2005	\$ 291,606	\$ 189,160	\$ 183,260	\$ 108,346

# Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Changes in Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 108,668	\$ 930,011	\$ 893,156	\$ 145,523
Total Assets	\$ 108,668	\$ 930,011	\$ 893,156	\$ 145,523
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 482	\$ 0	\$ 482
Due to Litigants, Heirs, and Others	108,668	929,529	893,156	145,041
Total Liabilities	\$ 108,668	\$ 930,011	\$ 893,156	\$ 145,523

# Metropolitan School Department

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

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

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

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

Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Activities  
Discretely Presented School Department  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Component Unit:					
Governmental Activities:					
Instruction	\$ 3,932,266	\$ 4,453	\$ 382,649	\$ 5,000	\$ (3,540,164)
Support Services	2,761,486	1,800	19,161	0	(2,740,525)
Operation of Noninstructional Services	484,450	261,466	203,756	798	(18,430)
Total Governmental Activities	<u>\$ 7,178,202</u>	<u>\$ 267,719</u>	<u>\$ 605,566</u>	<u>\$ 5,798</u>	<u>\$ (6,299,119)</u>
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 1,608,216
Local option sales tax					255,009
Other local taxes					971
Grants & contributions not restricted for specific programs					4,072,738
Interest Income					225
Miscellaneous					16,640
Gain on Disposal of Capital Assets					1,900
Total General Revenues					<u>\$ 5,955,699</u>
Change in net assets					\$ (343,420)
Net assets, July 1, 2004					<u>5,569,864</u>
Net assets, June 30, 2005					<u>\$ 5,226,444</u>

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

Exhibit J-2

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

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	<u>General Purpose School</u>	<u>Other Govern- mental Funds</u>	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 594,255	\$ 26,552	\$ 620,807
Inventories	0	8,655	8,655
Accounts Receivable	777	0	777
Due from Other Governments	70,706	32,428	103,134
Property Taxes Receivable	1,662,914	0	1,662,914
Allowance for Uncollectible Property Taxes	(17,173)	0	(17,173)
Total Assets	<u>\$ 2,311,479</u>	<u>\$ 67,635</u>	<u>\$ 2,379,114</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 13,579	\$ 4,330	\$ 17,909
Payroll Deductions Payable	115,592	18,085	133,677
Cash Overdraft	0	4,235	4,235
Deferred Revenue - Current Property Taxes	1,603,398	0	1,603,398
Deferred Revenue - Delinquent Property Taxes	33,304	0	33,304
Other Deferred Revenues	28,729	0	28,729
Total Liabilities	<u>\$ 1,794,602</u>	<u>\$ 26,650</u>	<u>\$ 1,821,252</u>
<u>Fund Balances</u>			
Reserved for Vocational Projects	\$ 0	\$ 4	\$ 4
Reserved for Career Ladder - Extended Contract	19,610	0	19,610
Reserved for Career Ladder Program	4,085	0	4,085
Reserved for Title I Grants to Local Education Agencies	0	1,568	1,568
Reserved for Innovative Education Program Strategies	0	7,682	7,682
Other Federal Reserves	0	4,258	4,258
Unreserved, Reported In:			
General Fund	493,182	0	493,182
Special Revenue Funds	0	27,473	27,473
Total Fund Balances	<u>\$ 516,877</u>	<u>\$ 40,985</u>	<u>\$ 557,862</u>
Total Liabilities and Fund Balances	<u>\$ 2,311,479</u>	<u>\$ 67,635</u>	<u>\$ 2,379,114</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented School Department  
June 30, 2005

Amounts reported for governmental activities in the statement of net assets (Exhibit J-1) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit J-2)	\$	557,862
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,745,271
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(138,722)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>62,033</u>
Net assets of governmental activities (Exhibit J-1)	\$	<u><u>5,226,444</u></u>

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

Exhibit J-4

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

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,857,297	\$ 0	\$ 1,857,297
Licenses and Permits	703	0	703
Charges for Current Services	36,064	231,055	267,119
Other Local Revenues	19,544	619	20,163
State of Tennessee	4,072,703	5,563	4,078,266
Federal Government	0	573,411	573,411
Total Revenues	<u>\$ 5,986,311</u>	<u>\$ 810,648</u>	<u>\$ 6,796,959</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,623,971	\$ 309,871	\$ 3,933,842
Support Services	2,403,926	108,576	2,512,502
Operation of Non-Instructional Services	37,227	407,631	444,858
Capital Outlay	221,009	0	221,009
Total Expenditures	<u>\$ 6,286,133</u>	<u>\$ 826,078</u>	<u>\$ 7,112,211</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (299,822)</u>	<u>\$ (15,430)</u>	<u>\$ (315,252)</u>
Net Change in Fund Balances	<u>\$ (299,822)</u>	<u>\$ (15,430)</u>	<u>\$ (315,252)</u>
Fund Balance, July 1, 2004	<u>816,699</u>	<u>56,415</u>	<u>873,114</u>
Fund Balance, June 30, 2005	<u>\$ 516,877</u>	<u>\$ 40,985</u>	<u>\$ 557,862</u>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented 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 J-4)	\$ (315,252)
(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 assets in the current period.	(25,039)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,038
(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. This amount is the net effect of these differences in the treatment of long-term debt.	<u>(7,167)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (343,420)</u>

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

Exhibit J-6

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

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 0	\$ 26,552	\$ 26,552
Inventories	0	8,655	8,655
Due from Other Governments	32,428	0	32,428
	<hr/>		
Total Assets	\$ 32,428	\$ 35,207	\$ 67,635
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,330	\$ 0	\$ 4,330
Payroll Deductions Payable	10,351	7,734	18,085
Cash Overdraft	4,235	0	4,235
Total Liabilities	\$ 18,916	\$ 7,734	\$ 26,650
<hr/>			
<u>Fund Balances</u>			
Reserved for Vocational Projects	\$ 4	\$ 0	\$ 4
Reserved for Title I Grants to Local Education Agencies	1,568	0	1,568
Reserved for Innovative Education Program Strategies	7,682	0	7,682
Other Federal Reserves	4,258	0	4,258
Unreserved	0	27,473	27,473
Total Fund Balances	\$ 13,512	\$ 27,473	\$ 40,985
<hr/>			
Total Liabilities and Fund Balances	\$ 32,428	\$ 35,207	\$ 67,635
<hr/>			

Exhibit J-7

Moore 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	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 231,055	\$ 231,055
Other Local Revenues	0	619	619
State of Tennessee	0	5,563	5,563
Federal Government	409,003	164,408	573,411
Total Revenues	<u>\$ 409,003</u>	<u>\$ 401,645</u>	<u>\$ 810,648</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 309,871	\$ 0	\$ 309,871
Support Services	108,576	0	108,576
Operation of Non-Instructional Services	0	407,631	407,631
Total Expenditures	<u>\$ 418,447</u>	<u>\$ 407,631</u>	<u>\$ 826,078</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,444)</u>	<u>\$ (5,986)</u>	<u>\$ (15,430)</u>
Net Change in Fund Balances	\$ (9,444)	\$ (5,986)	\$ (15,430)
Fund Balance, July 1, 2004	<u>22,956</u>	<u>33,459</u>	<u>56,415</u>
Fund Balance, June 30, 2005	<u>\$ 13,512</u>	<u>\$ 27,473</u>	<u>\$ 40,985</u>

Exhibit J-8

Moore 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,857,297	\$ 0	\$ 1,857,297	\$ 1,814,091	\$ 1,819,341	\$ 37,956
Licenses and Permits	703	0	703	750	600	103
Charges for Current Services	36,064	0	36,064	39,700	30,200	5,864
Other Local Revenues	19,544	0	19,544	5,000	13,237	6,307
State of Tennessee	4,072,703	0	4,072,703	3,980,552	4,036,468	36,235
Total Revenues	\$ 5,986,311	\$ 0	\$ 5,986,311	\$ 5,840,093	\$ 5,899,846	\$ 86,465
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,019,276	\$ (8,254)	\$ 3,011,022	\$ 2,993,224	\$ 3,033,531	\$ 22,509
Alternative Instruction Program	63,250	0	63,250	60,678	63,250	0
Special Education Program	380,366	0	380,366	348,135	381,602	1,236
Vocational Education Program	161,079	0	161,079	157,859	162,897	1,818
<u>Support Services</u>						
Attendance	6,726	0	6,726	6,762	6,766	40
Health Services	57,687	0	57,687	58,655	58,229	542
Other Student Support	203,568	0	203,568	200,008	203,828	260
Regular Instruction Program	325,885	0	325,885	285,629	326,738	853
Special Education Program	4,562	0	4,562	3,781	4,781	219
Vocational Education Program	25,878	0	25,878	25,803	26,084	206
Board of Education	130,723	0	130,723	126,423	132,901	2,178
Director of Schools	117,125	0	117,125	113,056	119,001	1,876
Office of the Principal	406,124	0	406,124	388,986	407,915	1,791
Fiscal Services	68,758	0	68,758	68,276	68,878	120
Operation of Plant	633,637	0	633,637	628,794	637,209	3,572
Maintenance of Plant	77,779	0	77,779	75,120	84,620	6,841

