
ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
LINCOLN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

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This financial report is available at www.comptroller.state.tn.us

LINCOLN COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Lincoln County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Lincoln County management. The detailed finding and recommendation is included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

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

INTRODUCTORY SECTION

Lincoln County Officials

June 30, 2007

Officials

Peggy Bevels, County Executive
Matthew Ashby, Highway Superintendent
Wanda Shelton, Director of Schools
Mary Jane Porter, Trustee
Tammy Moore, Assessor of Property
Anne Underwood, County Clerk
Gail Corder, Circuit and General Sessions Courts Clerk
Rebecca Bartlett, Clerk and Master
Randy Delap, Register
Murray Blackwelder, Sheriff
Cole Bradford, Director of Finance

Board of County Commissioners

Peggy Bevels, Chairperson	Moody Bradley
R. Stephen Graham	Donny Ogle
Randy Bradford	Shirley Dangerfield
J. Thomas Stevenson	Bill Shelton
Grady Reavis	William Harold Armstrong
Jack Atchley	Doug Cunningham
Clayton Wilson	Ricky Bryant
Anthony Taylor	Mark Monks
Joyce McConnell	Bill Newman
Becky Strobe	Wayne King
Mike Brown	Steve Guntherberg
Ray Moffett	Hugh Towry
Anne Bankston	

Board of Education

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

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

January 8, 2008

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the business-type activities, which are comprised of the Lincoln County Health System and the Lincoln County Board of Public Utilities. The Lincoln County Health System and the Lincoln County Board of Public Utilities are also major enterprise funds of the primary government. In addition, we did not audit the financial statements of the discretely presented Lincoln County Emergency Communications District, which represent four percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the financial statements, for the business-type activities, major funds, and aggregate discretely presented component units, insofar as they relate to the amounts included for the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District, are based solely on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2007, 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 8, 2008, on our consideration of Lincoln County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" followed by a horizontal flourish.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Lincoln County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 14,274	\$ 3,517,916	\$ 3,532,190	\$ 0	\$ 493,952
Equity in Pooled Cash and Investments	8,768,007	0	8,768,007	2,999,027	0
Accounts Receivable	30,905	7,295,114	7,326,019	10,174	25,328
Allowance for Uncollectibles	0	(3,010,661)	(3,010,661)	0	0
Property Taxes Receivable	4,601,083	0	4,601,083	3,773,003	0
Allowance for Uncollectible Property Taxes	(104,974)	0	(104,974)	(85,141)	0
Other Current Assets	0	67,022	67,022	0	3,699
Current Portion of Notes Receivable	0	20,833	20,833	0	0
Accrued Interest Receivable	0	6,000	6,000	0	3,205
Due from Other Governments	972,201	0	972,201	1,096,521	0
Prepaid Items	46,764	178,059	224,823	349,780	8,500
Deferred Charges - Debt Issuance Costs	74,068	0	74,068	0	0
Notes Receivable - Long-term	66,666	551,538	618,204	0	0
Inventories	0	752,597	752,597	0	0
Restricted Assets:					
Restricted Cash	0	9,743,977	9,743,977	0	0
Deferred Charges	0	0	0	0	1,311
Bond Issue Costs	0	9,300	9,300	0	0
Other Assets	0	602,617	602,617	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	8,567,291	1,380,949	9,948,240	835,690	116,984
Construction in Progress	0	744,754	744,754	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	3,592,666	35,364,392	38,957,058	24,885,378	456,888
Ground Improvements	0	1,797,563	1,797,563	0	0
Other Capital Assets	3,339,192	4,957,555	8,296,747	1,916,250	214,175
Infrastructure	9,321,997	0	9,321,997	0	0
Total Assets	\$ 39,290,140	\$ 63,979,525	\$ 103,269,665	\$ 35,780,682	\$ 1,324,042
<u>LIABILITIES</u>					
Accounts Payable	\$ 224,721	\$ 1,622,154	\$ 1,846,875	\$ 150,671	\$ 2,857
Contracts Payable	0	20,534	20,534	0	0
Accrued Interest Payable	177,788	0	177,788	0	732
Payroll Deductions Payable	1,270	0	1,270	0	0
Accrued Liabilities	0	816,100	816,100	0	0
Accrued Payroll	61,590	0	61,590	815,580	0
Due to State of Tennessee	7,332	0	7,332	0	0
Due to Cities	81,706	0	81,706	0	3,699
Due to Other Taxing Units	140	0	140	0	0
Other Accrued Liabilities	0	991,394	991,394	0	0
Deferred Revenue - Current Property Taxes	4,369,519	0	4,369,519	3,584,157	0
Noncurrent Liabilities:					
Due Within One Year	1,903,720	1,405,657	3,309,377	33,326	35,000
Due in More Than One Year	19,293,928	24,506,218	43,800,146	0	150,000
Total Liabilities	\$ 26,121,714	\$ 29,362,057	\$ 55,483,771	\$ 4,583,734	\$ 192,288

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 22,364,423	\$ 18,903,931	\$ 41,268,354	\$ 0	\$ 603,047
Invested in Capital Assets Restricted for:	0	0	0	27,637,318	0
Debt Service	2,750,692	1,852,413	4,603,105	0	0
Highway	1,642,007	0	1,642,007	0	0
Solid Waste	797,211	0	797,211	0	0
Other Purposes	176,136	97,347	273,483	138,378	0
Unrestricted	(14,562,043)	13,763,777	(798,266)	3,421,252	528,707
Total Net Assets	<u>\$ 13,168,426</u>	<u>\$ 34,617,468</u>	<u>\$ 47,785,894</u>	<u>\$ 31,196,948</u>	<u>\$ 1,131,754</u>

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

Exhibit B

Lincoln County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets								
	Expenses	Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lincoln County School Department	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 1,053,986	\$ 385,645	\$ 23,700	\$ 224,622	\$ (420,019)	\$ 0	\$ (420,019)	\$ 0	\$ 0
Finance	878,454	654,298	8,256	0	(215,900)	0	(215,900)	0	0
Administration of Justice	844,834	743,863	9,000	0	(91,971)	0	(91,971)	0	0
Public Safety	3,828,945	496,959	15,150	227,365	(3,089,471)	0	(3,089,471)	0	0
Public Health and Welfare	1,254,175	702,457	314,473	73,772	(163,473)	0	(163,473)	0	0
Social, Cultural, and Recreational Services	456,897	0	0	0	(456,897)	0	(456,897)	0	0
Agriculture and Natural Resources	130,669	0	0	0	(130,669)	0	(130,669)	0	0
Other Operations	450,844	0	0	0	(450,844)	0	(450,844)	0	0
Highways/Public Works	3,243,301	5,530	1,915,473	291,085	(1,031,213)	0	(1,031,213)	0	0
Interest on Long-term Debt	1,006,221	0	0	0	(1,006,221)	0	(1,006,221)	0	0
Other Debt Service	35,291	0	0	0	(35,291)	0	(35,291)	0	0
Total Governmental Activities	\$ 13,183,617	\$ 2,988,752	\$ 2,286,052	\$ 816,844	\$ (7,091,969)	\$ 0	\$ (7,091,969)	\$ 0	\$ 0
Business-type Activities:									
Lincoln County Health System	\$ 34,366,346	\$ 32,264,547	\$ 20,725	\$ 15,000	\$ 0	\$ (2,066,074)	\$ (2,066,074)	\$ 0	\$ 0
Lincoln County Board of Public Utilities	3,631,503	3,776,087	0	456,695	0	601,279	601,279	0	0
Total Business-type Activities	\$ 37,997,849	\$ 36,040,634	\$ 20,725	\$ 471,695	\$ 0	\$ (1,464,795)	\$ (1,464,795)	\$ 0	\$ 0
Total Primary Government	\$ 51,181,466	\$ 39,029,386	\$ 2,306,777	\$ 1,288,539	\$ (7,091,969)	\$ (1,464,795)	\$ (8,556,764)	\$ 0	\$ 0
Component Units:									
Lincoln County School Department	\$ 27,103,570	\$ 184,566	\$ 3,835,736	\$ 0	\$ 0	\$ 0	\$ 0	\$ (23,083,268)	\$ 0
Emergency Communications District	214,056	330,858	0	4,704	0	0	0	0	121,506
Total Component Units	\$ 27,317,626	\$ 515,424	\$ 3,835,736	\$ 4,704	\$ 0	\$ 0	\$ 0	\$ (23,083,268)	\$ 121,506

(Continued)

Exhibit B

Lincoln County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Lincoln County School Department	Emergency Communica- tions District	
					Governmental Activities	Business-type Activities			Total
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 3,593,106	\$ 0	\$ 3,593,106	\$ 3,680,225	\$ 0
Property Taxes Levied for Debt Service					858,883	0	858,883	0	0
Local Option Sales Taxes					1,573,456	0	1,573,456	2,608,332	0
Other Local Taxes					1,306,595	0	1,306,595	121,014	0
Grants and Contributions Not Restricted to Specific Programs					1,170,579	0	1,170,579	16,030,077	0
Unrestricted Investment Earnings					618,271	618,846	1,237,117	0	7,309
Miscellaneous					26,500	87,136	113,636	33,483	38,995
Total General Revenues					\$ 9,147,390	\$ 705,982	\$ 9,853,372	\$ 22,473,131	\$ 46,304
Change in Net Assets					\$ 2,055,421	\$ (758,813)	\$ 1,296,608	\$ (610,137)	\$ 167,810
Net Assets, July 1, 2006					11,113,005	35,376,281	46,489,286	31,807,085	963,944
Net Assets, June 30, 2007					\$ 13,168,426	\$ 34,617,468	\$ 47,785,894	\$ 31,196,948	\$ 1,131,754

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

Exhibit C-1

Lincoln County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 14,274	\$ 14,274
Equity in Pooled Cash and Investments	3,734,559	1,378,660	2,572,549	1,082,239	8,768,007
Accounts Receivable	13,662	0	16,667	576	30,905
Due from Other Governments	214,836	365,254	267,985	124,126	972,201
Due from Other Funds	14,274	0	0	0	14,274
Property Taxes Receivable	3,280,178	433,454	887,451	0	4,601,083
Allowance for Uncollectible Property Taxes	(74,838)	(9,889)	(20,247)	0	(104,974)
Prepaid Items	46,606	158	0	0	46,764
Notes Receivable - Long-Term	0	0	66,666	0	66,666
Total Assets	\$ 7,229,277	\$ 2,167,637	\$ 3,791,071	\$ 1,221,215	\$ 14,409,200
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 76,920	\$ 94,175	\$ 19,804	\$ 33,822	\$ 224,721
Accrued Payroll	40,906	19,816	0	868	61,590
Payroll Deductions Payable	1,270	0	0	0	1,270
Due to Other Funds	0	0	0	14,274	14,274
Due to State of Tennessee	7,332	0	0	0	7,332
Due to Cities	81,706	0	0	0	81,706
Due to Other Taxing Units	140	0	0	0	140
Deferred Revenue - Current Property Taxes	3,115,093	411,639	842,787	0	4,369,519
Deferred Revenue - Delinquent Property Taxes	77,992	10,306	21,101	0	109,399
Other Deferred Revenues	91,152	177,957	133,857	61,023	463,989
Total Liabilities	\$ 3,492,511	\$ 713,893	\$ 1,017,549	\$ 109,987	\$ 5,333,940
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 65,728	\$ 0	\$ 0	\$ 0	\$ 65,728
Reserved for Alcohol and Drug Treatment	61,263	0	0	0	61,263
Reserved for Sexual Offender Registration	4,150	0	0	0	4,150
Reserved for Courtroom Security	5,477	0	0	0	5,477
Reserved for Computer System - Register	6,543	0	0	0	6,543
Reserved for Automation Purposes - Circuit Court	6,917	0	0	0	6,917
Reserved for Long-Term Notes Receivable	0	0	66,666	0	66,666
Unreserved, Reported In:					
General Fund	3,586,688	0	0	0	3,586,688
Special Revenue Funds	0	1,453,744	0	1,111,228	2,564,972
Debt Service Funds	0	0	2,706,856	0	2,706,856
Total Fund Balances	\$ 3,736,766	\$ 1,453,744	\$ 2,773,522	\$ 1,111,228	\$ 9,075,260
Total Liabilities and Fund Balances	\$ 7,229,277	\$ 2,167,637	\$ 3,791,071	\$ 1,221,215	\$ 14,409,200

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

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2007

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)		\$ 9,075,260
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 8,567,291	
Add: infrastructure net of accumulated depreciation	9,321,997	
Add: buildings and improvements net of accumulated depreciation	3,592,666	
Add: other capital assets net of accumulated depreciation	<u>3,339,192</u>	24,821,146
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (135,000)	
Less: bonds payable	(20,665,000)	
Add: deferred charges - debt issuance costs	74,068	
Less: compensated absences payable	(114,394)	
Less: landfill closure/postclosure care costs	(283,254)	
Less: accrued interest on bonds and notes	<u>(177,788)</u>	(21,301,368)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>573,388</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 13,168,426</u>

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

Exhibit C-3

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,255,564	\$ 853,937	\$ 2,797,278	\$ 0	\$ 7,906,779
Licenses and Permits	77,205	0	0	0	77,205
Fines, Forfeitures, and Penalties	194,312	0	0	34,260	228,572
Charges for Current Services	43,398	44	0	701,183	744,625
Other Local Revenues	720,960	10,458	4,801	9,083	745,302
Fees Received from County Officials	1,375,334	0	0	0	1,375,334
State of Tennessee	1,425,834	2,206,130	0	25,920	3,657,884
Federal Government	496,430	0	0	0	496,430
Other Governments and Citizens Groups	3,531	0	0	0	3,531
Total Revenues	<u>\$ 8,592,568</u>	<u>\$ 3,070,569</u>	<u>\$ 2,802,079</u>	<u>\$ 770,446</u>	<u>\$ 15,235,662</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,476,090	\$ 0	\$ 0	\$ 43	\$ 1,476,133
Finance	848,970	0	0	122	849,092
Administration of Justice	823,038	0	0	7,728	830,766
Public Safety	3,383,741	0	0	32,873	3,416,614
Public Health and Welfare	520,012	0	0	527,018	1,047,030
Social, Cultural, and Recreational Services	106,370	0	0	0	106,370
Agriculture and Natural Resources	102,675	0	0	0	102,675
Other Operations	610,538	0	0	480,822	1,091,360
Highways	0	2,772,695	0	0	2,772,695
Debt Service:					
Principal on Debt	0	0	1,620,009	0	1,620,009
Interest on Debt	0	0	1,045,118	0	1,045,118
Other Debt Service	0	0	109,359	0	109,359
Total Expenditures	<u>\$ 7,871,434</u>	<u>\$ 2,772,695</u>	<u>\$ 2,774,486</u>	<u>\$ 1,048,606</u>	<u>\$ 14,467,221</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 721,134</u>	<u>\$ 297,874</u>	<u>\$ 27,593</u>	<u>\$ (278,160)</u>	<u>\$ 768,441</u>
<u>Other Financing Sources (Uses)</u>					
Refunding Debt Issued	\$ 0	\$ 0	\$ 6,470,000	\$ 0	\$ 6,470,000
Transfers In	0	0	133,388	0	133,388
Transfers Out	0	0	0	(133,388)	(133,388)
Payments to Refunded Debt Escrow Agent	0	0	(6,410,894)	0	(6,410,894)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 192,494</u>	<u>\$ (133,388)</u>	<u>\$ 59,106</u>
Net Change in Fund Balances	\$ 721,134	\$ 297,874	\$ 220,087	\$ (411,548)	\$ 827,547
Fund Balance, July 1, 2006	3,015,632	1,155,870	2,553,435	1,522,776	8,247,713
Fund Balance, June 30, 2007	<u>\$ 3,736,766</u>	<u>\$ 1,453,744</u>	<u>\$ 2,773,522</u>	<u>\$ 1,111,228</u>	<u>\$ 9,075,260</u>