(Continued)

Exhibit J-8

Moore 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	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Transportation	\$ 345,474	\$ 0	\$ 345,474	\$ 350,594	\$ 350,810	\$ 5,336
<u>Operation of Non-Instructional Services</u>						
Community Services	37,227	0	37,227	42,171	39,478	2,251
<u>Capital Outlay</u>						
Regular Capital Outlay	221,009	(42,582)	178,427	40,000	209,045	30,618
Total Expenditures	<u>\$ 6,286,133</u>	<u>\$ (50,836)</u>	<u>\$ 6,235,297</u>	<u>\$ 5,973,954</u>	<u>\$ 6,317,563</u>	<u>\$ 82,266</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (299,822)</u>	<u>\$ 50,836</u>	<u>\$ (248,986)</u>	<u>\$ (133,861)</u>	<u>\$ (417,717)</u>	<u>\$ 168,731</u>
Net Change in Fund Balance	\$ (299,822)	\$ 50,836	\$ (248,986)	\$ (133,861)	\$ (417,717)	\$ 168,731
Fund Balance, July 1, 2004	816,699	(50,836)	765,863	587,125	587,125	178,738
Fund Balance, June 30, 2005	<u>\$ 516,877</u>	<u>\$ 0</u>	<u>\$ 516,877</u>	<u>\$ 453,264</u>	<u>\$ 169,408</u>	<u>\$ 347,469</u>

Exhibit J-9

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 409,003	\$ 412,328	\$ 416,570	\$ (7,567)
Total Revenues	\$ 409,003	\$ 412,328	\$ 416,570	\$ (7,567)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 115,763	\$ 112,922	\$ 114,366	\$ (1,397)
Special Education Program	176,808	173,138	175,778	(1,030)
Vocational Education Program	17,300	16,395	17,300	0
<u>Support Services</u>				
Health Services	13,651	13,020	13,020	(631)
Other Student Support	4,163	11,000	10,090	5,927
Regular Instruction Program	82,909	101,101	101,259	18,350
Special Education Program	7,853	7,854	7,854	1
Total Expenditures	\$ 418,447	\$ 435,430	\$ 439,667	\$ 21,220
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,444)	\$ (23,102)	\$ (23,097)	\$ 13,653
Net Change in Fund Balance	\$ (9,444)	\$ (23,102)	\$ (23,097)	\$ 13,653
Fund Balance, July 1, 2004	22,956	23,102	23,102	(146)
Fund Balance, June 30, 2005	\$ 13,512	\$ 0	\$ 5	\$ 13,507

Exhibit J-10

Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 231,055	\$ 238,000	\$ 241,000	\$ (9,945)
Other Local Revenues	619	1,000	1,000	(381)
State of Tennessee	5,563	5,339	5,839	(276)
Federal Government	164,408	142,000	162,000	2,408
Total Revenues	<u>\$ 401,645</u>	<u>\$ 386,339</u>	<u>\$ 409,839</u>	<u>\$ (8,194)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 407,631	\$ 393,373	\$ 416,873	\$ 9,242
Total Expenditures	<u>\$ 407,631</u>	<u>\$ 393,373</u>	<u>\$ 416,873</u>	<u>\$ 9,242</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,986)</u>	<u>\$ (7,034)</u>	<u>\$ (7,034)</u>	<u>\$ 1,048</u>
Net Change in Fund Balance	\$ (5,986)	\$ (7,034)	\$ (7,034)	\$ 1,048
Fund Balance, July 1, 2004	<u>33,459</u>	<u>18,454</u>	<u>18,454</u>	<u>15,005</u>
Fund Balance, June 30, 2005	<u>\$ 27,473</u>	<u>\$ 11,420</u>	<u>\$ 11,420</u>	<u>\$ 16,053</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Changes in Long-term Notes  
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	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	\$ 1,265,281	3.349 %	10-26-1998	4-10-08	\$ 621,738	\$ 0	\$ 149,958	\$ 471,780
Voting Machines	47,695	5.5	3-15-00	3-15-05	10,565	0	10,565	0
Fire Truck	174,924	4.98	2-16-01	7-11-04	31,311	0	31,311	0
Sanitation Truck	99,748	4.75	10-1-01	10-2-06	38,498	0	21,117	17,381
Ambulance	74,069	4.75	7-31-01	7-31-09	46,233	0	9,160	37,073
Health Department Building	70,000	4.75	12-14-01	12-14-10	46,334	0	7,533	38,801
County Building Roof	19,000	2.45	5-17-02	5-16-05	6,488	0	6,488	0
Patrol Car	19,500	1	4-4-03	4-4-06	13,064	0	6,511	6,553
Patrol Car	19,000	1.723	10-29-03	10-29-06	19,000	0	6,225	12,775
Courthouse Roof	25,000	.84	6-23-04	6-23-07	25,000	0	8,266	16,734
Library Roof	33,000	1.96	3-2-05	3-2-08	0	33,000	0	33,000
Total Notes Payable					\$ 858,231	\$ 33,000	\$ 257,134	\$ 634,097

Exhibit K-2

The Metropolitan Government of Lynchburg, Moore 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>
General	General Debt Service	To provide funds for debt retirement	<u>\$ 9,740</u>
Total Transfers			<u><u>\$ 9,740</u></u>

Exhibit K-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Executive Highway Superintendent:	Section 8-24-102, <u>TCA</u>	\$ 49,051	\$ 25,000	RLI Insurance Company
Glenn Pierce (7-1-04 through 8-31-04)	Section 8-24-102, <u>TCA</u> , and County Commission	10,837 (1)	100,000	Western Surety Company
Richie Pierce (9-1-04 through 6-30-05)	"	40,184	100,000	"
Director of Schools	State Board of Education and Metro Board of Education	66,773	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	277,100	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	"
Metropolitan Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	47,234 (2)	25,000	"
<u>Employee Bonds</u>				
Metropolitan Employees			150,000	Tennessee School Boards Risk Management Trust
School Department Employees			150,000	"

(1) Includes \$1,970 in compensation received as superintendent of the Solid Waste/Sanitation Fund.

(2) Includes law enforcement training supplement of \$519.

Exhibit K-4

Moore 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	Urban Services	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,173,377	\$ 926	\$ 58,744	\$ 0	\$ 23,254	\$ 23,253	\$ 1,279,554
Trustee's Collections - Prior Year	21,290	27	0	0	631	473	22,421
Circuit/Clerk & Master Collections - Prior Years	7,430	0	0	0	0	163	7,593
Interest and Penalty	4,283	5	101	0	97	92	4,578
Payments in Lieu of Taxes - T.V.A.	3,088	0	0	0	0	0	3,088
<u>County Local Option Taxes</u>							
Local Option Sales Tax	138,795	0	0	0	0	111,795	250,590
Hotel/Motel Tax	5,871	0	0	0	0	0	5,871
Litigation Tax - General	20,731	0	0	0	0	0	20,731
Litigation Tax - Jail, Workhouse, or Courthouse	6,207	0	0	0	0	0	6,207
Business Tax	14,976	0	0	0	0	0	14,976
Mineral Severance Tax	0	0	0	0	30,057	0	30,057
<u>Statutory Local Taxes</u>							
Bank Excise Tax	4,602	0	0	0	0	0	4,602
Wholesale Beer Tax	49,978	0	0	0	0	0	49,978
Interstate Telecommunications Tax	956	0	0	0	0	0	956
Other Statutory Local Taxes	0	0	0	0	0	154,816	154,816
<b>Total Local Taxes</b>	<b>\$ 1,451,584</b>	<b>\$ 958</b>	<b>\$ 58,845</b>	<b>\$ 0</b>	<b>\$ 54,039</b>	<b>\$ 290,592</b>	<b>\$ 1,856,018</b>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 2,066	\$ 1,918	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,984
<u>Permits</u>							
Building Permits	5,095	0	0	0	0	0	5,095
<b>Total Licenses and Permits</b>	<b>\$ 7,161</b>	<b>\$ 1,918</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,079</b>
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 3,060	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,060
Officers Costs	599	0	0	0	0	0	599
Drug Control Fines	0	0	0	497	0	0	497
Drug Court Fees	267	0	0	126	0	0	393

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Data Entry Fee - Circuit Court	\$ 112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	112
<u>General Sessions Court</u>							
Fines	9,727	0	0	0	0	0	9,727
Officers Costs	9,878	0	0	0	0	0	9,878
Game and Fish Fines	52	0	0	0	0	0	52
Drug Control Fines	0	0	0	21,052	0	0	21,052
Drug Court Fees	2,597	0	0	341	0	0	2,938
Jail Fees	5,714	0	0	0	0	0	5,714
DUI Treatment Fines	1,596	0	0	0	0	0	1,596
Data Entry Fee - General Sessions Court	934	0	0	0	0	0	934
<u>Chancery Court</u>							
Officers Costs	305	0	0	0	0	0	305
Data Entry Fee - Chancery Court	114	0	0	0	0	0	114
Total Fines, Forfeitures, and Penalties	\$ 34,955	\$ 0	\$ 0	\$ 22,016	\$ 0	\$ 0	56,971
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 147,867	\$ 0	\$ 0	\$ 0	147,867
Patient Charges	102,196	0	0	0	0	0	102,196
Other General Service Charges	95	0	0	0	0	0	95
<u>Fees</u>							
Recreation Fees	6,441	0	0	0	0	0	6,441
Library Fees	972	0	0	0	0	0	972
Vending Machine Collections	636	0	0	0	0	0	636
Tourism Fees	250	0	0	0	0	0	250
Data Processing Fee - Register	2,905	0	0	0	0	0	2,905
Probation Fees	147	0	0	0	0	0	147
Data Processing Fee - Sheriff	642	0	0	0	0	0	642
Sexual Offender Registration Fee	300	0	0	0	0	0	300
Total Charges for Current Services	\$ 114,584	\$ 0	\$ 147,867	\$ 0	\$ 0	\$ 0	262,451

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 46,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	46,969
Lease/Rentals	9,986	0	0	0	0	0	9,986
Commissary Sales	239	0	0	0	0	0	239
Sale of Recycled Materials	0	0	7,678	0	0	0	7,678
Miscellaneous Refunds	420	85	0	50	11,231	0	11,786
<u>Nonrecurring Items</u>							
Insurance Recovery	0	0	0	7,050	29,016	0	36,066
Damages Recovered from Individuals	2,265	0	0	0	0	0	2,265
Contributions & Gifts	4,524	0	0	0	0	0	4,524
<b>Total Other Local Revenues</b>	<b>\$ 64,403</b>	<b>\$ 85</b>	<b>\$ 7,678</b>	<b>\$ 7,100</b>	<b>\$ 40,247</b>	<b>\$ 0</b>	<b>119,513</b>
<u>Fees Received from County Officials</u>							
<u>Fees In Lieu of Salary</u>							
County Clerk	\$ 39,456	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	39,456
Circuit Court Clerk	9,181	0	0	0	0	0	9,181
General Sessions Court Clerk	22,726	0	0	0	0	0	22,726
Clerk and Master	10,043	0	0	0	0	0	10,043
Juvenile Court Clerk	1,658	0	0	0	0	0	1,658
Register	38,271	0	0	0	0	0	38,271
Sheriff	2,644	0	0	0	0	0	2,644
Trustee	92,986	0	0	0	0	0	92,986
<b>Total Fees Received from County Officials</b>	<b>\$ 216,965</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>216,965</b>
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	1,929	0	0	0	0	0	1,929
Solid Waste Grants	0	0	696	0	0	0	696
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	6,224	0	0	0	0	0	6,224
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	47,785	0	47,785

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants (Cont.)</u>							
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	163,541	\$ 0	163,541
Litter Program	0	0	0	0	29,096	0	29,096
<u>Other State Revenues</u>							
Income Tax	8,137	0	0	0	0	0	8,137
Beer Tax	17,021	0	0	0	0	0	17,021
Alcoholic Beverage Tax	8,481	0	0	0	0	0	8,481
State Revenue Sharing - T.V.A.	127,917	0	0	0	0	0	127,917
Emergency Hospital - Prisoners	8,894	0	0	0	0	0	8,894
Contracted Prisoner Boarding	147,776	0	0	0	0	0	147,776
Gasoline and Motor Fuel Tax	0	0	0	0	1,177,332	0	1,177,332
Petroleum Special Tax	0	0	0	0	4,618	0	4,618
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
State Shared Sales Tax - Cities	29,940	0	0	0	0	0	29,940
Other State Grants	32,700	0	0	14,650	0	0	47,350
Other State Revenues	3,922	0	0	0	0	0	3,922
Total State of Tennessee	\$ 418,321	\$ 0	\$ 696	\$ 14,650	\$ 1,422,372	\$ 0	\$ 1,856,039
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 152,661	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	152,661
Homeland Security Grants	31,960	0	0	0	0	0	31,960
Other Federal through State	2,053	0	0	0	0	0	2,053
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	121,500	0	0	0	0	0	121,500
Total Federal Government	\$ 308,174	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,174
<u>Other Governments and Citizens Groups</u>							
<u>Citizens Groups</u>							
Donations	\$ 36,867	\$ 0	\$ 0	\$ 1,200	\$ 0	\$ 0	38,067
<u>Other</u>							
Other	167	0	0	0	0	0	167
Total Other Governments and Citizens Groups	\$ 37,034	\$ 0	\$ 0	\$ 1,200	\$ 0	\$ 0	\$ 38,234
Total	\$ 2,653,181	\$ 2,961	\$ 215,086	\$ 44,966	\$ 1,516,658	\$ 290,592	\$ 4,723,444

Exhibit K-5

Moore 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	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,556,930	\$ 0	\$ 0	\$ 1,556,930
Trustee's Collections - Prior Year	31,351	0	0	31,351
Circuit/Clerk & Master Collections - Prior Years	10,942	0	0	10,942
Interest and Penalty	6,527	0	0	6,527
<u>County Local Option Taxes</u>				
Local Option Sales Tax	250,589	0	0	250,589
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	958	0	0	958
Total Local Taxes	\$ 1,857,297	\$ 0	\$ 0	\$ 1,857,297
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 703	\$ 0	\$ 0	\$ 703
Total Licenses and Permits	\$ 703	\$ 0	\$ 0	\$ 703
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 121,241	\$ 121,241
Lunch Payments - Adults	0	0	14,885	14,885
Income from Breakfast	0	0	13,904	13,904
A la carte Sales	0	0	81,025	81,025
Receipts from Individual Schools	4,453	0	0	4,453
Community Service Fees - Children	30,411	0	0	30,411
TBI Criminal Background Fee	1,200	0	0	1,200
Total Charges for Current Services	\$ 36,064	\$ 0	\$ 231,055	\$ 267,119
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 225	\$ 225
Sale of Materials and Supplies	600	0	0	600
Miscellaneous Refunds	16,246	0	394	16,640
<u>Nonrecurring Items</u>				
Sale of Equipment	2,520	0	0	2,520
<u>Other Local Revenues</u>				
Other Local Revenues	178	0	0	178
Total Other Local Revenues	\$ 19,544	\$ 0	\$ 619	\$ 20,163
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 3,899,819	\$ 0	\$ 0	\$ 3,899,819
School Food Service	0	0	5,563	5,563
Driver Education	5,940	0	0	5,940
Other State Education Funds	47,565	0	0	47,565
Career Ladder Program	59,158	0	0	59,158
Career Ladder - Extended Contract	14,437	0	0	14,437
<u>Other State Revenues</u>				
Beer Tax	42,814	0	0	42,814
Other State Revenues	2,970	0	0	2,970
Total State of Tennessee	\$ 4,072,703	\$ 0	\$ 5,563	\$ 4,078,266

(Continued)