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

Exhibit C-4

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 827,547
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,380,266	
Less: current year depreciation expense	<u>(1,838,759)</u>	(458,493)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.		(5,453)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 573,388	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(568,072)</u>	5,316
(4) The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: bond proceeds	\$ (6,470,000)	
Add: change in deferred debt issuance costs	74,068	
Add: principal payments on bonds	1,300,000	
Add: principal payments on notes	120,000	
Add: principal payments on other loans	200,009	
Add: payment to refunding agent	<u>6,410,894</u>	1,634,971
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 38,897	
Change in compensated absences	7,246	
Change in landfill closure/postclosure care costs	<u>5,390</u>	51,533
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,055,421</u>

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

Exhibit D-1

Lincoln County, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities		
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,607,741	\$ 325,200	\$ 2,932,941
Certificates of Deposit	0	552,841	552,841
Restricted Cash	32,134	0	32,134
Accounts Receivable	7,057,596	237,518	7,295,114
Allowance for Uncollectibles	(3,008,461)	(2,200)	(3,010,661)
Inventories	651,269	101,328	752,597
Prepaid Items	175,156	2,903	178,059
Current Portion of Note Receivable	0	20,833	20,833
Accrued Interest Receivable	0	6,000	6,000
Other Assets	67,022	0	67,022
Total Current Assets	<u>\$ 7,582,457</u>	<u>\$ 1,244,423</u>	<u>\$ 8,826,880</u>
Noncurrent Assets:			
Restricted Cash	\$ 0	\$ 125,703	\$ 125,703
Restricted Investments	8,949,354	668,920	9,618,274
Bond Issue Costs	0	9,300	9,300
Long-term Portion of Notes Receivable	489,039	62,499	551,538
Other Assets	601,867	750	602,617
Capital Assets (Net of Accumulated Depreciation):			
Land	1,073,754	307,195	1,380,949
Construction in Progress	81,195	663,559	744,754
Ground Improvements	1,797,563	0	1,797,563
Buildings and Improvements	16,662,858	18,701,534	35,364,392
Machinery and Equipment	4,957,555	0	4,957,555
Total Noncurrent Assets	<u>\$ 34,613,185</u>	<u>\$ 20,539,460</u>	<u>\$ 55,152,645</u>
Total Assets	<u>\$ 42,195,642</u>	<u>\$ 21,783,883</u>	<u>\$ 63,979,525</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 1,549,986	\$ 72,168	\$ 1,622,154
Contracts Payable	0	20,534	20,534
Accrued Liabilities	762,946	53,154	816,100
Advance Payments from Customers	0	35,700	35,700
Accrued Interest	108,022	8,583	116,605
Accrued Leave	827,479	11,610	839,089
Current Maturities of Long-term Debt	866,024	524,406	1,390,430
Payable from Restricted Assets-Customer Deposits	0	15,227	15,227
Total Current Liabilities	<u>\$ 4,114,457</u>	<u>\$ 741,382</u>	<u>\$ 4,855,839</u>

(Continued)

Exhibit D-1

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

Major Funds		
Business-type Activities		
Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities	Total

LIABILITIES (Cont.)

Noncurrent Liabilities:			
Long-term Debt	\$ 16,769,520	\$ 7,736,698	\$ 24,506,218
Total Noncurrent Liabilities	<u>\$ 16,769,520</u>	<u>\$ 7,736,698</u>	<u>\$ 24,506,218</u>
Total Liabilities	<u>\$ 20,883,977</u>	<u>\$ 8,478,080</u>	<u>\$ 29,362,057</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 7,407,380	\$ 11,496,551	\$ 18,903,931
Restricted for Debt Service	1,169,618	682,795	1,852,413
Restricted for Other Purposes	97,347	0	97,347
Unrestricted	<u>12,637,320</u>	<u>1,126,457</u>	<u>13,763,777</u>
Total Net Assets	<u>\$ 21,311,665</u>	<u>\$ 13,305,803</u>	<u>\$ 34,617,468</u>

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

Exhibit D-2

Lincoln County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Operating Revenues</u>			
Charges for Current Services	\$ 31,369,971	\$ 3,776,087	\$ 35,146,058
Other Local Revenues	894,576	0	894,576
Total Operating Revenues	<u>\$ 32,264,547</u>	<u>\$ 3,776,087</u>	<u>\$ 36,040,634</u>
<u>Operating Expenses</u>			
Public Health and Welfare	\$ 31,366,638	\$ 2,516,320	\$ 33,882,958
Depreciation Expense	2,126,761	786,870	2,913,631
Total Operating Expenses	<u>\$ 33,493,399</u>	<u>\$ 3,303,190</u>	<u>\$ 36,796,589</u>
Operating Income (Loss)	<u>\$ (1,228,852)</u>	<u>\$ 472,897</u>	<u>\$ (755,955)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 555,714	\$ 63,132	\$ 618,846
Interest Expense	(835,220)	(328,313)	(1,163,533)
Amortization	(37,727)	0	(37,727)
Noncapital Grants	20,725	0	20,725
Connection Fees in Excess of Current Costs	0	77,577	77,577
Gain (Loss) on Disposal of Equipment	9,559	0	9,559
Total Nonoperating Revenues (Expenses)	<u>\$ (286,949)</u>	<u>\$ (187,604)</u>	<u>\$ (474,553)</u>
Income (Loss) before Contributions	\$ (1,515,801)	\$ 285,293	\$ (1,230,508)
Customer Contributions	15,000	76,011	91,011
Capital Grants	0	380,684	380,684
Change in Net Assets	<u>\$ (1,500,801)</u>	<u>\$ 741,988</u>	<u>\$ (758,813)</u>
Net Assets, July 1, 2006	<u>22,812,466</u>	<u>12,563,815</u>	<u>35,376,281</u>
Nets Assets, June 30, 2007	<u>\$ 21,311,665</u>	<u>\$ 13,305,803</u>	<u>\$ 34,617,468</u>

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

Exhibit D-3

Lincoln County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 34,356,882	\$ 3,585,928	\$ 37,942,810
Payments to Employees	(20,114,381)	(906,553)	(21,020,934)
Payments to Suppliers	(12,204,040)	(1,503,806)	(13,707,846)
Received from Operating Portions of Tap Fees	0	174,241	174,241
Customer Deposits Returned	0	(605)	(605)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,038,461</u>	<u>\$ 1,349,205</u>	<u>\$ 3,387,666</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition/Construction of Capital Assets	\$ (924,806)	\$ (1,553,513)	\$ (2,478,319)
Proceeds from Disposal of Capital Assets	88	27,089	27,177
Capital Contributions	15,000	0	15,000
Principal Payments on Long-term Debt	(760,395)	(566,346)	(1,326,741)
Interest Paid on Long-term Debt	(860,455)	(335,298)	(1,195,753)
Proceeds from Bond Anticipation Debt	0	842,618	842,618
Connection Fees in Excess of Cost	0	77,577	77,577
Advance Payments from Customers	0	35,700	35,700
Capital Grants Received	0	389,600	389,600
Customer Contributions	0	5,011	5,011
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (2,530,568)</u>	<u>\$ (1,077,562)</u>	<u>\$ (3,608,130)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Noncapital Grants	<u>\$ 20,725</u>	<u>\$ 0</u>	<u>\$ 20,725</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 20,725</u>	<u>\$ 0</u>	<u>\$ 20,725</u>
<u>Cash Flows from Investing Activities</u>			
Principal Received on Note Receivable	\$ 0	\$ 20,835	\$ 20,835
Investment Income	553,145	82,132	635,277
Increase in Certificates of Deposits	0	(221,761)	(221,761)
Increase in Restricted Investments	(1,086,959)	0	(1,086,959)
Net Cash Provided By (Used In) Investing Activities	<u>\$ (533,814)</u>	<u>\$ (118,794)</u>	<u>\$ (652,608)</u>
Net Increase (Decrease) in Cash	<u>\$ (1,005,196)</u>	<u>\$ 152,849</u>	<u>\$ (852,347)</u>
Cash, July 1, 2006	<u>3,612,937</u>	<u>298,054</u>	<u>3,910,991</u>
Cash, June 30, 2007	<u>\$ 2,607,741</u>	<u>\$ 450,903</u>	<u>\$ 3,058,644</u>

(Continued)

Exhibit D-3

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

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Reconciliation of Net Operating Income (Loss)</u>			
<u>to Net Cash Provided By (Used In) Operating Activities</u>			
Operating Income (Loss)	\$ (1,228,852)	\$ 472,897	\$ (755,955)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Depreciation Expense	2,126,761	786,870	2,913,631
Bond Amortization	0	7,100	7,100
Provision for Bad Debts	3,271,943	0	3,271,943
Provision for Note Receivable Arrangements	266,419	0	266,419
Advances Under Note Receivable Arrangements, net	(158,706)	0	(158,706)
Investment in Insurance Funds, net	(20,360)	0	(20,360)
(Increase) decrease in Accounts Receivable, net	(2,618,456)	(15,918)	(2,634,374)
(Increase) decrease in Other Receivables	0	49,000	49,000
(Increase) decrease in Inventories	(4,005)	4,003	(2)
(Increase) decrease in Prepaid Items	52,928	(389)	52,539
(Increase) decrease in Other Assets	(42,331)	0	(42,331)
Increase (decrease) in Accounts Payable	242,162	27,586	269,748
Increase (decrease) in Customer Deposits	0	(605)	(605)
Increase (decrease) in Accrued Leave	0	1,640	1,640
Increase (decrease) in Accrued Liabilities	150,958	17,021	167,979
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,038,461</u>	<u>\$ 1,349,205</u>	<u>\$ 3,387,666</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>			
Cash per Net Assets	\$ 2,607,741	\$ 325,200	\$ 2,932,941
Restricted Cash per Net Assets	0	125,703	125,703
Cash, June 30, 2007	<u>\$ 2,607,741</u>	<u>\$ 450,903</u>	<u>\$ 3,058,644</u>
<u>Noncash Investing, Capital, and Financing Activities</u>			
Service Lines Transferred to the Board	\$ 0	\$ 71,000	\$ 71,000
Capitalized Depreciation on Equipment	0	28,470	28,470
Contracts Payable Related to Construction in Progress	0	20,534	20,534
Capital Assets Acquired Directly by Capital Lease	0	39,020	39,020
Note Payable Issued to Purchase Equipment	300,000	0	300,000

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

Exhibit E

Lincoln County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,912,552
Equity in Pooled Cash and Investments	298,706
Accounts Receivable	843
Due from Other Governments	419,709
Property Taxes Receivable	827,945
Allowance for Uncollectible Property Taxes	<u>(18,683)</u>
Total Assets	<u>\$ 3,441,072</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 8,543
Accrued Payroll	376
Due to Other Taxing Units	1,222,846
Due to Litigants, Heirs, and Others	1,907,898
Due to Joint Ventures	241,194
Other Deferred Revenue	<u>60,215</u>
Total Liabilities	<u>\$ 3,441,072</u>

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

LINCOLN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Lincoln County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Lincoln County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

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

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Lincoln County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Lincoln County issues most debt for the discretely presented Lincoln County School Department. No debt was contributed by the county to the School Department during the year ended June 30, 2007.

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

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

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

Fund financial statements of Lincoln County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Lincoln County reports two proprietary funds (enterprise funds).

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to

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

Proprietary funds and fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Lincoln County reports the following major governmental funds:

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

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

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

Lincoln County reports the following major proprietary funds:

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

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

Additionally, Lincoln County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lincoln County, the city school system’s share of educational revenues, and judicial district drug grants and other revenues held for the multi-jurisdictional drug task force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Lincoln County School Department reports the following major governmental fund:

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to one 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 (infrastructure \$25,000) or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	3-15
Infrastructure:	
Roads	10-15
Bridges	40

5. Compensated Absences

It is the policy of the Lincoln County general government to allow two weeks vacation after one year of service, with a maximum accumulation of 20 days, which will be paid to employees upon separation from service. Highway Department employees are allowed two weeks of vacation after one year of service, with no accumulation of unused vacation days. Support personnel of the discretely presented Lincoln County School Department earn one day of vacation for each 20 days of employment with a maximum accumulation of 15 days, which will be paid to employees upon separation from service. There is no liability for unpaid accumulated sick leave since Lincoln County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and landfill closure/postclosure care costs, 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 funds 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, 2007, Lincoln County had \$18,316,390 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the Lincoln County School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2007, the General Fund had \$16,237 designated for health department construction.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Lincoln County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

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

Discretely Presented Lincoln County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District Attorney General Fund (special revenue fund) and the Constitutional Officers - Fees

Fund (special revenue fund) which are not budgeted. All annual appropriations lapse at fiscal year end.

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged

in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2007, Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the discretely presented Lincoln County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 3,617

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Lincoln County does not have a formal investment policy that limits investment

maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lincoln County has no investment policy that would further limit its investment choices. As of June 30, 2007, Lincoln County's investment in the State Treasurer's Investment Pool was unrated.

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

The General Debt Service Fund had an intergovernmental note receivable totaling \$66,666 on June 30, 2007. This receivable resulted from idle county funds being used to finance the construction of a water tank and the relocation of a water tower for the Lincoln County Board of Public Utilities (enterprise fund). The note receivable in the General Debt Service Fund represents a long-term loan and is offset by a reservation of fund balance.

C. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance			Balance
	7-1-06	Increases	Decreases	6-30-07
Capital Assets Not Depreciated:				
Land	\$ 8,458,649	\$ 110,000	\$ (1,358)	\$ 8,567,291
Total Capital Assets Not Depreciated	\$ 8,458,649	\$ 110,000	\$ (1,358)	\$ 8,567,291
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,175,688	\$ 169,917	\$ 0	\$ 8,345,605
Infrastructure	20,576,826	120,000	0	20,696,826
Other Capital Assets	6,090,624	980,349	(148,400)	6,922,573
Total Capital Assets Depreciated	\$ 34,843,138	\$ 1,270,266	\$ (148,400)	\$ 35,965,004

Governmental Activities (Cont.):

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,427,438	\$ 325,501	\$ 0	\$ 4,752,939
Infrastructure	10,382,484	992,345	0	11,374,829
Other Capital Assets	3,206,773	520,913	(144,305)	3,583,381
Total Accumulated Depreciation	<u>\$ 18,016,695</u>	<u>\$ 1,838,759</u>	<u>\$ (144,305)</u>	<u>\$ 19,711,149</u>
Total Capital Assets Depreciated, Net	<u>\$ 16,826,443</u>	<u>\$ (568,493)</u>	<u>\$ (4,095)</u>	<u>\$ 16,253,855</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,285,092</u>	<u>\$ (458,493)</u>	<u>\$ (5,453)</u>	<u>\$ 24,821,146</u>

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

Governmental Activities:

General Government	\$ 75,525
Finance	1,611
Administration of Justice	6,680
Public Safety	496,016
Public Health and Welfare	84,757
Agriculture and Natural Resources	19,377
Highways/Public Works	<u>1,154,793</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,838,759</u>

Discretely Presented Lincoln County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated				
Land	<u>\$ 835,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 835,690</u>

Governmental Activities (Cont.):

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Total Capital Assets				
Not Depreciated	\$ 835,690	\$ 0	\$ 0	\$ 835,690
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 39,283,840	\$ 481,678	\$ 0	\$ 39,765,518
Other Capital Assets	3,875,668	370,212	(249,651)	3,996,229
Total Capital Assets				
Depreciated	\$ 43,159,508	\$ 851,890	\$ (249,651)	\$ 43,761,747
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 13,692,058	\$ 1,188,082	\$ 0	\$ 14,880,140
Other Capital Assets	2,029,380	295,025	(244,426)	2,079,979
Total Accumulated				
Depreciation	\$ 15,721,438	\$ 1,483,107	\$ (244,426)	\$ 16,960,119
Total Capital Assets				
Depreciated, Net	\$ 27,438,070	\$ (631,217)	\$ (5,225)	\$ 26,801,628
Governmental Activities				
Capital Assets, Net	\$ 28,273,760	\$ (631,217)	\$ (5,225)	\$ 27,637,318

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

Governmental Activities:

Support Services	\$ 297,943
Operation of Non-Instructional Services	<u>1,185,164</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,483,107</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 14,274

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>
	General
	Debt
	Service
	Fund
Nonmajor governmental funds	<u>\$ 133,388</u>
Total	<u><u>\$ 133,388</u></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.

E. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to

20 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds -			
Refunding	3.9 to 5.25 %	\$ 21,235,000	\$ 20,665,000
Capital Outlay Notes	4.2 to 5.2	1,200,000	135,000

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 1,755,000	\$ 934,099	\$ 135,000	\$ 7,088
2009	1,805,000	893,649	0	0
2010	1,480,000	821,574	0	0
2011	960,000	761,493	0	0
2012	1,040,000	721,156	0	0
2013-2017	7,845,000	2,726,303	0	0
2018-2021	5,780,000	631,368	0	0
Total	\$ 20,665,000	\$ 7,489,642	\$ 135,000	\$ 7,088

There is \$2,706,856 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$659, based on the 2000 federal census. Debt per capita, including bonds and notes, totaled \$664, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Lincoln County Health System and the Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2007, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2006	\$ 17,790,000	\$ 255,000	\$ 4,315,903
Additions	6,470,000	0	0
Deductions	(3,595,000)	(120,000)	(4,315,903)
Balance, June 30, 2007	<u>\$ 20,665,000</u>	<u>\$ 135,000</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 1,755,000</u>	<u>\$ 135,000</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 121,640	\$ 288,644
Additions	98,898	0
Deductions	(106,143)	(5,391)
Balance, June 30, 2007	<u>\$ 114,395</u>	<u>\$ 283,253</u>
Balance Due Within One Year	<u>\$ 5,720</u>	<u>\$ 8,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 21,197,648
Less: Balances Due Within One Year	<u>(1,903,720)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 19,293,928</u>

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

Current and Advance Refunding

On June 12, 2007, Lincoln County currently refunded a loan agreement with the Montgomery County Public Building Authority and advance refunded a general obligation bond issue with a separate general obligation bond issue. The county issued \$6,470,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service

payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the refunding, total debt service payments over the next 14 years will be reduced by \$351,398, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$257,723 was obtained.

Discretely Presented Lincoln County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lincoln County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Notes</u>	<u>Compensated Absences</u>
Balance, July 1, 2006	\$ 70,000	\$ 31,348
Additions	0	29,617
Deductions	<u>(70,000)</u>	<u>(27,639)</u>
 Balance, June 30, 2007	 <u>\$ 0</u>	 <u>\$ 33,326</u>

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

V. OTHER INFORMATION

A. Risk Management

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

The Lincoln County general government joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by an association of member local governments. Members pay an annual premium to LGWCF for their workers' compensation insurance

coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding a specified amount for each insured event.

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

B. Contingent Liabilities

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

C. Changes in Administration

On September 1, 2006, Lori Jean, left the Office of Highway Superintendent, and was succeeded by Matthew Ashby, and Jimmy Mullins left the Office of Sheriff and was succeeded by Murray Blackwelder.

On December 31, 2006, Jerry Mansfield, left the Office of County Executive and was succeeded by Peggy Bevels.

D. Landfill Closure/Postclosure Care Costs

The City of Fayetteville and Lincoln County operated a landfill as a joint venture for the residents of the county until it closed in February 1995. The City of Fayetteville acts as the administrator of the landfill fund, which is reported in the city's financial statements as an agency fund. The remaining closure and postclosure care costs are estimated to be \$566,505 at June 30, 2007. These costs will be shared equally by the City of Fayetteville (\$283,252) and Lincoln County (\$283,253).

E. Joint Ventures

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing Board of Directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board

members. Lincoln County contributed \$61,366 to the operations of the library during the year ended June 30, 2007.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$25,861 to the operations of the airport during the year ended June 30, 2007.

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

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Giles, Franklin, and Lincoln and the municipalities of Tullahoma and Fayetteville for the purpose of developing a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2007.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$82,200 to the operations of the Industrial Development Board during the year ended June 30, 2007.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2007.

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

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

Administrative Offices:

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

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

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

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

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

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

F. Retirement Commitments

Employees

Plan Description

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

retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Lincoln County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 5.47 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Lincoln County's annual pension cost of \$813,677 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lincoln County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at

July 1, 2005, was 11 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$813,677	100%	\$0
6-30-06	526,896	100	0
6-30-05	489,033	100	0

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Lincoln County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$826,415, \$696,677, and \$685,374, respectively, equal to the required contributions for each year.

G. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

H. Purchasing Law

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

VI. OTHER NOTE – LINCOLN COUNTY HEALTH SYSTEM (ENTERPRISE FUND)

A. Summary of Significant Accounting Policies

Reporting Entity – The Lincoln County Health System is owned by Lincoln County, Tennessee, with interest vested in the Lincoln County Board of Commissioners. The health system is not a legal entity separate and apart from the primary government and accordingly, it is blended as an enterprise fund as part of the financial statements of the primary government. The health system is governed by the Lincoln County Health System Committee consisting of four members appointed from the Lincoln County Board of Commissioners and a physician appointed from the medical staff of Lincoln Medical Center. Each committee member serves a three-year term.

Principles of Departmental Combination – The health system's financial statements include the following financial activities also referred to herein as

departments: Lincoln Medical Center (medical center), Lincoln Medical Center EMS (ambulance service), Hospital Home Health and Hospice (home health care), Patrick Rehab-Wellness Center (wellness center), and Lincoln and Donalson Care Centers (care centers). All significant interdepartmental transactions have been eliminated.

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 beds and effective February 2007, ten Geropsych beds, which are not currently in service. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, and personal care services. The Patrick Rehab-Wellness Center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The Lincoln Care Center and Donalson Care Center provide long-term health care services. They are licensed for 153 intermediate-level and 125 skilled-level care beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center's financial statements include Lincoln Medical Center Auxiliary Gift Shop (auxiliary). The auxiliary is not a separate legal entity and it is subject to financial accountability to the committee. As of and for the year ended June 30, 2007, the auxiliary's total assets, current assets, and net assets totaled \$97,347. Their excess of revenues over expenses for the year ended 2007 totaled \$16,272. The auxiliary made noncapital contributions totaling \$2,689 to the medical center during 2007.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the health system enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The health system has elected not to follow subsequent private-sector guidance.

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

Deposits – The health system’s cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, excluding restricted cash held for patient trust funds. State statutes authorize the health system to invest in obligations of U.S. Treasury, bank certificates of deposits, state approved repurchase agreements, and pooled investment funds, consisting of state or local bonds, rated A or higher by a nationally recognized rating service.

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2007.

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

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

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

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

Deferred Financing Costs – Financing costs incurred for issuance of bonds are amortized over the term of the respective bond issue using the straight-line method. Amortization expense was \$37,727 for the year ended June 30, 2007.

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

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

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

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

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

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

third-party programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

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

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

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

B. Designated Net Assets

Unrestricted net assets include designated net assets by the health system totaling \$7,692,191 as of June 30, 2007, for specific purposes such as future capital improvements, insurance, and debt service. The designated funds remain under the control of the health system which may at its discretion, later use the funds for other purposes.

C. Charity Care

Charges foregone for services and supplies furnished under the health system's charity care policy totaled \$383,994 for the year ended June 30, 2007.

D. Net Patient Service Revenue

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

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

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

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2005.

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

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

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

For the year ended June 30, 2007, the medical center received \$10,041 for patient care from an endowment fund that is included in net patient service revenue.

E. Deposits and Investments

The health system's carrying amount of deposits was \$2,607,741, and the bank balance was \$2,716,264 as of June 30, 2007. The health system's carrying amount for restricted cash and investments, excluding amount held under indenture agreement, was \$7,811,870, and the bank balance was \$7,753,075 as of June 30, 2007. The bank balances totaling \$10,000,184 are either insured by the Federal Deposit Insurance Corporation or Tennessee

Bank Collateral Pool. The remaining \$469,155 is collateralized by securities pledged by the financial institution in the name of the system. The balances are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the Series 1998 bonds. The reserve fund consists of a money market fund that normally invests at least 80 percent of its assets in U.S. Treasury securities and repurchase agreements for those securities. Its value as of June 30, 2007, was \$1,169,618. Generally, these investments maintain a dollar weighted average at 60 days or less. These investments are exposed to declines in fair values due to interest rate changes. The health system’s exposure is mitigated through the limited maturities of the investments.

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

Restricted investments are held as follows as of June 30, 2007:

Internally designated for capital improvements, insurance, and debt service	\$ 7,692,191
Restricted by contributors	87,545
Held under an indenture agreement	1,169,618
Held under patient trust fund arrangements - cash	32,134
Less amounts reclassified to meet current liabilities	<u>(32,134)</u>
Total	<u><u>\$ 8,949,354</u></u>

F. Notes Receivable Arrangements

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash payment or continuation of the physicians’ medical practices for a certain period based upon the terms of these arrangements. Net advances to physicians totaled \$158,706 for the year ended June 30, 2007. The health system provided provisions for continuation of the medical practices under these arrangements totaling \$266,419 for 2007. As of June 30, 2007, net advances totaling \$489,039 were due under these arrangements. As of June 30, 2007, remaining commitments for advances totaled \$14,554.

G. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Additions	Retirements	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 773,754	\$ 300,000	\$ 0	\$ 1,073,754
Construction in Progress	0	81,195	0	81,195
Total Capital Assets Not Depreciated	<u>\$ 773,754</u>	<u>\$ 381,195</u>	<u>\$ 0</u>	<u>\$ 1,154,949</u>
Capital Assets Depreciated:				
Ground Improvements	\$ 2,196,444	\$ 62,536	\$ (688)	\$ 2,258,292
Buildings and Improvements	25,744,334	124,461	(1,809)	25,866,986
Equipment	11,558,085	666,114	(338,470)	11,885,729
Total Capital Assets Depreciated	<u>\$ 39,498,863</u>	<u>\$ 853,111</u>	<u>\$ (340,967)</u>	<u>\$ 40,011,007</u>
Less Accumulated Depreciation For:				
Ground Improvements	\$ (380,114)	\$ (81,303)	\$ 688	\$ (460,729)
Buildings and Improvements	(8,256,080)	(949,857)	1,809	(9,204,128)
Equipment	(6,171,012)	(1,095,601)	338,439	(6,928,174)
Total Accumulated Depreciation	<u>\$ (14,807,206)</u>	<u>\$ (2,126,761)</u>	<u>\$ 340,936</u>	<u>\$ (16,593,031)</u>
Capital Assets, Net	<u>\$ 25,465,411</u>	<u>\$ (892,455)</u>	<u>\$ (31)</u>	<u>\$ 24,572,925</u>

The general depreciation rates based on the useful lives for depreciable capital assets is five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment. Depreciation expense for the year ended June 30, 2007, totaled \$2,126,761.

As of June 30, 2007, the system has outstanding construction commitments totaling \$210,576 for renovation of hospital patient rooms and medical office building offices. Both projects are expected to be completed in 2008.

H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2007:

	7-1-06	Additions	Reductions	6-30-07	Due Within One Year
Series 1998, due in installments of \$390,000 to \$495,000 through May 2013, interest rates ranging from 5% to 5.125%	\$ 7,855,000	\$ 0	\$ (5,205,000)	\$ 2,650,000	\$ 390,000
Series 2001, due in installments of \$125,000 to \$140,000 through May 2011, at interest rates ranging from 4.1% to 4.45%	2,470,000	0	(1,940,000)	530,000	125,000
Series 2002, Adjustable Rate Pooled Financing Revenue Bonds, due in installments of \$10,000 to \$102,000 through May 2009, at adjustable interest rates (currently 3.89%) subject to fixed rate conversion	209,000	0	(97,000)	112,000	102,000
Series 2004, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$40,000 to \$800,000 through May 2023, at an interest rate of 3.875%	7,080,000	0	(35,000)	7,045,000	40,000
Note Payable, General Electric Capital Corporation, due in monthly installments of \$13,560 through October 2010, at an interest rate of 4.28%	631,284	0	(138,395)	492,889	144,436
Series 2007, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$10,000 to \$1,040,000 through May 2028, at an interest rate of 4.2%	0	4,960,000	0	4,960,000	25,000
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$10,000 to \$220,000 through May 2021, at an interest rate of 3.93%	0	1,905,000	0	1,905,000	15,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	0	300,000	0	300,000	24,588
Total long-term debt	\$ 18,245,284	\$ 7,165,000	\$ (7,415,395)	\$ 17,994,889	\$ 866,024
Less current maturities of long-term debt	(760,395)			(866,024)	
Less Series 2004 deferred refunding costs	(298,836)			(281,171)	
Less Series 2007 deferred refunding costs	0			(119,214)	
Add unamortized bond premium	42,911			41,040	
Total noncurrent liabilities	\$ 17,228,964			\$ 16,769,520	

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2007, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2008	\$ 866,024	\$ 728,301
2009	783,593	724,203
2010	847,338	687,359
2011	676,537	650,024
2012	713,598	616,871
2013-2017	4,037,799	2,577,838
2018-2022	4,475,000	1,680,150
2023-2027	4,555,000	808,420
2028	1,040,000	43,680
Total	<u>\$ 17,994,889</u>	<u>\$ 8,516,846</u>

Series 1998 – The Series 1998 Hospital Facility Lease Revenue and Tax Bonds were issued for \$15,000,000 to construct and purchase equipment for the new medical center built in 2001. The bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 1998 bond agreement contains various covenants, including the establishment of a Debt Service Reserve Fund for repayment of the bonds and maintenance of a certain debt service coverage ratio. For the year ended June 30, 2007, the medical center complied with the restrictive covenants, except it did not maintain the required debt service covenant ratio of 1.15:1. The health system expects to cure this technical deficiency by implementing procedures to maintain this ratio in the future.

The bonds maturing May 1, 2007, through May 1, 2013, are not subject to optional redemption. The bonds maturing on or after May 1, 2014, have been redeemed by advance refunding. See Series 2004 and Series 2007 bonds below for description of the Series 1998 bond advance refunded in August 2004 and June 2007, respectively.