Exhibit K-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 126,597	\$ 126,597
Breakfast	0	0	37,811	37,811
Vocational Education - Basic Grants to States	0	17,895	0	17,895
Title I Grants to Local Education Agencies	0	128,410	0	128,410
Innovative Education Program Strategies	0	3,853	0	3,853
Special Education - Grants to States	0	178,387	0	178,387
Special Education Preschool Grants	0	11,784	0	11,784
Eisenhower Professional Development State Grants	0	59,601	0	59,601
Other Federal through State	0	9,073	0	9,073
Total Federal Government	\$ 0	\$ 409,003	\$ 164,408	\$ 573,411
Total	\$ 5,986,311	\$ 409,003	\$ 401,645	\$ 6,796,959

Exhibit K-6

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

General Fund

General Government

Metropolitan Council

Other Per Diem & Fees	\$	3,020	
Audit Services		1,332	
Dues and Memberships		900	
Total Metropolitan Council			\$ 5,252

Metropolitan Executive

County Official/Administrative Officer	\$	49,051	
Accountants/Bookkeepers		21,115	
In-Service Training		237	
Communication		1,663	
Data Processing Services		3,264	
Dues and Memberships		4,474	
Legal Notices, Recording and Court Costs		1,088	
Postal Charges		997	
Travel		217	
Office Equipment		739	
Total Metropolitan Executive			82,845

County Attorney

County Official/Administrative Officer	\$	5,737	
Total County Attorney			5,737

Election Commission

County Official/Administrative Officer	\$	33,975	
Other Salaries & Wages		1,850	
Election Commission		500	
Election Workers		3,420	
Communication		403	
Dues and Memberships		75	
Legal Notices, Recording and Court Costs		718	
Maintenance & Repair Services- Office Equipment		1,700	
Postal Charges		415	
Printing, Stationery and Forms		364	
Travel		2,273	
Other Contracted Services		4,924	
Office Supplies		283	
Total Election Commission			50,900

Register of Deeds

County Official/Administrative Officer	\$	42,469	
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(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Part-time Personnel	\$	4,074	
Communication		1,468	
Dues and Memberships		347	
Maintenance Agreements		2,078	
Postal Charges		240	
Printing, Stationery and Forms		1,303	
Office Supplies		181	
Data Processing Equipment		187	
Total Register of Deeds			\$ 52,347

Planning

County Official/Administrative Officer	\$	4,042	
Communication		365	
Contracts with Government Agencies		7,000	
Legal Notices, Recording and Court Costs		175	
Total Planning			11,582

County Buildings

Custodial Personnel	\$	11,412	
Maintenance & Repair Services- Buildings		81,638	
Pest Control		480	
Custodial Supplies		2,640	
Electricity		7,741	
Natural Gas		5,888	
Office Supplies		3,022	
Water and Sewer		2,539	
Total County Buildings			115,360

Preservation of Records

Office Supplies	\$	1,504	
Total Preservation of Records			1,504

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		9,000	
Other Per Diem & Fees		170	
Communication		361	
Data Processing Services		2,947	
Legal Notices, Recording and Court Costs		36	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Postal Charges	\$	200	
Travel		697	
Other Contracted Services		4,042	
Premiums on Corporate Surety Bonds		266	
Total Property Assessor's Office			\$ 60,188

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		1,292	
In-Service Training		615	
Communication		687	
Data Processing Services		3,953	
Dues and Memberships		85	
Legal Notices, Recording and Court Costs		282	
Postal Charges		1,129	
Printing, Stationery and Forms		484	
Travel		336	
Total County Trustee's Office			51,332

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		6,440	
Communication		396	
Dues and Memberships		252	
Postal Charges		699	
Printing, Stationery and Forms		602	
Travel		129	
Office Equipment		128	
Total County Clerk's Office			51,115

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		5,182	
Jury and Witness Fees		1,405	
Communication		377	
Data Processing Services		3,079	
Dues and Memberships		275	
Legal Notices, Recording and Court Costs		33	
Postal Charges		513	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Printing, Stationery and Forms	\$	241	
Other Contracted Services		94	
Office Equipment		172	
Total Circuit Court			\$ 53,840

General Sessions Court

Judge(s)	\$	38,495	
Travel		700	
Office Supplies		1,144	
Office Equipment		685	
Total General Sessions Court			41,024

Chancery Court

County Official/Administrative Officer	\$	42,469	
Part-time Personnel		1,416	
Communication		340	
Dues and Memberships		60	
Postal Charges		382	
Printing, Stationery and Forms		448	
Travel		187	
Periodicals		456	
Office Equipment		1,665	
Total Chancery Court			47,423

Juvenile Court

Supervisor/Director	\$	8,685	
Total Juvenile Court			8,685

Judicial Commissioners

County Official/Administrative Officer	\$	5,543	
Communication		354	
Total Judicial Commissioners			5,897

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	47,234	
Supervisor/Director		32,370	
Deputy(ies)		197,634	
Sergeant(s)		30,955	
Foremen		23,361	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Dispatchers/Radio Operators	\$	105,289	
Overtime Pay		1,639	
Other Salaries & Wages		16,838	
In-Service Training		7,379	
Communication		7,034	
Contracts with Private Agencies		1,688	
Dues and Memberships		930	
Maintenance & Repair Services- Equipment		1,184	
Maintenance & Repair Services- Vehicles		10,880	
Postal Charges		678	
Printing, Stationery and Forms		2,410	
Travel		1,474	
Drugs and Medical Supplies		821	
Gasoline		19,998	
Office Supplies		1,426	
Uniforms		1,735	
Other Charges		15,942	
Data Processing Equipment		1,912	
Law Enforcement Equipment		21,186	
Motor Vehicles		5,200	
Total Sheriff's Department			\$ 557,197

Jail

Guards	\$	84,492	
Secretary(s)		19,947	
Contracts with Government Agencies		805	
Maintenance & Repair Services- Buildings		1,793	
Maintenance & Repair Services- Equipment		2,126	
Medical and Dental Services		17,766	
Pest Control		240	
Custodial Supplies		1,650	
Drugs and Medical Supplies		3,462	
Electricity		10,987	
Food Preparation Supplies		365	
Food Supplies		18,499	
Natural Gas		3,466	
Prisoners Clothing		637	
Uniforms		1,504	
Water and Sewer		8,732	
Total Jail			176,471

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Part-time Personnel	\$	10,300	
In-Service Training		1,606	
Communication		1,220	
Maintenance Agreements		1,900	
Maintenance & Repair Services- Buildings		480	
Maintenance & Repair Services- Vehicles		6,101	
Pest Control		240	
Rentals		182	
Electricity		2,147	
Gasoline		1,720	
Natural Gas		3,241	
Office Supplies		97	
Water and Sewer		848	
Excess Risk Insurance		1,446	
Motor Vehicles		135,000	
Other Equipment		36,902	
Total Fire Prevention and Control			\$ 203,430

Other Emergency Management

Office Equipment	\$	8,975	
Total Other Emergency Management			8,975

Public Health and Welfare

Local Health Center

Communication	\$	1,557	
Contracts with Government Agencies		12,800	
Contracts with Private Agencies		4,669	
Maintenance & Repair Services- Buildings		5,286	
Pest Control		220	
Postal Charges		26	
Other Contracted Services		341	
Custodial Supplies		66	
Drugs and Medical Supplies		171	
Office Supplies		130	
Utilities		4,947	
Other Supplies and Materials		380	
Total Local Health Center			30,593

Ambulance/Emergency Medical Services

Paraprofessionals	\$	144,259	
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(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Part-time Personnel	\$	15,807	
Overtime Pay		27,265	
In-Service Training		976	
Communication		1,969	
Data Processing Services		1,504	
Dues and Memberships		710	
Maintenance & Repair Services- Buildings		273	
Maintenance & Repair Services- Equipment		16,159	
Maintenance & Repair Services- Vehicles		2,963	
Medical and Dental Services		50	
Pest Control		240	
Postal Charges		101	
Travel		418	
Drugs and Medical Supplies		3,545	
Electricity		1,860	
Gasoline		2,953	
Natural Gas		2,147	
Office Supplies		668	
Uniforms		1,136	
Water and Sewer		959	
Other Supplies and Materials		434	
Refunds		<u>2,327</u>	
Total Ambulance/Emergency Medical Services			\$ 228,723

Alcohol and Drug Programs

Drug Treatment	\$	<u>3,695</u>	
Total Alcohol and Drug Programs			3,695

Regional Mental Health Center

Contracts with Other Public Agencies	\$	<u>2,000</u>	
Total Regional Mental Health Center			2,000

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>5,880</u>	
Total Senior Citizens Assistance			5,880

Libraries

Assistant(s)	\$	12,980	
Supervisor/Director		19,532	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Part-time Personnel	\$	6,902	
In-Service Training		257	
Communication		1,910	
Data Processing Services		3,267	
Maintenance & Repair Services- Buildings		34,503	
Pest Control		240	
Postal Charges		500	
Printing, Stationery and Forms		77	
Electricity		2,913	
Library Books/Media		1,829	
Natural Gas		2,138	
Office Supplies		1,916	
Periodicals		384	
Water and Sewer		570	
Office Equipment		7,493	
Total Libraries			\$ 97,411

Parks and Fair Boards

Assistant(s)	\$	1,562	
Supervisor/Director		8,445	
Attendants		5,210	
Dues and Memberships		340	
Maintenance & Repair Services- Buildings		957	
Maintenance & Repair Services- Equipment		48,116	
Rentals		620	
Electricity		6,467	
Water and Sewer		3,039	
Chemicals		2,749	
Total Parks and Fair Boards			77,505

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,184	
Part-time Personnel		9,016	
Longevity Pay		2,228	
Communication		989	
Data Processing Services		1,441	
Travel		580	
Other Charges		120	
Total Agriculture Extension Service			42,558

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Forest Service

Contracts with Government Agencies	\$ 350	
Total Forest Service		\$ 350

Soil Conservation

Communication	\$ 622	
Matching Share	5,115	
Total Soil Conservation		5,737

Other Operations

Tourism

Other Charges	\$ 1,095	
Total Tourism		1,095

Other Economic and Community Development

Other Charges	\$ 152,661	
Total Other Economic and Community Development		152,661

Employee Benefits

Social Security	\$ 94,048	
State Retirement	19,003	
Employee and Dependent Insurance	207,329	
Unemployment Compensation	2,063	
Total Employee Benefits		322,443

Miscellaneous

Operating Lease Payments	\$ 2,400	
Maintenance & Repair Services- Office Equipment	2,313	
Other Supplies and Materials	58	
Liability Insurance	46,953	
Trustee's Commission	29,682	
Workers' Compensation Insurance	21,065	
Other Charges	494	
Total Miscellaneous		102,965

Total General Fund		\$ 2,664,720
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Urban Services Fund

General Government

Other General Administration

Electricity	\$ 11,769	
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(Continued)

Exhibit K-6

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

Urban Services Fund (Cont.)

General Government (Cont.)

Other General Administration (Cont.)

Trustee's Commission	\$ 34	
Other Charges	60	
Total Other General Administration	\$ 11,863	

Total Urban Services Fund \$ 11,863

Solid Waste/Sanitation Fund

Public Health and Welfare

Recycling Center

County Official/Administrative Officer	\$ 11,817	
Assistant(s)	2,580	
Laborers	60,558	
Social Security	5,737	
Medical Insurance	10,421	
Unemployment Compensation	269	
Communication	769	
Contracts with Private Agencies	56,735	
Maintenance & Repair Services- Vehicles	16,742	
Postal Charges	37	
Other Contracted Services	428	
Diesel Fuel	12,621	
Tires and Tubes	6,121	
Utilities	766	
Trustee's Commission	2,628	
Vehicle and Equipment Insurance	8,416	
Workers' Compensation Insurance	4,279	
Solid Waste Equipment	2,122	
Total Recycling Center	\$ 203,046	

Total Solid Waste/Sanitation Fund 203,046

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 3,278	
Maintenance & Repair Services- Vehicles	92	
Law Enforcement Supplies	1,808	
Uniforms	220	
In Service/Staff Development	676	
Other Charges	464	

(Continued)

Exhibit K-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Motor Vehicles	\$	11,995	
Other Equipment		21,353	
Total Drug Enforcement			\$ 39,886

Total Drug Control Fund \$ 39,886

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	49,051	
Assistant(s)		37,573	
Dues and Memberships		1,380	
Legal Notices, Recording and Court Costs		398	
Pest Control		66	
Postal Charges		159	
Printing, Stationery and Forms		794	
Office Supplies		732	
Other Charges		2,831	
Total Administration			\$ 92,984

Highway and Bridge Maintenance

Foremen	\$	37,596	
Equipment Operators		144,014	
Truck Drivers		124,283	
Laborers		64,895	
Contracts with Private Agencies		16,150	
Asphalt - Hot Mix		45,265	
Asphalt - Liquid		20,729	
Crushed Stone		58,033	
Pipe		25,576	
Road Signs		2,750	
Other Charges		3,241	
Total Highway and Bridge Maintenance			542,532

Operation and Maintenance of Equipment

Mechanic(s)	\$	101,154	
Diesel Fuel		26,467	
Equipment and Machinery Parts		45,190	
Garage Supplies		7,045	
Gasoline		9,213	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Lubricants	\$	5,272	
Tires and Tubes		6,943	
Other Charges		4,820	
Total Operation and Maintenance of Equipment	\$		206,104

Litter and Trash Collection

Other Salaries & Wages	\$	28,593	
In-Service Training		4,446	
Total Litter and Trash Collection			33,039

Other Charges

Communication	\$	1,423	
Electricity		1,637	
Water and Sewer		155	
Liability Insurance		13,091	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		12,473	
Vehicle and Equipment Insurance		13,091	
Total Other Charges			42,220

Employee Benefits

Social Security	\$	44,880	
State Retirement		13,162	
Employee and Dependent Insurance		109,764	
Unemployment Compensation		5,294	
Workers' Compensation Insurance		24,945	
Total Employee Benefits			198,045

Capital Outlay

Contracts with Private Agencies	\$	37,214	
Bridge Construction		88,114	
Highway Equipment		43,855	
State Aid Projects		213,729	
Other Construction		42,138	
Total Capital Outlay			425,050

Total Highway/Public Works Fund \$ 1,539,974

(Continued)

Exhibit K-6

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

<u>General Debt Service Fund</u>		
<u>Debt Service Principal</u>		
<u>General Government</u>		
Principal on Notes	\$ 107,176	
Total General Government		\$ 107,176
<u>Education</u>		
Principal on Notes	\$ 149,958	
Total Education		149,958
<u>Debt Service Interest</u>		
<u>General Government</u>		
Interest on Notes	\$ 9,046	
Total General Government		9,046
<u>Education</u>		
Interest on Notes	\$ 18,768	
Total Education		18,768
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 3,073	
Total General Government		<u>3,073</u>
Total General Debt Service Fund		<u>\$ 288,021</u>
Total Governmental Funds - Primary Government		<u>\$ 4,747,510</u>

Moore 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	\$	2,018,180	
Career Ladder Program		38,052	
Career Ladder Extended Contracts		11,000	
Educational Assistants		112,570	
Other Salaries & Wages		5,520	
Certified Substitute Teachers		33,025	
Social Security		131,950	
State Retirement		116,018	
Medical Insurance		321,023	
Unemployment Compensation		1,176	
Employer Medicare		30,859	
Maintenance & Repair Services- Equipment		2,987	
Instructional Supplies and Materials		36,418	
Textbooks		72,787	
Other Supplies and Materials		332	
Other Charges		2,100	
Regular Instruction Equipment		85,279	
Total Regular Instruction Program			\$ 3,019,276

Alternative Instruction Program

Teachers	\$	42,872	
Educational Assistants		13,396	
Social Security		3,489	
State Retirement		2,642	
Unemployment Compensation		35	
Employer Medicare		816	
Total Alternative Instruction Program			63,250

Special Education Program

Teachers	\$	210,043	
Career Ladder Program		5,000	
Homebound Teachers		26,559	
Educational Assistants		53,666	
Social Security		17,570	
State Retirement		14,430	
Medical Insurance		41,563	
Unemployment Compensation		179	
Employer Medicare		4,109	
Contracts with Private Agencies		5,886	

(Continued)

Exhibit K-7

Moore 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.)