Series 2001 – The Series 2001 General Obligation Refunding and Public Improvement Bonds were issued for \$4,060,000 to purchase furniture and equipment for the medical center and to refund \$1,010,000 of existing wellness center and care centers' debt. The bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2007, through May 1, 2011, will mature without the option of prior redemption. Bonds maturing on or after May 1, 2012, have been redeemed by advance refunding. See Series 2007 bonds below for description of the Series 2001 bonds advance refunded in June 2007.

Series 2002 – The medical center Series 2002 bonds were issued by the Tennessee County Loan Pool Program as Adjustable Rate Pooled Financing

Revenue Bonds. The medical center borrowed \$550,000 under the pool loan program. The bonds were issued to construct and purchase equipment for the health system's laundry facility. Principal repayment requirements are set based upon the total for each pool loan program. Interest requirements for the adjustable rate bonds are calculated using the interest rate effective as of the end of the current year. The interest rate is reset monthly based upon the formula in the loan agreement. The adjustable rate included in the current interest requirements is 3.89 percent. The bonds are the general obligation of Lincoln County, Tennessee; however, the medical center has agreed to fund all future bonds principal and interest requirements as they come due.

Series 2004 – In the prior year, the health system defeased a portion of the Series 1998 bonds by issuance of \$7,115,000 Series 2004 Hospital Facility Lease Revenue and Tax Refunding Bonds and placed the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2007, \$6,625,000 of the bonds outstanding are considered defeased.

The Series 2004 bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2007, through May 1, 2013, are not subject to redemption prior to maturity. The bonds maturing May 1, 2014, and thereafter are subject to redemption on or after May 1, 2013, and thereafter, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date. The Series 2004 bond agreement contains various covenants, including the maintenance of a certain debt service coverage ratio. For the year ended June 30, 2007, the medical center did not comply with the debt service coverage ratio as described above under the Series 1998 bonds.

Series 2007 – On June 12, 2007, the Industrial Board of the City of Fayetteville and Lincoln County, Tennessee, issued \$4,960,000 Series 2007 Hospital Facility Lease Revenue and Tax Refunding Bonds and \$1,905,000 Series 2007 General Obligation Refunding Bonds to advance refund \$4,835,000 of the Series 1998 bonds and \$1,820,000 of the Series 2001 bonds. The net proceeds of \$6,774,214 (after payment of \$90,786 in underwriting fees and other issuance costs) plus an additional \$28,791 of health system monies were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1998 and 2001 refunded bonds. As a result, this portion of the Series 1998 and Series 2001 refunded bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$119,214. This difference is being netted against the new debt and amortized through each respective

new debt maturity. This advanced refunding was undertaken to reduce the health system's total debt service payments over the next 14 and 21 years (for each bond maturity period) by \$968,443 and to obtain an economic gain of \$640,079. The actual savings and economic gain may vary subject to fluctuations in the interest rate.

Both Series 2007 bonds are the ultimate obligation of Lincoln County, Tennessee. Both Series 2007 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2017. The Series 2007 bonds contain various covenants, including the maintenance of a certain debt service coverage ratio. The unrefunded Series 1998 and Series 2004 bonds are on a parity lien with the Series 2007 bonds. For the year ended June 30, 2007, the medical center did not comply with the debt service coverage ratio as described under the Series 1998 bonds above.

I. Pension Plan

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

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

Plan Description

Employees of Lincoln County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan (plan) administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service, who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County 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, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Lincoln County requires employees to contribute five percent of earnable compensation. Plan members are required to contribute at an actuarially determined rate. The current rate is 5.48 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The health system contributions for participating departments for the years ended June 30, 2007, 2006, and 2005, were \$437,319, \$276,835, and \$247,085, respectively, equal to the required contributions for each year.

Care Centers

The care centers adopted a defined contribution pension plan effective October 1, 2002, under sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. Participants become fully vested after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution up to the first three percent of gross pay. Employer contributions under this plan totaled \$29,518 for the year ended June 30, 2007.

J. Risk Management

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

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

As of June 30, 2007, the health system accrued \$181,794 for an estimated claims lag. Changes in the reported liability for 2007 resulted from the following:

	<u>2007</u>
Balance, Beginning of Year	\$ 159,756
Current-year claims and settlements	1,674,889
Claim payments	<u>(1,652,851)</u>
Balance, Ending of Year	<u>\$ 181,794</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2007, this internally designated cash, including interest earned, totaled \$167,749.

K. Concentrations of Credit Risk

The health system grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2007:

Medicare	28 %
Medicaid	18
Other third-party payors	23
Patients	<u>31</u>
Total	<u>100 %</u>

L. Management Agreement

The health system has an agreement with Quorum Health Resources, LLC, to provide management services and certain key personnel for a five-year period ending June 30, 2010. Management fees are subject to annual adjustment by an inflation factor as defined in the agreement. Management fees paid for 2007 were \$594,610. Total payments to Quorum for 2007 were \$602,148, which includes reimbursement for travel, dues, and key personnel who provide services to the health system.

M. Contingencies and Commitments

The health system is involved in litigation arising in the ordinary course of business. The ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. After consultation with legal counsel, management estimates that these matters will be resolved

without material adverse effect on the health system's financial position or results of operations.

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The health system leases various equipment and property under operating leases that can be canceled under terms less than one year. The following is a schedule by year of future minimum noncancelable lease payments as of June 30, 2007:

Year Ending June 30	Amount
2008	\$ 40,264
2009	28,257
2010	18,840
2011	17,240
2012	15,000
Later years	<u>75,000</u>
Total	<u><u>\$ 194,601</u></u>

Rental expense under all operating leases for 2007 totaled \$227,290.

The health system leases office space in its medical office building to physicians primarily under three-year lease terms and also leases office space at Lincoln Care Center. The following is a schedule by year of future minimum rentals under noncancelable leases that expire under existing terms through 2010:

Year Ending June 30	Amount
2008	\$ 149,844
2009	150,850
2010	<u>102,304</u>
Total	<u><u>\$ 402,998</u></u>

Rental income received for 2007 totaled \$200,331. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment as follows:

Cost	\$ 3,221,535
Accumulated depreciation	<u>(524,486)</u>
Net book value	<u><u>\$ 2,697,049</u></u>

N. Lincoln County Health System Foundation

The Lincoln County Health System Foundation (foundation) is a legally separate, tax-exempt supporting organization to the health system and a component unit of Lincoln County, Tennessee. The health system does not control the timing or amount of receipts from the foundation. Accordingly, the net assets of the foundation are not reported by the health system. However, for informational purposes only, a summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows as of June 30, 2007:

Assets, cash and cash equivalents	<u>\$ 39,618</u>
Liabilities	<u>\$ 0</u>
Unrestricted net assets	<u>\$ 39,618</u>
Support and revenue	\$ 7,651
Expenses	<u>(1,880)</u>
Excess of support and revenue over expenses	\$ 5,771
Unrestricted net assets, July 1, 2006	<u>33,847</u>
Unrestricted net assets, June 30, 2007	<u><u>\$ 39,618</u></u>

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

A. Summary of Significant Accounting Policies

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

authority to approve or reject budgets presented by the board and to approve bonds issued by the board. Some bonds issued for the board are secured by a pledge of the taxing authority of Lincoln County.

The financial information of the board is included as an enterprise fund in the Lincoln County, Tennessee, annual financial report. Complete financial statements of Lincoln County, Tennessee, can be obtained directly from the county's administrative office.

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

The principal operating revenues of the board are charges to customers for water sales and related services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of utility plant assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Water Plant and Equipment, Depreciation, and Maintenance – Water plant and equipment are depreciated on the group straight-line basis over its estimated useful life. Under the group depreciation method, gains and losses on asset dispositions are applied against accumulated depreciation and are not reflected as gains or losses in the statement of revenues, expenses, and changes in net assets.

Plant assets and buildings are depreciated over 25-50 years, while vehicles and equipment are depreciated over 6-10 years. Repairs and maintenance are expensed as incurred.

Extensions and betterments are capitalized at cost, which includes payroll and related benefits, materials, and equipment costs related to plant construction. Contributed lines are capitalized at estimated current cost of construction. The board capitalizes equipment additions with a cost in excess of \$500 and plant additions in excess of \$2,000.

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

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

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

Construction Period Interest – Interest on construction financing directly related to plant construction, net of interest earned on temporary investment of financing proceeds, is capitalized until such plant is substantially complete and placed into service. Interest capitalized in the year ending June 30, 2007, was \$13,000.

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

Allowance for doubtful accounts – The board charges doubtful accounts arising from water sales receivable to bad debts when it is probable that the account will be uncollectible. Bad debts offset against water sales revenues in 2007 were \$15,589.

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

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

The amount of accrued leave was \$11,610 at June 30, 2007, all of which was considered a current liability.

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

B. Net Assets

Net assets are classified as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
- Unrestricted net assets – This component of net assets consists of assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

C. Bonds Payable

In the year ended June 30, 2007, the Lincoln County Commission approved the Water and Tax Bond Series 2007, Bond Anticipation Note of \$1,690,000 due April 19, 2009, with interest of 4.58 percent due semi-annually. From April 19, 2007, to June 30, 2007, \$842,618 was borrowed to fund the Phase IV project. Interim financing will be paid with the issuance of the \$1,731,000 2007 Revenue and Tax Bonds. These bonds have interest of 4.125 percent and will be payable at \$6,000 monthly for 38 years.

All bonds are payable primarily from revenues of the board and also from Lincoln County property taxes for the Series 2002, 2004, and 2007 bonds. All bonds may be prepaid except for the Series 2002 Refunding bonds. Parity bonds may be issued if net revenues of the board are at least 120 percent of scheduled bond payments. The board's net revenues exceeded this requirement in the year ended June 30, 2007.

The board had the following bonds and notes outstanding at June 30, 2007:

Water Revenue and Tax Bonds, Series 2004, issued September 22, 2005, due monthly to USDA in annual principal and interest amounts of \$73,308 through 2043 at 4.25%	\$ 1,352,218
Waterworks Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual installments of \$21,384 through 2041 at 4.75%	358,265
Water Revenue and Tax Refunding Bonds, Series 2002, issued November 1, 2002, with a face value of \$2,590,000, due in annual installments of \$350,000 to \$415,000 through 2010 with interest rates of 3.75% to 4%	1,168,700
Waterworks Revenue Bond, Series 2001, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	1,050,066
Waterworks Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	686,611
Waterworks Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	2,652,010
Lincoln County Capital Outlay Note 2007 issued in March 2007, with annual principal installments of \$16,667 through 2008 and a final principal payment of \$66,666 in 2009 at an interest rate of 5%	83,333
Water Revenue and Tax Bond, Series 2007, Bond Anticipation Note Payable to Citizens Bank by April 19, 2009 at 4.58%	<u>842,618</u>
Total	<u>\$ 8,193,821</u>

Changes in principal balances during the year ended June 30, 2007, are summarized as follows:

Beginning balance	\$ 7,906,383
Principal paid	(548,480)
Interim financing issued	842,618
Amortization of bond premium	<u>(6,700)</u>
Total	<u>\$ 8,193,821</u>

Selected principal and interest payments on bonds and notes outstanding at June 30, 2007, are summarized as follows:

Fiscal Year	Payable Monthly to USDA	Bonds Payable Annually	Notes to Lincoln County	Total Principal
2008	\$ 91,167	\$ 399,900	\$ 16,667	\$ 507,734
2009	96,126	417,900	66,666	580,692
2010	100,704	350,900	0	451,604
2011	105,504	0	0	105,504
2012	109,958	0	0	109,958
2013-17	636,196	0	0	636,196
2018-22	803,126	0	0	803,126
2023-27	1,014,034	0	0	1,014,034
2028-32	1,280,376	0	0	1,280,376
2033-37	1,253,720	0	0	1,253,720
2038-42	528,082	0	0	528,082
2043-44	80,177	0	0	80,177
Total	<u>\$ 6,099,170</u>	<u>\$ 1,168,700</u>	<u>\$ 83,333</u>	<u>\$ 7,351,203</u>

Fiscal Year	Total Interest	Debt Service Total
2008	\$ 307,921	\$ 815,655
2009	310,024	890,716
2010	285,512	737,116
2011	266,712	372,216
2012	262,258	372,216
2013-17	1,224,884	1,861,080
2018-22	1,057,954	1,861,080
2023-27	847,046	1,861,080
2028-32	580,704	1,861,080
2033-37	260,210	1,513,930
2038-42	65,069	593,151
2043-44	2,077	82,254
Total	<u>\$ 5,470,371</u>	<u>\$ 12,821,574</u>

D. Capital Leases

The board has purchased construction equipment by financing \$39,020 in November 2006, and \$52,077 in September 2005, through capital leases. The lease equipment has been capitalized and depreciated along with the board's other equipment. The leases bear interest at the rates of 5.76 percent and 4.375 percent and require 60 monthly payments of \$750 and \$973, respectively. Scheduled future payments on the leases are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$ 16,672	\$ 3,030	\$ 19,702
2009	18,435	2,240	20,675
2010	19,412	1,263	20,675
2011	10,535	412	10,947
2012	2,229	21	2,250
Total	\$ 67,283	\$ 6,966	\$ 74,249

E. Capital Assets

Major classes of utility plant are as follows:

	Balance 7-1-06	Additions	Disposals and Adjustments	Transfers	Balance 6-30-07
Non-depreciable:					
Land	\$ 307,195	\$ 0	\$ 0	\$ 0	\$ 307,195
Construction in progress	1,055,322	572,062	0	(963,825)	663,559
Total Non-depreciable assets	\$ 1,362,517	\$ 572,062	\$ 0	\$ (963,825)	\$ 970,754
Depreciable:					
Distribution lines and tanks	\$ 20,877,730	\$ 865,068	\$ 0	\$ 963,825	\$ 22,706,623
Wells and treatment plant	3,653,257	0	0	0	3,653,257
Buildings and equipment	2,168,633	187,815	(80,522)	0	2,275,926
Total depreciable assets	\$ 26,699,620	\$ 1,052,883	\$ (80,522)	\$ 963,825	\$ 28,635,806
Total Capital Assets	\$ 28,062,137	\$ 1,624,945	\$ (80,522)	\$ 0	\$ 29,606,560

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

	Balance 7-1-06	Additions	Disposals and Adjustments	Balance 6-30-07
Distribution and tanks	\$ 7,012,370	\$ 579,450	\$ 0	\$ 7,591,820
Wells and treatment plant	715,360	86,120	0	801,480
Buildings and equipment	1,444,635	149,770	(53,433)	1,540,972
Total depreciation	\$ 9,172,365	\$ 815,340	\$ (53,433)	\$ 9,934,272

F. Restricted Assets

Cash and certificates of deposits are held in sinking fund reserve funds which are to be accumulated up to the maximum annual debt service and used for bond payments in the event funds are not otherwise available. These funds are mandated by bond covenants for the 1996, 1998, and 2001 revenue bonds,

and by agreement with Lincoln County for the refunding bond. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits and for Phase IV construction costs. Balances in the restricted funds at June 30, 2007, were:

Sinking fund reserve fund - 1996 Bond	\$ 170,982
Sinking fund reserve fund - 1998 Bond	31,710
Sinking fund reserve fund - 2001 Bond	34,503
Sinking fund reserve fund - Refunding Bond	445,600
Customer deposits	15,227
Phase IV construction	<u>96,601</u>
 Total	 <u><u>\$ 794,623</u></u>

G. Deposits and Investments

State law and bond covenants in general restrict the board’s investments to either United States Treasury or agency obligations or to certificates of deposit insured or collateralized by direct United States Treasury obligations. In 2007, the board invested only in certificates of deposit with maturities of one year or less, which are carried at cost.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency’s deposits may not be returned to it. The laws of the State of Tennessee require that collateral be pledged at 105 percent of the value of uninsured deposits. The board does not have a policy regarding custodial credit risks. Collateral requirements are not applicable for banks that participate in the state’s collateral pool. The board’s deposits were primarily at banks that participate in the state collateral pool; however, at June 30, 2007, \$252,635 of the board’s bank balances was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution’s agent but not in the board’s name.