Instructional Supplies and Materials	\$ 1,361	
Total Special Education Program		\$ 380,366

Vocational Education Program

Teachers	\$ 127,504	
Career Ladder Program	1,000	
Social Security	7,701	
State Retirement	7,068	
Medical Insurance	12,941	
Unemployment Compensation	52	
Employer Medicare	1,801	
Instructional Supplies and Materials	2,652	
Other Supplies and Materials	100	
Other Charges	260	
Total Vocational Education Program		161,079

Support Services

Attendance

Supervisor/Director	\$ 5,316	
Social Security	317	
State Retirement	292	
Medical Insurance	725	
Unemployment Compensation	2	
Employer Medicare	74	
Total Attendance		6,726

Health Services

Medical Personnel	\$ 39,949	
Social Security	2,300	
State Retirement	2,197	
Medical Insurance	11,040	
Unemployment Compensation	35	
Employer Medicare	538	
Travel	35	
Other Supplies and Materials	843	
Other Charges	750	
Total Health Services		57,687

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		117,422	
Social Security		7,061	
State Retirement		6,513	
Medical Insurance		17,746	
Unemployment Compensation		52	
Employer Medicare		1,651	
Contracts with Government Agencies		28,353	
Evaluation and Testing		4,864	
Other Contracted Services		14,000	
Other Charges		4,906	
Total Other Student Support			\$ 203,568

Regular Instruction Program

Supervisor/Director	\$	47,847	
Career Ladder Program		3,000	
Librarians		88,580	
Instructional Computer Personnel		46,423	
Educational Assistants		20,772	
Other Salaries & Wages		45,382	
Social Security		12,160	
State Retirement		13,158	
Medical Insurance		31,559	
Unemployment Compensation		110	
Employer Medicare		2,844	
Maintenance & Repair Services- Equipment		400	
Travel		1,697	
Library Books/Media		7,020	
Other Supplies and Materials		1,452	
In Service/Staff Development		2,537	
Other Equipment		944	
Total Regular Instruction Program			325,885

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		123	
State Retirement		42	
Medical Insurance		80	
Employer Medicare		29	

(Continued)

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Travel	\$ 2,288	
Total Special Education Program		\$ 4,562
 <u>Vocational Education Program</u>		
Supervisor/Director	\$ 21,385	
Career Ladder Program	500	
Social Security	1,357	
Medical Insurance	2,302	
Unemployment Compensation	17	
Employer Medicare	317	
Total Vocational Education Program		25,878
 <u>Board of Education</u>		
Board and Committee Members Fees	\$ 1,300	
Social Security	81	
Employer Medicare	19	
Audit Services	3,000	
Dues and Memberships	4,865	
Travel	3,224	
Liability Insurance	11,814	
Premiums on Corporate Surety Bonds	175	
Trustee's Commission	45,137	
Workers' Compensation Insurance	54,721	
Criminal Investigation of Applicants - TBI	1,248	
Refund to Applicant for Criminal Investigation	1,200	
Other Charges	3,939	
Total Board of Education		130,723
 <u>Director of Schools</u>		
County Official/Administrative Officer	\$ 66,773	
Social Security	4,057	
State Retirement	3,672	
Medical Insurance	3,702	
Employer Medicare	949	
Communication	16,647	
Travel	2,811	
Office Supplies	4,113	
Other Charges	7,614	
Administration Equipment	6,787	
Total Director of Schools		117,125

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	112,643	
Career Ladder Program		4,000	
Assistant Principals		140,316	
Secretary(s)		54,750	
Clerical Personnel		19,280	
Social Security		20,029	
State Retirement		15,616	
Medical Insurance		30,440	
Unemployment Compensation		168	
Employer Medicare		4,684	
Communication		774	
Other Charges		3,424	
Total Office of the Principal			\$ 406,124

Fiscal Services

Supervisor/Director	\$	32,722	
Accountants/Bookkeepers		26,693	
Social Security		3,587	
State Retirement		1,260	
Medical Insurance		3,622	
Unemployment Compensation		35	
Employer Medicare		839	
Total Fiscal Services			68,758

Operation of Plant

Custodial Personnel	\$	237,748	
Social Security		14,106	
State Retirement		3,915	
Medical Insurance		34,501	
Unemployment Compensation		246	
Employer Medicare		3,299	
Electricity		178,854	
Natural Gas		49,796	
Water and Sewer		39,813	
Other Supplies and Materials		36,889	
Building and Contents Insurance		34,470	
Total Operation of Plant			633,637

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance & Repair Services- Buildings	\$	5,678	
Maintenance & Repair Services- Equipment		18,811	
Other Contracted Services		4,120	
Other Supplies and Materials		37,717	
Other Charges		8,374	
Maintenance Equipment		3,079	
Total Maintenance of Plant			\$ 77,779

Transportation

Mechanic(s)	\$	36,733	
Bus Drivers		158,720	
Social Security		12,026	
State Retirement		3,949	
Medical Insurance		3,702	
Unemployment Compensation		266	
Employer Medicare		2,813	
Medical and Dental Services		1,439	
Gasoline		31,241	
Tires and Tubes		4,439	
Vehicle Parts		22,492	
Other Supplies and Materials		275	
Vehicle and Equipment Insurance		10,089	
Other Charges		2,069	
Transportation Equipment		55,221	
Total Transportation			345,474

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	24,582	
Social Security		1,433	
State Retirement		344	
Medical Insurance		5,032	
Unemployment Compensation		29	
Employer Medicare		335	
Other Supplies and Materials		5,472	
Total Community Services			37,227

(Continued)

Exhibit K-7

Moore 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	\$	221,009	
Total Regular Capital Outlay			\$ 221,009

Total General Purpose School Fund \$ 6,286,133

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	71,933	
Certified Substitute Teachers		2,690	
Social Security		4,560	
State Retirement		4,059	
Unemployment Compensation		40	
Employer Medicare		1,067	
Travel		132	
Other Contracted Services		3,000	
Instructional Supplies and Materials		12,886	
Other Supplies and Materials		134	
In Service/Staff Development		4,522	
Other Charges		60	
Regular Instruction Equipment		10,680	
Total Regular Instruction Program			\$ 115,763

Special Education Program

Teachers	\$	38,906	
Educational Assistants		76,452	
Certified Substitute Teachers		3,724	
Social Security		6,913	
State Retirement		3,312	
Medical Insurance		28,261	
Unemployment Compensation		125	
Employer Medicare		1,616	
Contracts with Private Agencies		10,183	
Instructional Supplies and Materials		2,807	
Other Supplies and Materials		1,889	
Other Charges		64	
Special Education Equipment		2,556	
Total Special Education Program			176,808

(Continued)

Exhibit K-7

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

School Federal Projects Fund (Cont.)

<u>Instruction (Cont.)</u>		
<u>Vocational Education Program</u>		
Travel	\$ 1,847	
Instructional Supplies and Materials	3,557	
Other Supplies and Materials	441	
Vocational Instruction Equipment	<u>11,455</u>	
Total Vocational Education Program		\$ 17,300
<u>Support Services</u>		
<u>Health Services</u>		
Medical Personnel	\$ 9,147	
Social Security	532	
State Retirement	503	
Medical Insurance	1,901	
Employer Medicare	124	
Drugs and Medical Supplies	<u>1,444</u>	
Total Health Services		13,651
<u>Other Student Support</u>		
In Service/Staff Development	\$ 590	
Other Charges	<u>3,573</u>	
Total Other Student Support		4,163
<u>Regular Instruction Program</u>		
Supervisor/Director	\$ 5,107	
Other Salaries & Wages	20,631	
Social Security	1,598	
State Retirement	1,314	
Medical Insurance	4,269	
Employer Medicare	374	
Travel	1,856	
Library Books/Media	4,062	
In Service/Staff Development	<u>43,698</u>	
Total Regular Instruction Program		82,909
<u>Special Education Program</u>		
Supervisor/Director	\$ 5,000	
Clerical Personnel	2,000	
Social Security	434	
State Retirement	317	
Employer Medicare	<u>102</u>	
Total Special Education Program		<u>7,853</u>
Total School Federal Projects Fund		\$ 418,447

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	161,005	
Social Security		9,374	
State Retirement		2,899	
Medical Insurance		36,463	
Unemployment Compensation		229	
Employer Medicare		2,192	
Maintenance & Repair Services- Equipment		9,992	
Transportation - Other than Students		3,213	
Travel		3,270	
Food Supplies		154,672	
Office Supplies		595	
Other Supplies and Materials		11,028	
Other Charges		3,027	
Food Service Equipment		9,672	
Total Food Service			\$ <u>407,631</u>

Total Central Cafeteria Fund \$ 407,631

Total Governmental Funds - School Department \$ 7,112,211

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## STATISTICAL SECTION

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Table 1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1997	\$ 33
1998	256
1999	223
2000	837
2001	2,123
2002	2,389
2003	4,098
Total	\$ 9,959

Table 2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.79	\$ 0.82	\$ 0.81	\$ 0.81	\$ 0.81	\$ 0.685	\$ 0.75	\$ 0.78	\$ 0.91	1.01
Highway/Public Works	0.06	0.06	0.07	0.07	0.07	0.050	0.02	0.02	0.02	0.02
General Purpose School	1.88	1.88	1.88	1.88	1.88	1.345	1.37	1.34	1.34	1.34
General Debt Service	0.00	0.02	0.02	0.02	0.02	0.020	0.02	0.02	0.02	0.02
Solid Waste/Sanitation	0.00	0.00	0.03	0.03	0.03	0.020	0.02	0.02	0.02	0.05
Total Metro Tax Rate	\$ 2.73	\$ 2.78	\$ 2.81	\$ 2.81	\$ 2.81	\$ 2.12	\$ 2.18	\$ 2.18	\$ 2.31	2.44
Urban Services	0.15	0.10	0.10	0.10	0.10	0.07	0.07	0.07	0.01	0.01
Total Urban Services Tax Rate	\$ 2.88	\$ 2.88	\$ 2.91	\$ 2.91	\$ 2.91	\$ 2.19	\$ 2.25	\$ 2.25	\$ 2.32	2.45
<u>Assessed Valuation</u>										
Real and Personal	\$ 61,816,440	\$ 63,659,591	\$ 65,702,745	\$ 68,041,365	\$ 69,523,148	\$ 96,447,143	\$ 105,338,558	\$ 109,027,856	\$ 110,952,569	\$ 113,301,845
Public Utilities	3,192,966	3,385,217	2,975,786	3,218,428	3,459,618	4,642,075	5,100,091	5,245,351	4,980,708	5,560,080
Total Assessed Valuation	\$ 65,009,406	\$ 67,044,808	\$ 68,678,531	\$ 71,259,793	\$ 72,982,766	\$ 101,089,218	\$ 110,438,649	\$ 114,273,207	\$ 115,933,277	\$ 118,861,925

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## **SINGLE AUDIT SECTION**

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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

January 26, 2006

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

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 the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated January 26, 2006. 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 the metropolitan government'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 the metropolitan government'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 05.01(A), 05.02(A, B), 05.03, 05.04, 05.06(A), 05.07, 05.10(B), 05.11, 05.12, and 05.13.

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 the metropolitan government'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01(B), 05.02(C), 05.05, 05.06(B), 05.08, 05.09, and 05.10(A).

We also noted certain other matters that we reported to the management of the metropolitan government in separate communications.

This report is intended solely for the information and use of the Metropolitan Council, 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/rd



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

January 26, 2006

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

Compliance

We have audited the compliance of the Metropolitan Government of Lynchburg, Moore County, Tennessee, 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. The metropolitan government'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 the metropolitan government's management. Our responsibility is to express an opinion on the metropolitan government'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 the metropolitan government'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 the metropolitan government's compliance with those requirements.

In our opinion, the Metropolitan Government of Lynchburg, Moore County, Tennessee, 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 the metropolitan government 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 the metropolitan government'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 applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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 the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 26, 2006. Our audit was performed for the purpose of forming opinions on the basic 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 Metropolitan Council, 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/rd

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 Metropolitan Lynchburg – Moore County Water and Sewer Department

Members of the Utility Board  
Metropolitan Lynchburg – Moore County  
Water and Sewer Department  
Lynchburg, Tennessee

We have audited the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department as of and for the year ended June 30, 2005. 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 department'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 internal control over financial reporting. Our 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 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 solely for the information and use of the Utility Board, management, Metropolitan Council, and oversight agencies 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 Moore County Emergency Communications District

To the Board of Directors  
Moore County Emergency Communications District  
Lynchburg, Tennessee

I have audited the financial statements of the Moore County Emergency Communications District as of and for the year ended June 30, 2005. 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 Moore County Emergency Communications District's 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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 Audit Findings and Recommendations as item 05-01.

A material weakness is a reportable condition in which the design or operation of one of 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. My 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 material weaknesses. However, I believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Moore County Emergency Communications District's 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Audit Findings and Recommendations as item 05-01.

This report is intended solely for the information of the management of Moore County Emergency Communications District and the State of Tennessee Comptroller of the Treasury and is not intended to be used and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

MOORE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT  
AUDIT FINDINGS AND RECOMMENDATIONS  
June 30, 2005

Finding 05-01

Some expense items exceeded the adopted budget amounts. This is in violation of Tennessee Code Annotated, Section 7-86-120.

Recommendation

When it is apparent that an expense item will exceed the budget, the budget should be amended to cover the additional expense. Management should review end of the year invoices for any items that may be accounts payable and include those amounts in the amended budget.

Management's Comment

Management will review and take under advisement.

This finding was brought to management's attention in last year's report.

The Metropolitan Government of Lynchburg, Moore 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)	\$ 33,785
Total Passed-through State Department of Agriculture			<u>\$ 33,785</u>
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 37,811
National School Lunch Program	10.555	(2)	126,597
Total Passed-through State Department of Education			<u>\$ 164,408</u>
Total U.S. Department of Agriculture			<u>\$ 198,193</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant	14.228	CG-05-11685-00	\$ 22,150
Total U.S. Department of Housing and Urban Development			<u>\$ 22,150</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-6400(8)	\$ 35,627
Total U.S. Department of Transportation			<u>\$ 35,627</u>
National Endowment for the Arts:			
Passed-through Tennessee Department of State:			
Tennessee State Library and Archives:			
State Library Program	45.310	Z-04-021911-00	\$ 2,053
Total National Endowment for the Arts			<u>\$ 2,053</u>
U.S. Department of Interior:			
Passed-through State Department of Environment and Conservation:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	DWF 00 026	\$ 127,615
Total U.S. Department of Interior			<u>\$ 127,615</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.004	EMW-2004-FG-14426	\$ 121,500 (3)
Homeland Security Grant Program	97.004	Z-03-017785-00	24,126 (3)
Homeland Security Grant Program	97.004	Z-04-020130-00	7,834 (3)
Citizen Corps	97.053	Z-03-015198-01	8,975
Total U.S. Department of Homeland Security			<u>\$ 162,435</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 133,454
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	185,940
Special Education - Preschool Grants	84.173	N/A	12,478
Vocational Education - Basic Grants to States	84.048	N/A	17,891
Safe and Drug Free Schools and Communities - State Grant - DARE	84.186	(2)	20,833
Innovative Education Program Strategies	84.298	N/A	4,062
Improving Teacher Quality State Grants	84.367A	N/A	42,199
Total U.S. Department of Education			<u>\$ 416,857</u>
Total Expenditures of Federal Grants			<u>\$ 964,930</u>

(Continued)

The Metropolitan Government of Lynchburg, Moore 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>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 1,929
Technology Grant - Secretary of State	N/A	Z-05-024668	600
Technology Grant - Secretary of State	N/A	Z-04-021911-00	600
Emergency Communications District - State Department of Commerce and Insurance	N/A	DG-04-01861-01	30,000
Criminal Justice Program - State Department of Finance and Administration	N/A	Z-01-098959-0	14,650
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011339-01	696
Litter Grant - State Department of Transportation	N/A	Z-05021533-00	29,096
Juvenile Justice and Delinquency Prevention - Allocation to States	N/A	Z-05-02041300	9,000
DARE Grant	N/A	(2)	1,590
Safe School Act - State Department of Education	N/A	(2)	<u>6,167</u>
 Total State Grants			 <u>\$ 94,328</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Homeland Security Grant Program from the U.S. Department of Homeland Security (CFDA No. 97.004) \$153,460.