H. Pension Plan

Plan Description

Effective October 1, 2001, the board’s employees became members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active

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

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

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Funding Policy

Lincoln County Board of Public Utilities requires employees to contribute five percent of earnable compensation. The board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2007, was 10.21 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the board is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2007, the board's annual pension cost of \$95,585 to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 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 increases 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 investments over a five-year period. The board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2006, was 15 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$ 95,585	100%	\$ 0
6-30-06	87,660	100	0
6-30-05	81,002	100	0

I. Water Sources

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

J. Risk Management and Liability

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2007, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$3,000 per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$3,000. The plan liability at year end is determined based on subsequent payments. The changes in the liability for medical benefits for the year ended June 30, 2007, is as follows:

Balance, June 30, 2006	\$ 4,737
Payments made	(15,222)
Incurred claims	<u>10,692</u>
Balance, June 30, 2007	<u><u>\$ 207</u></u>

The board continues to carry commercial insurance for other risks of loss, including employee bonds and employee health and accident losses above the \$3,000 level. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

K. Asset Sale and Related Loan Receivable

On July 27, 2004, the board sold its water lines located in Moore County, Tennessee, to Metropolitan Lynchburg/Moore County for \$150,000 with \$25,000 paid at closing and \$125,000 to be paid over six years with interest accruing at four percent. Remaining amounts due under the loan are:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 20,833	\$ 3,333	\$ 24,166
2009	20,833	2,500	23,333
2010	20,833	1,667	22,500
2011	20,833	833	21,666
Total	<u>\$ 83,332</u>	<u>\$ 8,333</u>	<u>\$ 91,665</u>

L. Current and Planned Projects

The board expended a total of \$1,437,130 on water system additions and improvements in 2007, a significant portion of which were constructed by the board's employees. Amounts capitalized include employee labor and benefit costs as well as materials and equipment expense.

During the year ended June 30, 2007, the board expended the final \$331,684 of the Phase III Project on various line extensions. The total project cost of \$1,879,000 was funded with a Rural Utilities Service grant of \$500,000 and loan of \$1,379,000. The final project funds were initially designated for the Taft treatment plant addition but that project was transferred to Phase IV Project to allow for the Phase III Project closeout.

At June 30, 2007, the board had expended \$766,563 of the Phase IV Project which includes various line extensions, the Taft treatment plant upgrade, and new storage tanks on the Boonshill-Petersburg Road and Crystal Ridge. The project budget of \$2,233,000 is being funded by a Rural Utilities Service loan of \$1,731,000 and grant funds of \$502,000. At June 30, 2007, the board's construction in progress on the Phase IV Project include the Taft treatment plan addition of \$233,295, the Cheatham Road line extension of \$309,452, the Unity tank site of \$106,472, and the Crystal Ridge tank site of \$7,500.

VIII. OTHER NOTE - DISCRETELY PRESENTED LINCOLN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Accounting Policies

The accounting policies and the reporting requirements of the Lincoln County Emergency Communications District (district) conform to generally accepted accounting principles as applicable to governmental entities. The district applies all Governmental Accounting Standards Board (GASB)

pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

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

Revenue Recognition – The accompanying statements are prepared on the accrual basis utilizing generally accepted accounting principles applicable to Tennessee emergency communications districts. Revenues are recognized when earned (operating revenues as described in Note VIII.(B.) are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Deferred revenues, primarily grant contributions, are recorded when resources have been received, but not yet earned or not considered to be available to liquidate liabilities of the current period. Operating expenses include the cost of contractual services, supplies, repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Accounts Receivable – Accounts receivable represent fees collected by certain service providers that are due to the district as of year end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2007, in the opinion of management, there were no uncollectible accounts receivable.

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

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the year ended June 30, 2007.

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

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

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

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

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

B. Operations

The district receives operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2 to business customers. These are the maximum charges allowed by the Emergency Communications District Law, and there are no plans to decrease them in the near future. The district has contracted for services to lease and maintain lines and equipment for approximately \$3,600 per month. The actual monthly costs vary depending on the number of users on the system.

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

C. On-Behalf Payments for Dispatch Services

The City of Fayetteville, Tennessee, and Lincoln County, Tennessee, provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payments for dispatch salaries, benefits, maintenance agreements for certain dispatch equipment, and utilities on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$480,863 for the year ended June 30, 2007. These payments include salaries and benefits totaling \$434,512 and other expenses totaling \$46,351 for the year ended June 30, 2007.

D. Property and Equipment

	COST			
	Balance			Balance
	7-1-06	Additions	Retirements	6-30-07
Land	\$ 116,984	\$ 0	\$ 0	\$ 116,984
Building	546,202	1,719	0	547,921
Communication Equipment	503,766	5,468	0	509,234
Vehicle	21,207	2,035	0	23,242
Total	\$ 1,188,159	\$ 9,222	\$ 0	\$ 1,197,381

The related activity for accumulated depreciation for the year ended June 30, 2007, was as follows:

	ACCUMULATED DEPRECIATION			
	Balance		Retirements	Balance
	7-1-06	Additions		6-30-07
Building	\$ 77,378	\$ 13,655	\$ 0	\$ 91,033
Communication Equipment	255,283	58,157	0	313,440
Vehicle	354	4,507	0	4,861
Total	<u>\$ 333,015</u>	<u>\$ 76,319</u>	<u>\$ 0</u>	<u>\$ 409,334</u>

Depreciation for the year ended June 30, 2007, totaled \$76,319.

E. Cash

All of the district's deposits were covered by federal depository insurance or by the bank collateral pool which is administered by the treasurer of the State of Tennessee, as of June 30, 2007.

F. Long-term Debt

Long-term debt activity for the year ended June 30, 2007, was as follows:

	Balance	Retirements	Balance	Due
	7-1-06		6-30-07	Within
				One Year
Capital Outlay Note Series 2000A, due in annual installments of \$30,000 to \$40,000 through December 2011, at interest of 4.91%	\$ 215,000	\$ (30,000)	\$ 185,000	\$ 35,000
Capital Outlay Note Series 2002, due in annual installments of \$40,000 through January 2007, at interest of 4.39%	40,000	(40,000)	0	0
Total	<u>\$ 255,000</u>	<u>\$ (70,000)</u>	<u>\$ 185,000</u>	<u>\$ 35,000</u>
Less Current Maturities	<u>(70,000)</u>		<u>(35,000)</u>	
Total Long-term debt	<u>\$ 185,000</u>		<u>\$ 150,000</u>	

Under lease-purchase arrangements with the district, Lincoln County, Tennessee, issued general obligation capital outlay notes, Series 2000A and Series 2002 totaling \$375,000 and \$185,000, to construct the E911 communications center and purchase capital equipment costing approximately \$637,000 and \$255,000, respectively. Accordingly, the related assets and liabilities for these transactions are recognized in the financial statements herein. The Series 2000A maturing December 1, 2007, and thereafter is subject to redemption prior to maturity, at the option of Lincoln County on December 1, 2004, or any date thereafter at par plus accrued interest to the redemption date. The district has agreed to pay the capital outlay notes interest and principal when due from revenues derived from its operations.

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 35,000	\$ 8,224	\$ 43,224
2009	35,000	6,506	41,506
2010	35,000	4,787	39,787
2011	40,000	2,946	42,946
2012	40,000	982	40,982
Total	<u>\$ 185,000</u>	<u>\$ 23,445</u>	<u>\$ 208,445</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,255,564	\$ 0	\$ 0	\$ 4,255,564	\$ 3,974,378	\$ 3,974,378	\$ 281,186
Licenses and Permits	77,205	0	0	77,205	55,000	62,951	14,254
Fines, Forfeitures, and Penalties	194,312	0	0	194,312	146,850	158,239	36,073
Charges for Current Services	43,398	0	0	43,398	35,150	35,150	8,248
Other Local Revenues	720,960	0	0	720,960	488,456	491,956	229,004
Fees Received from County Officials	1,375,334	0	0	1,375,334	1,104,500	1,104,500	270,834
State of Tennessee	1,425,834	0	0	1,425,834	1,327,190	1,385,030	40,804
Federal Government	496,430	0	0	496,430	30,856	548,017	(51,587)
Other Governments and Citizens Groups	3,531	0	0	3,531	0	3,531	0
Total Revenues	\$ 8,592,568	\$ 0	\$ 0	\$ 8,592,568	\$ 7,162,380	\$ 7,763,752	\$ 828,816
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 125,337	\$ 0	\$ 0	\$ 125,337	\$ 113,446	\$ 131,210	\$ 5,873
County Mayor/Executive	144,997	0	870	145,867	148,655	150,765	4,898
County Attorney	18,903	0	0	18,903	58,630	46,963	28,060
Election Commission	453,231	(5,150)	0	448,081	235,725	475,207	27,126
Register of Deeds	167,408	(714)	1,700	168,394	174,841	174,841	6,447
Planning	21,274	0	0	21,274	18,500	43,500	22,226
County Buildings	528,583	(25,489)	4,760	507,854	583,864	584,973	77,119
Preservation of Records	16,357	(4,000)	85	12,442	10,084	12,584	142
<u>Finance</u>							
Accounting and Budgeting	239,738	(435)	2,488	241,791	255,521	255,521	13,730
Property Assessor's Office	153,856	(139)	0	153,717	169,358	169,358	15,641
Reappraisal Program	92,406	0	0	92,406	98,625	98,725	6,319
County Trustee's Office	165,043	0	0	165,043	180,647	180,647	15,604
County Clerk's Office	197,927	(157)	3,406	201,176	201,510	202,019	843

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 345,565	\$ (6,825)	\$ 1,564	\$ 340,304	\$ 353,094	\$ 354,816	\$ 14,512
General Sessions Court	131,405	0	0	131,405	128,932	133,213	1,808
Chancery Court	192,865	(10,086)	6,048	188,827	197,000	197,000	8,173
Juvenile Court	125,148	0	0	125,148	113,529	127,629	2,481
Judicial Commissioners	28,055	0	0	28,055	29,995	29,995	1,940
<u>Public Safety</u>							
Sheriff's Department	1,448,425	(989)	27,179	1,474,615	1,532,676	1,559,772	85,157
Jail	1,529,577	(105)	4,089	1,533,561	1,545,179	1,594,779	61,218
Fire Prevention and Control	96,661	0	9,687	106,348	152,260	155,791	49,443
Civil Defense	309,078	(16,171)	3,193	296,100	142,374	366,351	70,251
<u>Public Health and Welfare</u>							
Local Health Center	393,403	(39,967)	508	353,944	455,064	529,482	175,538
Maternal and Child Health Services	20,000	0	0	20,000	20,000	32,000	12,000
Other Local Health Services	7,500	0	0	7,500	7,500	7,500	0
Regional Mental Health Center	3,500	0	0	3,500	3,500	3,500	0
Other Local Welfare Services	7,614	0	0	7,614	7,614	7,614	0
Sanitation Management	62,245	0	50	62,295	66,790	66,790	4,495
Other Public Health and Welfare	25,750	0	0	25,750	25,750	25,750	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	13,004	0	0	13,004	11,250	13,004	0
Libraries	61,366	0	0	61,366	61,366	61,366	0
Parks and Fair Boards	32,000	0	0	32,000	32,000	32,000	0
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	79,495	0	0	79,495	80,866	81,866	2,371
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	21,180	0	0	21,180	29,228	29,228	8,048

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations</u>							
Industrial Development	\$ 82,200	\$ 0	\$ 0	\$ 82,200	\$ 82,200	\$ 82,200	\$ 0
Other Economic and Community Development	99,752	0	0	99,752	12,460	109,166	9,414
Airport	25,861	0	0	25,861	25,861	25,861	0
Veterans' Services	12,844	0	0	12,844	15,022	15,022	2,178
Contributions to Other Agencies	14,900	0	0	14,900	4,900	14,900	0
Miscellaneous	374,981	(94)	101	374,988	252,300	449,981	74,993
Total Expenditures	\$ 7,871,434	\$ (110,321)	\$ 65,728	\$ 7,826,841	\$ 7,640,116	\$ 8,634,889	\$ 808,048
Excess (Deficiency) of Revenues Over Expenditures	\$ 721,134	\$ 110,321	\$ (65,728)	\$ 765,727	\$ (477,736)	\$ (871,137)	\$ 1,636,864
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,000)	\$ (236)	\$ 236
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,000)	\$ (236)	\$ 236
Net Change in Fund Balance	\$ 721,134	\$ 110,321	\$ (65,728)	\$ 765,727	\$ (486,736)	\$ (871,373)	\$ 1,637,100
Fund Balance, July 1, 2006	3,015,632	(110,321)	0	2,905,311	1,713,297	1,713,297	1,192,014
Fund Balance, June 30, 2007	\$ 3,736,766	\$ 0	\$ (65,728)	\$ 3,671,038	\$ 1,226,561	\$ 841,924	\$ 2,829,114

Exhibit F-2

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 853,937	\$ 0	\$ 853,937	\$ 797,689	\$ 797,689	\$ 56,248
Charges for Current Services	44	0	44	0	0	44
Other Local Revenues	10,458	0	10,458	2,500	5,088	5,370
State of Tennessee	2,206,130	0	2,206,130	1,921,000	2,202,299	3,831
Total Revenues	<u>\$ 3,070,569</u>	<u>\$ 0</u>	<u>\$ 3,070,569</u>	<u>\$ 2,721,189</u>	<u>\$ 3,005,076</u>	<u>\$ 65,493</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 185,381	\$ (250)	\$ 185,131	\$ 185,926	\$ 209,809	\$ 24,678
Highway and Bridge Maintenance	1,430,201	(1,150)	1,429,051	1,312,435	1,602,322	173,271
Operation and Maintenance of Equipment	414,368	(6,600)	407,768	624,155	629,155	221,387
Quarry Operations	182,215	0	182,215	252,590	252,590	70,375
Other Charges	114,340	0	114,340	127,400	127,400	13,060
Employee Benefits	52,653	0	52,653	79,500	68,500	15,847
Capital Outlay	393,537	(174,541)	218,996	242,000	282,000	63,004
Total Expenditures	<u>\$ 2,772,695</u>	<u>\$ (182,541)</u>	<u>\$ 2,590,154</u>	<u>\$ 2,824,006</u>	<u>\$ 3,171,776</u>	<u>\$ 581,622</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 297,874</u>	<u>\$ 182,541</u>	<u>\$ 480,415</u>	<u>\$ (102,817)</u>	<u>\$ (166,700)</u>	<u>\$ 647,115</u>
Net Change in Fund Balance	\$ 297,874	\$ 182,541	\$ 480,415	\$ (102,817)	\$ (166,700)	\$ 647,115
Fund Balance, July 1, 2006	<u>1,155,870</u>	<u>(182,541)</u>	<u>973,329</u>	<u>913,052</u>	<u>913,052</u>	<u>60,277</u>
Fund Balance, June 30, 2007	<u>\$ 1,453,744</u>	<u>\$ 0</u>	<u>\$ 1,453,744</u>	<u>\$ 810,235</u>	<u>\$ 746,352</u>	<u>\$ 707,392</u>

Exhibit F-3

Lincoln County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

Lincoln County (excluding Lincoln County Board of Public Utilities)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
6-30-05	\$ 24,591	\$ 24,591	0	100 %	\$ 13,704	0 %
6-30-03	21,845	21,845	0	100	12,739	0
6-30-01	19,380	19,380	0	100	11,500	0

Lincoln County Board of Public Utilities (enterprise fund)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
6-30-05	\$ 503	\$ 503	0	100 %	\$ 850	0 %
6-30-03	280	280	0	100	669	0

LINCOLN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for revenues received from administering long-term care medical assistance costs.