The Metropolitan Government of Lynchburg, Moore 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 findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

**OFFICE OF METROPOLITAN EXECUTIVE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.03	16	Purchase orders were not always issued

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.04 (A,C)	16	The office had purchasing deficiencies
04.05	17	Expenditures exceeded appropriations

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07	18	Purchase orders were not issued properly

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.10	19	The office had deficiencies in the administration of drug control funds

**OTHER FINDINGS AND RECOMMENDATIONS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
04.11	19	Duties were not segregated adequately in the Offices of Highway Superintendent; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff
04.12	20	A central system of accounting and budgeting had not been adopted

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**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unqualified.
2. The audit of the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, 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 which are material to the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173), and Capitalization Grants for Drinking Water State Revolving Funds (CFDA No. 66.468) 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. The Metropolitan Government of Lynchburg, Moore County, Tennessee, did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the metropolitan executive and the sheriff 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 METROPOLITAN EXECUTIVE**

#### **FINDING 05.01      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

Our audit revealed the following purchasing deficiencies:

- A. The office did not issue purchase orders for some purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments.
- B. Competitive bids were not solicited for the purchase of a riding lawn mower (\$6,861) and a drug control vehicle (\$11,995). The metropolitan purchasing policy requires purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

### **RECOMMENDATION**

The office should issue purchase orders for all applicable purchases. Competitive bids should be solicited for all purchases exceeding \$5,000 as required by the metropolitan purchasing policy.

### **MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE**

We will again remind departments about obtaining purchase orders. Departments have been advised of the requirement of public advertisement and solicitation of competitive bids for purchases exceeding \$5,000.

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### **OFFICE OF HIGHWAY SUPERINTENDENT**

#### **FINDING 05.02      **THE OFFICE HAD PURCHASING DEFICIENCIES****

(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our audit revealed the following purchasing deficiencies:

- A. The office did not issue purchase orders for some purchases. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments.

- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. However, our audit indicated that these goods had been received and services had been rendered.
- C. Competitive bids were not solicited for the purchase of a truck (\$18,510). The metropolitan purchasing policy requires purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

**RECOMMENDATION**

The office should issue purchase orders for all applicable purchases and should document that goods have been received or services have been rendered prior to payment. The Highway Department should publicly advertise and solicit competitive bids for purchases in excess of \$10,000 as required by the metropolitan purchasing policy.

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**FINDING 05.03**      **THE OFFICE HAD DEFICIENCIES IN LEAVE RECORDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following deficiencies in leave records:

- A. Records did not always properly distinguish between sick leave and annual leave. There were several instances noted where employee timesheets clearly indicated sick leave was used; however, the official leave records indicated annual time was used.
- B. The office did not properly accumulate compensatory time at appropriate amounts. There were several instances where compensatory time was calculated at time and one-half, although the employee had not worked a 40 hour work week. The government’s official policy states, “No overtime or compensatory time will be earned until the employee has worked on the job over 40 hours during the work period...”

**RECOMMENDATION**

Official leave records should accurately reflect the leave reported and supported by employee timesheets. The office should follow the official policy on reporting compensatory time.

**FINDING 05.04      LITTER GRANT EXPENDITURES WERE NOT ADEQUATELY SUPPORTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Highway Department participated in a litter grant sponsored by the Tennessee Department of Transportation. Grant reimbursement requests for labor charges of approximately \$2,319 were not supported by timesheets or other documentation.

**RECOMMENDATION**

All grant reimbursements should have adequate supporting documentation.

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**FINDING 05.05      THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(Noncompliance Under Government Auditing Standards)

Our audit revealed the following deficiencies in budget operations:

- A. Expenditures exceeded total appropriations approved by the Metropolitan Council in the Solid Waste/Sanitation Fund by \$5,346.
- B. Highway/Public Works Fund expenditures exceeded appropriations in the Operation and Maintenance of Equipment (\$8,951) and Capital Outlay (\$939) major appropriation categories (legal level of control).
- C. Expenditures exceeded appropriations in five personal services accounts of the Highway/Public Works Funds (\$15,835) and in two personal services accounts of the Solid Waste/Sanitation Fund (\$2,438).

Section 5-9-401, Tennessee Code Annotated, states that “All funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

Expenditures should be held within appropriations approved by the Metropolitan Council.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 05.06      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

The following purchasing deficiencies were noted:

- A. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. However, our audit indicated that these goods had been received and services had been rendered.
- B. Competitive bids were not solicited for the purchase of pest control services (\$5,665) and the removal and installation of two heating and cooling units (\$21,013). The metropolitan purchasing policy requires purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

**RECOMMENDATION**

Documentation should be on file that goods have been received or services rendered prior to payment. Competitive bids should be solicited for all purchases exceeding \$5,000 as required by the metropolitan purchasing policy.

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**FINDING 05.07      **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT****

(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Federal Projects Fund had a cash overdraft of \$4,235 at June 30, 2005. This cash overdraft resulted from issuing warrants that exceeded funds on deposit with the metropolitan trustee. This cash overdraft was liquidated subsequent to June 30, 2005, from current revenues.

**RECOMMENDATION**

The School Department should not issue warrants that exceed available cash deposited with the metropolitan trustee.

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## **OFFICE OF TRUSTEE**

### **FINDING 05.08      **THE TRUSTEE DID NOT REQUIRE ONE DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS** (Noncompliance Under Government Auditing Standards)**

The trustee did not require one depository holding county funds to pledge sufficient securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits exceeded FDIC coverage and collateral securities pledged by \$24,863. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

### **RECOMMENDATION**

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

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## **OFFICE OF SHERIFF**

### **FINDING 05.09      **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS** (Noncompliance Under Government Auditing Standards)**

The following deficiencies were noted in the administration of drug control funds:

- A. The Annual Report of County Activities was not filed with the district attorney general by August 15<sup>th</sup> as required by Section 39-17-420, Tennessee Code Annotated (TCA).
- B. Forms and reports required by the Office of the Comptroller of the Treasury to account for drug control funds were not completed. These forms and reports are necessary to document the administration of confidential drug funds and to account for cash transactions related to undercover investigative operations.
- C. We noted seven disbursements of confidential funds with no supporting documentation. Four of these disbursements were for non-confidential purchases. Section 39-17-420(a)(1), TCA, states, "Cash transactions related to undercover investigative operations ... shall be administered in compliance with procedures established by the comptroller of the treasury." These procedures provide that payments from local drug funds for all nonconfidential expenses should be made by the county's Drug Control Fund through the budgetary process.

- D. The Quarterly Report of Confidential Funds was not filed with the metropolitan clerk within 30 days after the end of the months of September and December 2004 and March and June 2005.

#### RECOMMENDATION

The sheriff should ensure that all reports and procedures required to document drug control transactions are completed properly.

#### MANAGEMENT'S RESPONSE – SHERIFF

We are working diligently to correct these deficiencies. These matters will be corrected and closely monitored in the future.

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#### FINDING 05.10      **THE OFFICE HAD DEFICIENCIES IN COMMISSARY OPERATIONS**

(A. Noncompliance Under Government Auditing Standards; B. Internal Control – Reportable Condition Under Government Auditing Standards)

The following deficiencies were noted during our examination of the commissary operations:

- A. As of June 30, 2005, the office had earned \$482 in commissary profits and fees. These funds were not remitted to the General Fund. Instead, the office used these profits and fees to purchase miscellaneous items. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenues. Section 5-9-401, Tennessee Code Annotated, requires all county funds from whatever source to be appropriated by the county legislative body.
- B. Bank statements were not reconciled with general ledger controls and a listing of outstanding checks was not maintained.

#### RECOMMENDATION

Profits and fees generated from the operation of the jail commissary should be remitted to the county on a monthly basis. All operating expenses of the Sheriff's Department should be appropriated by the Metropolitan Council and paid through the county's General Fund. Bank statements should be reconciled with general ledger controls monthly, and the office should maintain a listing of outstanding checks.

#### MANAGEMENT'S RESPONSE – SHERIFF

We are working diligently to correct these deficiencies. These matters will be corrected and closely monitored in the future.

**FINDING 05.11      THE OFFICE DID NOT FILE AN ACCURATE ANNUAL FINANCIAL REPORT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office prepared and filed an annual financial report with the metropolitan executive and metropolitan clerk; however, the report did not include the commissary operations, drug control activity, or the DARE account.

**RECOMMENDATION**

The Sheriff's Office should prepare an accurate annual financial report that includes all financial operations of the office.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 05.12      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF HIGHWAY SUPERINTENDENT; TRUSTEE; METROPOLITAN CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Highway Superintendent; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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**FINDING 05.13      A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Metropolitan officials had not adopted a central system of accounting and budgeting. Establishing a central system would significantly improve internal controls over the accounting and budgeting processes.

**RECOMMENDATION**

Metropolitan officials should consider adopting ordinances that would provide for a central system of accounting and budgeting covering all departments.

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

There were no findings and questioned costs for federal awards.

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.