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

Exhibit G-1

Lincoln County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 14,274	\$ 14,274
Equity in Pooled Cash and Investments	992,406	44,620	45,213	0	1,082,239
Accounts Receivable	576	0	0	0	576
Due from Other Governments	122,088	0	2,038	0	124,126
Total Assets	\$ 1,115,070	\$ 44,620	\$ 47,251	\$ 14,274	\$ 1,221,215
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 33,737	\$ 85	\$ 0	\$ 0	\$ 33,822
Accrued Payroll	868	0	0	0	868
Due to Other Funds	0	0	0	14,274	14,274
Other Deferred Revenues	61,023	0	0	0	61,023
Total Liabilities	\$ 95,628	\$ 85	\$ 0	\$ 14,274	\$ 109,987
<u>Fund Balances</u>					
Unreserved	\$ 1,019,442	\$ 44,535	\$ 47,251	\$ 0	\$ 1,111,228
Total Fund Balances	\$ 1,019,442	\$ 44,535	\$ 47,251	\$ 0	\$ 1,111,228
Total Liabilities and Fund Balances	\$ 1,115,070	\$ 44,620	\$ 47,251	\$ 14,274	\$ 1,221,215

Exhibit G-2

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Other Special Revenue	Constitu - tional Officers - Fees	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 19,722	\$ 14,538	\$ 0	\$ 0	\$ 34,260
Charges for Current Services	697,529	0	0	0	3,654	701,183
Other Local Revenues	6,033	3,050	0	0	0	9,083
State of Tennessee	25,920	0	0	0	0	25,920
Total Revenues	\$ 729,482	\$ 22,772	\$ 14,538	\$ 0	\$ 3,654	\$ 770,446
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43	\$ 43
Finance	0	0	0	0	122	122
Administration of Justice	0	0	4,239	0	3,489	7,728
Public Safety	0	32,873	0	0	0	32,873
Public Health and Welfare	527,018	0	0	0	0	527,018
Other Operations	0	0	0	480,822	0	480,822
Total Expenditures	\$ 527,018	\$ 32,873	\$ 4,239	\$ 480,822	\$ 3,654	\$ 1,048,606
Excess (Deficiency) of Revenues Over Expenditures	\$ 202,464	\$ (10,101)	\$ 10,299	\$ (480,822)	\$ 0	\$ (278,160)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (133,388)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (133,388)
Total Other Financing Sources (Uses)	\$ (133,388)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (133,388)
Net Change in Fund Balances	\$ 69,076	\$ (10,101)	\$ 10,299	\$ (480,822)	\$ 0	\$ (411,548)
Fund Balance, July 1, 2006	950,366	54,636	36,952	480,822	0	1,522,776
Fund Balance, June 30, 2007	\$ 1,019,442	\$ 44,535	\$ 47,251	\$ 0	\$ 0	\$ 1,111,228

Exhibit G-3

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 697,529	\$ 0	\$ 697,529	\$ 677,000	\$ 677,000	\$ 20,529
Other Local Revenues	6,033	0	6,033	3,800	3,800	2,233
State of Tennessee	25,920	0	25,920	32,900	32,900	(6,980)
Total Revenues	\$ 729,482	\$ 0	\$ 729,482	\$ 713,700	\$ 713,700	\$ 15,782
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 20,000	\$ 0	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Convenience Centers	93,307	(250)	93,057	188,275	198,275	105,218
Other Waste Disposal	393,235	(2,058)	391,177	417,689	417,689	26,512
Postclosure Care Costs	20,476	0	20,476	50,000	50,000	29,524
Total Expenditures	\$ 527,018	\$ (2,308)	\$ 524,710	\$ 675,964	\$ 685,964	\$ 161,254
Excess (Deficiency) of Revenues Over Expenditures	\$ 202,464	\$ 2,308	\$ 204,772	\$ 37,736	\$ 27,736	\$ 177,036
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (133,388)	\$ 0	\$ (133,388)	\$ (133,388)	\$ (133,388)	\$ 0
Total Other Financing Sources (Uses)	\$ (133,388)	\$ 0	\$ (133,388)	\$ (133,388)	\$ (133,388)	\$ 0
Net Change in Fund Balance	\$ 69,076	\$ 2,308	\$ 71,384	\$ (95,652)	\$ (105,652)	\$ 177,036
Fund Balance, July 1, 2006	950,366	(2,308)	948,058	904,560	904,560	43,498
Fund Balance, June 30, 2007	\$ 1,019,442	\$ 0	\$ 1,019,442	\$ 808,908	\$ 798,908	\$ 220,534

Exhibit G-4

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 19,722	\$ 15,150	\$ 15,150	\$ 4,572
Other Local Revenues	3,050	0	0	3,050
Total Revenues	<u>\$ 22,772</u>	<u>\$ 15,150</u>	<u>\$ 15,150</u>	<u>\$ 7,622</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 32,873	\$ 26,634	\$ 38,634	\$ 5,761
Total Expenditures	<u>\$ 32,873</u>	<u>\$ 26,634</u>	<u>\$ 38,634</u>	<u>\$ 5,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (10,101)</u>	<u>\$ (11,484)</u>	<u>\$ (23,484)</u>	<u>\$ 13,383</u>
Net Change in Fund Balance	\$ (10,101)	\$ (11,484)	\$ (23,484)	\$ 13,383
Fund Balance, July 1, 2006	<u>54,636</u>	<u>37,518</u>	<u>37,518</u>	<u>17,118</u>
Fund Balance, June 30, 2007	<u><u>\$ 44,535</u></u>	<u><u>\$ 26,034</u></u>	<u><u>\$ 14,034</u></u>	<u><u>\$ 30,501</u></u>

Exhibit G-5

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 480,822	\$ 480,822	\$ 480,822	\$ 0
Total Expenditures	\$ 480,822	\$ 480,822	\$ 480,822	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (480,822)	\$ (480,822)	\$ (480,822)	\$ 0
Net Change in Fund Balance	\$ (480,822)	\$ (480,822)	\$ (480,822)	\$ 0
Fund Balance, July 1, 2006	480,822	480,822	480,822	0
Fund Balance, June 30, 2007	\$ 0	\$ 0	\$ 0	\$ 0

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,797,278	\$ 2,726,696	\$ 2,726,696	\$ 70,582
Other Local Revenues	4,801	4,800	4,800	1
Total Revenues	<u>\$ 2,802,079</u>	<u>\$ 2,731,496</u>	<u>\$ 2,731,496</u>	<u>\$ 70,583</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 120,000	\$ 120,000	\$ 120,000	\$ 0
Education	1,500,009	1,500,009	1,500,009	0
<u>Interest on Debt</u>				
General Government	13,387	13,388	13,388	1
Education	1,031,731	1,078,072	1,078,072	46,341
<u>Other Debt Service</u>				
General Government	20,390	25,300	25,300	4,910
Education	88,969	15,000	89,951	982
Total Expenditures	<u>\$ 2,774,486</u>	<u>\$ 2,751,769</u>	<u>\$ 2,826,720</u>	<u>\$ 52,234</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,593</u>	<u>\$ (20,273)</u>	<u>\$ (95,224)</u>	<u>\$ 122,817</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 6,470,000	\$ 0	\$ 6,470,000	\$ 0
Transfers In	133,388	133,388	133,388	0
Payments to Refunded Debt Escrow Agent	(6,410,894)	0	(6,410,894)	0
Total Other Financing Sources (Uses)	<u>\$ 192,494</u>	<u>\$ 133,388</u>	<u>\$ 192,494</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 220,087	\$ 113,115	\$ 97,270	\$ 122,817
Fund Balance, July 1, 2006	<u>2,553,435</u>	<u>2,502,362</u>	<u>2,502,362</u>	<u>51,073</u>
Fund Balance, June 30, 2007	<u><u>\$ 2,773,522</u></u>	<u><u>\$ 2,615,477</u></u>	<u><u>\$ 2,599,632</u></u>	<u><u>\$ 173,890</u></u>

Fiduciary Funds

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

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

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

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

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

Exhibit I-1

Lincoln County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	Agency Funds				Total
	Cities - Sales Tax	City School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency	
<u>ASSETS</u>					
Cash	\$ 0	\$ 3,914	\$ 1,583	\$ 1,907,055	\$ 1,912,552
Equity in Pooled Cash and Investments	0	62,428	236,278	0	298,706
Accounts Receivable	0	0	0	843	843
Due from Other Governments	280,178	127,279	12,252	0	419,709
Property Taxes Receivable	0	827,945	0	0	827,945
Allowance for Uncollectible Property Taxes	0	(18,683)	0	0	(18,683)
Total Assets	<u>\$ 280,178</u>	<u>\$ 1,002,883</u>	<u>\$ 250,113</u>	<u>\$ 1,907,898</u>	<u>\$ 3,441,072</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 8,543	\$ 0	\$ 8,543
Accrued Payroll	0	0	376	0	376
Due to Other Taxing Units	280,178	942,668	0	0	1,222,846
Due to Litigants, Heirs, and Others	0	0	0	1,907,898	1,907,898
Due to Joint Ventures	0	0	241,194	0	241,194
Other Deferred Revenue	0	60,215	0	0	60,215
Total Liabilities	<u>\$ 280,178</u>	<u>\$ 1,002,883</u>	<u>\$ 250,113</u>	<u>\$ 1,907,898</u>	<u>\$ 3,441,072</u>

Exhibit I-2

Lincoln County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,604,886	\$ 1,604,886	\$ 0
Due from Other Governments	270,527	280,178	270,527	280,178
Total Assets	\$ 270,527	\$ 1,885,064	\$ 1,875,413	\$ 280,178
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 270,527	\$ 1,885,064	\$ 1,875,413	\$ 280,178
Total Liabilities	\$ 270,527	\$ 1,885,064	\$ 1,875,413	\$ 280,178
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Cash	\$ 5,504	\$ 3,914	\$ 5,504	\$ 3,914
Equity in Pooled Cash and Investments	60,135	1,476,504	1,474,211	62,428
Due from Other Governments	122,984	127,279	122,984	127,279
Property Taxes Receivable	837,491	827,945	837,491	827,945
Allowance for Uncollectible Property Taxes	(31,971)	(18,683)	(31,971)	(18,683)
Total Assets	\$ 994,143	\$ 2,416,959	\$ 2,408,219	\$ 1,002,883
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 994,143	\$ 2,356,744	\$ 2,408,219	\$ 942,668
Other Deferred Revenue	0	60,215	0	60,215
Total Liabilities	\$ 994,143	\$ 2,416,959	\$ 2,408,219	\$ 1,002,883
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 580	\$ 1,583	\$ 580	\$ 1,583
Equity in Pooled Cash and Investments	202,553	249,146	215,421	236,278
Accounts Receivable	1,929	0	1,929	0
Due from Other Governments	10,060	12,252	10,060	12,252
Total Assets	\$ 215,122	\$ 262,981	\$ 227,990	\$ 250,113
<u>Liabilities</u>				
Accounts Payable	\$ 3,057	\$ 8,543	\$ 3,057	\$ 8,543
Accrued Payroll	0	376	0	376
Due to Other Funds	3,173	0	3,173	0
Due to the State of Tennessee	1,785	0	1,785	0
Due to Joint Ventures	207,107	254,062	219,975	241,194
Total Liabilities	\$ 215,122	\$ 262,981	\$ 227,990	\$ 250,113

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,844,613	\$ 11,145,057	\$ 11,082,615	\$ 1,907,055
Accounts Receivable	1,826	843	1,826	843
Total Assets	<u>\$ 1,846,439</u>	<u>\$ 11,145,900</u>	<u>\$ 11,084,441</u>	<u>\$ 1,907,898</u>
<u>Liabilities</u>				
Due to State of Tennessee	\$ 463	\$ 0	\$ 463	\$ 0
Due to Litigants, Heirs, and Others	1,845,976	11,145,900	11,083,978	1,907,898
Total Liabilities	<u>\$ 1,846,439</u>	<u>\$ 11,145,900</u>	<u>\$ 11,084,441</u>	<u>\$ 1,907,898</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,850,697	\$ 11,150,554	\$ 11,088,699	\$ 1,912,552
Equity in Pooled Cash and Investments	262,688	3,330,536	3,294,518	298,706
Account Receivable	3,755	843	3,755	843
Due from Other Governments	403,571	419,709	403,571	419,709
Property Taxes Receivable	837,491	827,945	837,491	827,945
Allowance for Uncollectible Property Taxes	(31,971)	(18,683)	(31,971)	(18,683)
Total Assets	<u>\$ 3,326,231</u>	<u>\$ 15,710,904</u>	<u>\$ 15,596,063</u>	<u>\$ 3,441,072</u>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 3,057	\$ 8,543	\$ 3,057	\$ 8,543
Accrued Payroll	0	376	0	376
Due to Other Taxing Units	1,264,670	4,241,808	4,283,632	1,222,846
Due to Other Funds	3,173	0	3,173	0
Due to State of Tennessee	2,248	0	2,248	0
Due to Litigants, Heirs, and Others	1,845,976	11,145,900	11,083,978	1,907,898
Due to Joint Ventures	207,107	254,062	219,975	241,194
Other Deferred Revenue	0	60,215	0	60,215
Total Liabilities	<u>\$ 3,326,231</u>	<u>\$ 15,710,904</u>	<u>\$ 15,596,063</u>	<u>\$ 3,441,072</u>

Lincoln County School Department

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

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

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

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

Exhibit J-1

Lincoln County, Tennessee
Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 15,958,482	\$ 49,176	\$ 2,803,457	\$ (13,105,849)
Support Services	7,989,030	0	0	(7,989,030)
Operation of Non-Instructional Services	3,156,058	135,390	1,032,279	(1,988,389)
Total Governmental Activities	\$ 27,103,570	\$ 184,566	\$ 3,835,736	\$ (23,083,268)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 3,680,225
Local Option Sales Taxes				2,608,332
Other Local Taxes				121,014
Grants and Contributions Not Restricted to Specific Programs				16,030,077
Miscellaneous				33,483
Total General Revenues				\$ 22,473,131
Change in Net Assets				\$ (610,137)
Net Assets, July 1, 2006				31,807,085
Net Assets, June 30, 2007				\$ 31,196,948

Exhibit J-2

Lincoln County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,855,975	\$ 143,052	\$ 2,999,027
Accounts Receivable	10,174	0	10,174
Due from Other Governments	1,096,015	506	1,096,521
Property Taxes Receivable	3,773,003	0	3,773,003
Allowance for Uncollectible Property Taxes	(85,141)	0	(85,141)
Prepaid Items	349,780	0	349,780
Total Assets	\$ 7,999,806	\$ 143,558	\$ 8,143,364
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 149,816	\$ 855	\$ 150,671
Accrued Payroll	753,813	61,767	815,580
Deferred Revenue - Current Property Taxes	3,584,157	0	3,584,157
Deferred Revenue - Delinquent Property Taxes	90,563	0	90,563
Other Deferred Revenues	775,625	0	775,625
Total Liabilities	\$ 5,353,974	\$ 62,622	\$ 5,416,596
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 324,971	\$ 24,651	\$ 349,622
Reserved for Unemployment Compensation	23,951	0	23,951
Reserved for Driver Education	18,997	0	18,997
Reserved for Career Ladder - Extended Contract	1,142	0	1,142
Reserved for Career Ladder Program	13,352	0	13,352
Reserved for Title I Grants to Local Education Agencies	0	3,179	3,179
Reserved for Innovative Education Program Strategies	0	174	174
Reserved for Special Education - Grants to States	0	3,146	3,146
Other Federal Reserves	0	5,773	5,773
Unreserved, Reported In:			
General Fund	2,263,419	0	2,263,419
Special Revenue Funds	0	44,013	44,013
Total Fund Balances	\$ 2,645,832	\$ 80,936	\$ 2,726,768
Total Liabilities and Fund Balances	\$ 7,999,806	\$ 143,558	\$ 8,143,364

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Lincoln County School Department
June 30, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 2,726,768
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 835,690	
Add: building and improvements net of accumulated depreciation	24,885,378	
Add: other capital assets net of accumulated depreciaton	<u>1,916,250</u>	27,637,318
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences		(33,326)
(3) Other long-term assets are not available to pay for current-period exenditures and therefore are deferred in the governmental funds.		<u>866,188</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 31,196,948</u>

Exhibit J-4

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 6,369,627	\$ 0	\$ 6,369,627
Licenses and Permits	2,376	0	2,376
Charges for Current Services	71,672	112,894	184,566
Other Local Revenues	41,445	0	41,445
State of Tennessee	16,424,523	0	16,424,523
Federal Government	1,109,405	1,726,439	2,835,844
Other Governments and Citizens Groups	8,764	0	8,764
Total Revenues	<u>\$ 24,027,812</u>	<u>\$ 1,839,333</u>	<u>\$ 25,867,145</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 14,544,456	\$ 1,097,330	\$ 15,641,786
Support Services	7,739,664	642,142	8,381,806
Operation of Non-Instructional Services	1,815,046	107,821	1,922,867
Capital Outlay	438,076	0	438,076
Total Expenditures	<u>\$ 24,537,242</u>	<u>\$ 1,847,293</u>	<u>\$ 26,384,535</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (509,430)</u>	<u>\$ (7,960)</u>	<u>\$ (517,390)</u>
Net Change in Fund Balances	\$ (509,430)	\$ (7,960)	\$ (517,390)
Fund Balance, July 1, 2006	3,155,262	88,896	3,244,158
Fund Balance, June 30, 2007	<u>\$ 2,645,832</u>	<u>\$ 80,936</u>	<u>\$ 2,726,768</u>

Exhibit J-5

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

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)		\$ (517,390)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 851,890	
Less: current year depreciation expense	<u>(1,483,107)</u>	(631,217)
(2) The net effect of various miscellaneous transactions involving capital assets (sales) is to decrease net assets.		(5,225)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred at June 30, 2007	\$ 866,188	
Less: deferred delinquent property taxes and other deferred at June 30, 2006	<u>(320,515)</u>	545,673
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences		<u>(1,978)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (610,137)</u>

Exhibit J-6

Lincoln County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2007

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Extended School Program	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 83,716	\$ 59,336	\$ 143,052
Due from Other Governments	506	0	506
Total Assets	<u>\$ 84,222</u>	<u>\$ 59,336</u>	<u>\$ 143,558</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 855	\$ 0	\$ 855
Accrued Payroll	61,354	413	61,767
Total Liabilities	<u>\$ 62,209</u>	<u>\$ 413</u>	<u>\$ 62,622</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 9,741	\$ 14,910	\$ 24,651
Reserved for Title I Grants to Local Education Agencies	3,179	0	3,179
Reserved for Innovative Education Program Strategies	174	0	174
Reserved for Special Education - Grants to States	3,146	0	3,146
Other Federal Reserves	5,773	0	5,773
Unreserved	0	44,013	44,013
Total Fund Balances	<u>\$ 22,013</u>	<u>\$ 58,923</u>	<u>\$ 80,936</u>
Total Liabilities and Fund Balances	<u>\$ 84,222</u>	<u>\$ 59,336</u>	<u>\$ 143,558</u>

Exhibit J-7

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Extended School Program	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 112,894	\$ 112,894
Federal Government	1,726,439	0	1,726,439
Total Revenues	<u>\$ 1,726,439</u>	<u>\$ 112,894</u>	<u>\$ 1,839,333</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,097,330	\$ 0	\$ 1,097,330
Support Services	642,142	0	642,142
Operation of Non-Instructional Services	0	107,821	107,821
Total Expenditures	<u>\$ 1,739,472</u>	<u>\$ 107,821</u>	<u>\$ 1,847,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,033)</u>	<u>\$ 5,073</u>	<u>\$ (7,960)</u>
Net Change in Fund Balances	\$ (13,033)	\$ 5,073	\$ (7,960)
Fund Balance, July 1, 2006	<u>35,046</u>	<u>53,850</u>	<u>88,896</u>
Fund Balance, June 30, 2007	<u>\$ 22,013</u>	<u>\$ 58,923</u>	<u>\$ 80,936</u>

Exhibit J-8

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
General Purpose School Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,369,627	\$ 0	\$ 0	\$ 6,369,627	\$ 6,178,825	\$ 6,178,825	\$ 190,802
Licenses and Permits	2,376	0	0	2,376	2,500	2,500	(124)
Charges for Current Services	71,672	0	0	71,672	90,338	101,338	(29,666)
Other Local Revenues	41,445	0	0	41,445	1,000	31,710	9,735
State of Tennessee	16,424,523	0	0	16,424,523	15,514,941	16,152,899	271,624
Federal Government	1,109,405	0	0	1,109,405	795,000	1,294,376	(184,971)
Other Governments and Citizens Groups	8,764	0	0	8,764	0	8,764	0
Total Revenues	\$ 24,027,812	\$ 0	\$ 0	\$ 24,027,812	\$ 22,582,604	\$ 23,770,412	\$ 257,400
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,474,721	\$ (14,441)	\$ 31,116	\$ 11,491,396	\$ 11,752,792	\$ 12,036,948	\$ 545,552
Alternative Instruction Program	147,435	0	0	147,435	148,156	148,257	822
Special Education Program	1,868,413	(1,019)	4,152	1,871,546	1,866,735	1,929,535	57,989
Vocational Education Program	993,763	(4,530)	7,857	997,090	1,007,414	1,009,414	12,324
Student Body Education Program	60,124	0	0	60,124	101,338	103,440	43,316
<u>Support Services</u>							
Attendance	112,032	0	0	112,032	110,437	112,547	515
Health Services	179,582	0	0	179,582	183,818	183,818	4,236
Other Student Support	764,994	(15,128)	5,693	755,559	554,604	778,947	23,388
Regular Instruction Program	779,637	(9)	1,101	780,729	764,806	808,239	27,510
Special Education Program	68,115	0	0	68,115	72,829	72,829	4,714
Vocational Education Program	90,317	(23)	0	90,294	90,911	90,911	617
Board of Education	670,070	0	0	670,070	589,178	700,571	30,501
Director of Schools	208,553	(540)	1,896	209,909	214,229	221,730	11,821
Office of the Principal	994,473	0	0	994,473	992,222	998,868	4,395

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,819,227	\$ (5,057)	\$ 710	\$ 1,814,880	\$ 1,884,371	\$ 1,908,376	\$ 93,496
Maintenance of Plant	626,422	(26,890)	9,277	608,809	495,331	630,164	21,355
Transportation	1,426,242	(6,287)	0	1,419,955	1,283,531	1,485,500	65,545
<u>Operation of Non-Instructional Services</u>							
Food Service	1,001,629	0	48	1,001,677	879,440	1,151,440	149,763
Community Services	156,174	(19,840)	3,446	139,780	0	170,000	30,220
Early Childhood Education	657,243	(77,435)	51,613	631,421	0	692,417	60,996
<u>Capital Outlay</u>							
Regular Capital Outlay	438,076	(412,436)	208,062	233,702	222,500	238,900	5,198
Total Expenditures	<u>\$ 24,537,242</u>	<u>\$ (583,635)</u>	<u>\$ 324,971</u>	<u>\$ 24,278,578</u>	<u>\$ 23,214,642</u>	<u>\$ 25,472,851</u>	<u>\$ 1,194,273</u>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (509,430)	\$ 583,635	\$ (324,971)	\$ (250,766)	\$ (632,038)	\$ (1,702,439)	\$ 1,451,673
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	\$ 9,236	\$ (9,236)
Transfers Out	0	0	0	0	(3,500)	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,500</u>	<u>\$ 9,236</u>	<u>\$ (9,236)</u>
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ (509,430)	\$ 583,635	\$ (324,971)	\$ (250,766)	\$ (626,538)	\$ (1,693,203)	\$ 1,442,437
	<u>3,155,262</u>	<u>(583,635)</u>	<u>0</u>	<u>2,571,627</u>	<u>1,755,700</u>	<u>1,755,700</u>	<u>815,927</u>
Fund Balance, June 30, 2007	<u>\$ 2,645,832</u>	<u>\$ 0</u>	<u>\$ (324,971)</u>	<u>\$ 2,320,861</u>	<u>\$ 1,129,162</u>	<u>\$ 62,497</u>	<u>\$ 2,258,364</u>

Exhibit J-9

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,726,439	\$ 0	\$ 0	\$ 1,726,439	\$ 1,927,122	\$ 1,927,122	\$ (200,683)
Total Revenues	\$ 1,726,439	\$ 0	\$ 0	\$ 1,726,439	\$ 1,927,122	\$ 1,927,122	\$ (200,683)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 406,938	\$ 0	\$ 0	\$ 406,938	\$ 495,601	\$ 469,022	\$ 62,084
Alternative Instruction Program	49,379	0	0	49,379	57,192	55,512	6,133
Special Education Program	532,728	0	6,888	539,616	554,569	583,189	43,573
Vocational Education Program	108,285	(17,675)	0	90,610	90,640	90,640	30
<u>Support Services</u>							
Health Services	58,765	0	0	58,765	68,507	64,507	5,742
Other Student Support	90,708	0	537	91,245	93,794	93,514	2,269
Regular Instruction Program	261,461	(349)	2,316	263,428	294,516	322,095	58,667
Special Education Program	110,528	0	0	110,528	120,260	125,040	14,512
Vocational Education Program	5,918	0	0	5,918	6,000	6,000	82
Maintenance of Plant	0	0	0	0	2,000	1,000	1,000
Transportation	114,762	0	0	114,762	164,564	133,624	18,862
Total Expenditures	\$ 1,739,472	\$ (18,024)	\$ 9,741	\$ 1,731,189	\$ 1,947,643	\$ 1,944,143	\$ 212,954
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,033)	\$ 18,024	\$ (9,741)	\$ (4,750)	\$ (20,521)	\$ (17,021)	\$ 12,271
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,000	\$ 25,173	\$ (25,173)
Transfers Out	0	0	0	0	(86,500)	(25,173)	25,173
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,500	\$ 0	\$ 0
Net Change in Fund Balance	\$ (13,033)	\$ 18,024	\$ (9,741)	\$ (4,750)	\$ (17,021)	\$ (17,021)	\$ 12,271
Fund Balance, July 1, 2006	35,046	(18,024)	0	17,022	17,021	17,021	1
Fund Balance, June 30, 2007	\$ 22,013	\$ 0	\$ (9,741)	\$ 12,272	\$ 0	\$ 0	\$ 12,272

Exhibit J-10

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
Extended School Program Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 112,894	\$ 0	\$ 0	\$ 112,894	\$ 125,000	\$ 125,000	\$ (12,106)
Total Revenues	\$ 112,894	\$ 0	\$ 0	\$ 112,894	\$ 125,000	\$ 125,000	\$ (12,106)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 107,821	\$ (1,367)	\$ 14,910	\$ 121,364	\$ 124,471	\$ 138,971	\$ 17,607
Total Expenditures	\$ 107,821	\$ (1,367)	\$ 14,910	\$ 121,364	\$ 124,471	\$ 138,971	\$ 17,607
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,073	\$ 1,367	\$ (14,910)	\$ (8,470)	\$ 529	\$ (13,971)	\$ 5,501
Net Change in Fund Balance	\$ 5,073	\$ 1,367	\$ (14,910)	\$ (8,470)	\$ 529	\$ (13,971)	\$ 5,501
Fund Balance, July 1, 2006	53,850	(1,367)	0	52,483	23,501	23,501	28,982
Fund Balance, June 30, 2007	\$ 58,923	\$ 0	\$ (14,910)	\$ 44,013	\$ 24,030	\$ 9,530	\$ 34,483

MISCELLANEOUS SCHEDULES

Exhibit K-1

Lincoln County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-07
<u>PRIMARY GOVERNMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Landfill Closure	\$ 1,200,000	4.2 to 5.2 %	9-4-1996	6-2-08	\$ 255,000	\$ 0	\$ 120,000	\$ 0	\$ 135,000
Total Notes Payable					\$ 255,000	\$ 0	\$ 120,000	\$ 0	\$ 135,000
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Schools	5,025,125	variable	10-1-01	6-12-07	\$ 4,315,903	\$ 0	\$ 200,009	\$ 4,115,894	\$ 0
Total Other Loans Payable					\$ 4,315,903	\$ 0	\$ 200,009	\$ 4,115,894	\$ 0
<u>BONDS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
General Obligation School Refunding	8,305,000	3.9 to 4.2	3-15-1999	6-12-07	\$ 3,125,000	\$ 0	\$ 830,000	\$ 2,295,000	\$ 0
School Bonds	15,775,000	5.68	2-29-00	3-28-07	400,000	0	400,000	0	0
General Obligation School Refunding	14,765,000	4 to 5.25	8-7-01	4-1-21	14,265,000	0	70,000	0	14,195,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	0	6,470,000	0	0	6,470,000
Total Bonds Payable					\$ 17,790,000	\$ 6,470,000	\$ 1,300,000	\$ 2,295,000	\$ 20,665,000
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
School Construction	350,000	0	6-29-01	10-24-06	\$ 70,000	\$ 0	\$ 70,000	\$ 0	\$ 0
Total Notes Payable					\$ 70,000	\$ 0	\$ 70,000	\$ 0	\$ 0

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 1,755,000	\$ 934,099	\$ 2,689,099
2009	1,805,000	893,649	2,698,649
2010	1,480,000	821,574	2,301,574
2011	960,000	761,493	1,721,493
2012	1,040,000	721,156	1,761,156
2013	1,120,000	676,835	1,796,835
2014	1,110,000	621,665	1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017	1,965,000	383,645	2,348,645
2018	1,775,000	284,706	2,059,706
2019	1,730,000	195,941	1,925,941
2020	1,400,000	109,736	1,509,736
2021	875,000	40,985	915,985
Total	<u>\$ 20,665,000</u>	<u>\$ 7,489,642</u>	<u>\$ 28,154,642</u>

Exhibit K-3

Lincoln County, Tennessee
Schedule of Notes Receivable
June 30, 2007

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Notes</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>General Debt Service Fund</u>						
Interfund Note Receivable:	Enterprise Fund:					
Water System Improvements	Lincoln County Board of Public Utilities	\$ 100,000	3-6-06	3-6-09	5%	<u>\$ 83,333</u> (1)
<u>Lincoln County Health System Fund</u>						
Advances to Physicians	Physicians	Varies	varies	varies	varies	<u>\$ 489,039</u>
<u>Lincoln County Board of Public Utilities</u>						
Sale of Water Lines	Metropolitan Lynchburg/Moore County	125,000	7-27-04	7-27-11	4	<u>\$ 83,332</u>
Total Notes Receivable						<u><u>\$ 655,704</u></u>

(1) Includes Accounts Receivable (\$16,667) and Notes Receivable - Long-term (\$66,666).

Exhibit K-4

Lincoln County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Solid Waste/Sanitation	General Debt Service	Retirement of debt	<u>\$ 133,388</u>
Total Transfers			<u><u>\$ 133,388</u></u>

Exhibit K-5

Lincoln County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
<u>County Executive:</u>				
Jerry Mansfield (7-1-06 through 12-31-06)	Section 8-24-102, <u>TCA</u>	\$ 32,646	\$ 50,000	RLI Insurance Company
Peggy Bevels (1-2-07 through 6-30-07)	Section 8-24-102, <u>TCA</u>	31,936	50,000	"
<u>Highway Superintendent:</u>				
Lori Jean (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,476	100,000	"
Matthew Ashby (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	51,200	100,000	"
Director of Schools	State Board of Education and Local Board of Education	86,280 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,069	1,750,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Judge	59,558 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
<u>Sheriff:</u>				
Jimmy Mullins (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,995 (3)	25,000	"
Murray Blackwelder (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	51,200	25,000	"
Director of Finance	County Commission	56,069	50,000	"
<u>Other Bonds</u>				
Trustee Employees			30,000	RLI Insurance Company
County Clerk Employees			20,000	"
Circuit Court Employees			35,000	"
Chancery Court Employees			20,000	"
Register Employees			15,000	"
Sheriff Department			200,000	"
Assessor Employees			25,000	"
Finance Office Employees			25,000	"
County Executive Employees			20,000	"
School Board Chairman			10,000	"

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

(2) Includes special commissioner fees of \$3,489.

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

Exhibit K-6

Lincoln County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,990,827	\$ 0	\$ 0	\$ 0	\$ 0	\$ 395,015	\$ 808,844	\$ 4,194,686
Trustee's Collections - Prior Year	88,328	0	0	0	0	11,751	24,235	124,314
Circuit/Clerk & Master Collections - Prior Years	72,399	0	0	0	0	9,562	19,580	101,541
Interest and Penalty	17,967	0	0	0	0	2,422	5,061	25,450
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0	0	2,733
Payments in-Lieu-of Taxes - Local Utilities	158,517	0	0	0	0	0	0	158,517
Payments in-Lieu-of Taxes - Other	312,341	0	0	0	0	0	0	312,341
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	1,574,181	1,574,181
Hotel/Motel Tax	65,481	0	0	0	0	0	0	65,481
Wheel Tax	0	0	0	0	0	361,418	361,417	722,835
Litigation Tax - General	101,292	0	0	0	0	0	0	101,292
Litigation Tax - Special Purpose	53,895	0	0	0	0	0	0	53,895
Litigation Tax - Jail, Workhouse, or Courthouse	40,791	0	0	0	0	0	0	40,791
Business Tax	244,905	0	0	0	0	0	0	244,905
Mineral Severance Tax	0	0	0	0	0	73,769	0	73,769
<u>Statutory Local Taxes</u>								
Bank Excise Tax	106,088	0	0	0	0	0	0	106,088
Interstate Telecommunications Tax	0	0	0	0	0	0	3,960	3,960
Total Local Taxes	\$ 4,255,564	\$ 0	\$ 0	\$ 0	\$ 0	\$ 853,937	\$ 2,797,278	\$ 7,906,779
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 77,205	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,205
Total Licenses and Permits	\$ 77,205	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,205
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 2,562	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,562
Officers Costs	5,278	0	0	0	0	0	0	5,278
Drug Control Fines	0	0	48	0	0	0	0	48
Jail Fees	3,036	0	0	0	0	0	0	3,036

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
District Attorney General Fees	\$ 0	\$ 0	\$ 0	\$ 8,709	\$ 0	\$ 0	\$ 0	\$ 8,709
Judicial Commissioner Fees	12	0	0	0	0	0	0	12
DUI Treatment Fines	300	0	0	0	0	0	0	300
Data Entry Fee - Circuit Court	1,003	0	0	0	0	0	0	1,003
Courtroom Security Fee	479	0	0	0	0	0	0	479
<u>General Sessions Court</u>								
Fines	19,770	0	0	0	0	0	0	19,770
Officers Costs	43,292	0	0	0	0	0	0	43,292
Game and Fish Fines	1,550	0	0	0	0	0	0	1,550
Drug Control Fines	7,972	0	14,212	0	0	0	0	22,184
Jail Fees	52,703	0	0	0	0	0	0	52,703
Judicial Commissioner Fees	3,813	0	0	0	0	0	0	3,813
DUI Treatment Fines	11,238	0	0	0	0	0	0	11,238
Data Entry Fee - General Sessions Court	7,846	0	0	0	0	0	0	7,846
Courtroom Security Fee	4,994	0	0	0	0	0	0	4,994
<u>Juvenile Court</u>								
Fines	160	0	0	0	0	0	0	160
<u>Chancery Court</u>								
Officers Costs	3,071	0	0	0	0	0	0	3,071
Data Entry Fee - Chancery Court	1,722	0	0	0	0	0	0	1,722
Courtroom Security Fee	4	0	0	0	0	0	0	4
<u>Other Courts - In-county</u>								
Fines	23,507	0	0	0	0	0	0	23,507
<u>Courts in Other District Counties</u>								
District Attorney General Fees	0	0	0	5,829	0	0	0	5,829
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	5,462	0	0	0	0	5,462
Total Fines, Forfeitures, and Penalties	\$ 194,312	\$ 0	\$ 19,722	\$ 14,538	\$ 0	\$ 0	\$ 0	\$ 228,572
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 21,851	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,851

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>General Service Charges (Cont.)</u>								
Residential Waste Collection Charge	\$ 0	\$ 675,678	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 675,678
Patient Charges	2,933	0	0	0	0	0	0	2,933
<u>Fees</u>								
Copy Fees	467	0	0	0	0	0	0	467
Telephone Commissions	15,850	0	0	0	0	0	0	15,850
Vending Machine Collections	300	0	0	0	0	44	0	344
Constitutional Officers' Fees and Commissions	0	0	0	0	165	0	0	165
Special Commissioner Fees/Special Master Fees	0	0	0	0	3,489	0	0	3,489
Data Processing Fee - Register	14,952	0	0	0	0	0	0	14,952
Data Processing Fee - Sheriff	4,811	0	0	0	0	0	0	4,811
Sexual Offender Registration Fees - Sheriff	1,900	0	0	0	0	0	0	1,900
<u>Other Charges for Services</u>								
Other Charges for Services	2,185	0	0	0	0	0	0	2,185
Total Charges for Current Services	\$ 43,398	\$ 697,529	\$ 0	\$ 0	\$ 3,654	\$ 44	\$ 0	\$ 744,625
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 618,271	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 618,271
Lease/Rentals	81,705	0	0	0	0	0	4,800	86,505
Sale of Materials and Supplies	0	1,595	0	0	0	5,530	0	7,125
Commissary Sales	2,961	0	0	0	0	0	0	2,961
Miscellaneous Refunds	13,496	4,438	2,050	0	0	4,928	1	24,913
<u>Nonrecurring Items</u>								
Sale of Equipment	3,527	0	0	0	0	0	0	3,527
Contributions & Gifts	1,000	0	1,000	0	0	0	0	2,000
Total Other Local Revenues	\$ 720,960	\$ 6,033	\$ 3,050	\$ 0	\$ 0	\$ 10,458	\$ 4,801	\$ 745,302
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 374,371	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 374,371
Circuit Court Clerk	146,077	0	0	0	0	0	0	146,077
General Sessions Court Clerk	232,393	0	0	0	0	0	0	232,393

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees-In-Lieu of Salary (Cont.)</u>								
Clerk and Master	\$ 136,821	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	136,821
Register	202,518	0	0	0	0	0	0	202,518
Sheriff	5,412	0	0	0	0	0	0	5,412
Trustee	277,742	0	0	0	0	0	0	277,742
Total Fees Received from County Officials	\$ 1,375,334	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,375,334
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	8,256	0	0	0	0	0	0	8,256
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	10,893	0	0	0	0	0	0	10,893
<u>Health and Welfare Grants</u>								
Health Department Programs	265,990	0	0	0	0	0	0	265,990
Other Health and Welfare Grants	17,150	0	0	0	0	0	0	17,150
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	9,786	0	9,786
State Aid Program	0	0	0	0	0	281,299	0	281,299
Litter Program	26,998	0	0	0	0	0	0	26,998
<u>Other State Revenues</u>								
Alcoholic Beverage Tax	50,853	0	0	0	0	0	0	50,853
State Revenue Sharing - T.V.A.	540,171	0	0	0	0	0	0	540,171
Contracted Prisoner Boarding	463,435	0	0	0	0	0	0	463,435
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,889,834	0	1,889,834
Petroleum Special Tax	0	0	0	0	0	25,211	0	25,211
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	15,880	25,920	0	0	0	0	0	41,800
Other State Revenues	828	0	0	0	0	0	0	828
Total State of Tennessee	\$ 1,425,834	\$ 25,920	\$ 0	\$ 0	\$ 0	\$ 2,206,130	\$ 0	3,657,884

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 171,259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	171,259
Other Federal through State	325,171	0	0	0	0	0	0	325,171
Total Federal Government	\$ 496,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	496,430
<u>Other Governments and Citizens Groups</u>								
<u>Citizens Groups</u>								
Donations	\$ 3,531	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,531
Total Other Governments and Citizens Groups	\$ 3,531	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,531
Total	\$ 8,592,568	\$ 729,482	\$ 22,772	\$ 14,538	\$ 3,654	\$ 3,070,569	\$ 2,802,079	\$ 15,235,662

Exhibit K-7

Lincoln County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Extended School Program	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 3,444,482	\$ 0	\$ 0	\$ 3,444,482
Trustee's Collections - Prior Year	102,231	0	0	102,231
Circuit/Clerk & Master Collections - Prior Years	83,269	0	0	83,269
Interest and Penalty	21,036	0	0	21,036
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,597,239	0	0	2,597,239
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	117,115	0	0	117,115
Interstate Telecommunications Tax	4,255	0	0	4,255
Total Local Taxes	\$ 6,369,627	\$ 0	\$ 0	\$ 6,369,627
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,376	\$ 0	\$ 0	\$ 2,376
Total Licenses and Permits	\$ 2,376	\$ 0	\$ 0	\$ 2,376
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 49,176	\$ 0	\$ 0	\$ 49,176
Community Service Fees - Children	0	0	112,894	112,894
<u>Other Charges for Services</u>				
Other Charges for Services	22,496	0	0	22,496
Total Charges for Current Services	\$ 71,672	\$ 0	\$ 112,894	\$ 184,566
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Miscellaneous Refunds	\$ 21,789	\$ 0	\$ 0	\$ 21,789
<u>Nonrecurring Items</u>				
Sale of Equipment	19,656	0	0	19,656
Total Other Local Revenues	\$ 41,445	\$ 0	\$ 0	\$ 41,445
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 15,393,000	\$ 0	\$ 0	\$ 15,393,000
Early Childhood Education	291,018	0	0	291,018
School Food Service	22,159	0	0	22,159
Driver Education	17,502	0	0	17,502
Other State Education Funds	201,785	0	0	201,785
Career Ladder Program	218,786	0	0	218,786
Career Ladder - Extended Contract	108,284	0	0	108,284
<u>Other State Revenues</u>				
Income Tax	83,293	0	0	83,293
Beer Tax	18,753	0	0	18,753
Other State Grants	4,000	0	0	4,000
Other State Revenues	65,943	0	0	65,943
Total State of Tennessee	\$ 16,424,523	\$ 0	\$ 0	\$ 16,424,523

(Continued)

Exhibit K-7

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

	General Purpose School	School Federal Projects	Extended School Program	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 708,160	\$ 0	\$ 0	\$ 708,160
Breakfast	199,327	0	0	199,327
USDA - Other	8,029	0	0	8,029
Vocational Education - Basic Grants to States	0	96,640	0	96,640
Title I Grants to Local Education Agencies	0	559,504	0	559,504
Innovative Education Program Strategies	0	7,810	0	7,810
Special Education - Grants to States	0	833,069	0	833,069
Special Education Preschool Grants	0	34,430	0	34,430
Eisenhower Professional Development State Grants	0	174,576	0	174,576
Other Federal through State	193,889	20,410	0	214,299
Total Federal Government	\$ 1,109,405	\$ 1,726,439	\$ 0	\$ 2,835,844
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 8,764	\$ 0	\$ 0	\$ 8,764
Total Other Governments and Citizens Groups	\$ 8,764	\$ 0	\$ 0	\$ 8,764
Total	\$ 24,027,812	\$ 1,726,439	\$ 112,894	\$ 25,867,145

Exhibit K-8

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	82,106	
Social Security		5,078	
Employer Medicare		1,188	
Contributions		8,764	
Dues and Memberships		1,700	
Postal Charges		1,502	
Other Charges		24,999	
Total County Commission			\$ 125,337

County Mayor/Executive

County Official/Administrative Officer	\$	64,582	
Secretary(ies)		15,541	
Clerical Personnel		21,938	
Other Salaries & Wages		7,934	
Social Security		6,786	
State Retirement		4,736	
Medical Insurance		2,700	
Employer Medicare		1,587	
Communication		2,910	
Dues and Memberships		4,324	
Legal Notices, Recording, and Court Costs		22	
Postal Charges		1,611	
Travel		2,195	
Duplicating Supplies		1,055	
Office Supplies		4,103	
Periodicals		2,623	
Office Equipment		350	
Total County Mayor/Executive			144,997

County Attorney

County Official/Administrative Officer	\$	6,622	
Social Security		411	
Employer Medicare		96	
Other Contracted Services		10,274	
Other Charges		1,500	
Total County Attorney			18,903

Election Commission

County Official/Administrative Officer	\$	50,462	
Deputy(ies)		37,650	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	11,475	
Election Workers		51,106	
Social Security		7,087	
State Retirement		4,904	
Medical Insurance		10,028	
Employer Medicare		1,657	
Communication		895	
Data Processing Services		1,706	
Legal Notices, Recording, and Court Costs		7,611	
Maintenance Agreements		1,853	
Postal Charges		4,957	
Printing, Stationery, and Forms		3,708	
Other Contracted Services		16,727	
Duplicating Supplies		919	
Office Supplies		3,355	
Other Supplies and Materials		3,104	
In Service/Staff Development		5,005	
Office Equipment		4,400	
Voting Machines		224,622	
Total Election Commission			\$ 453,231

Register of Deeds

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		65,278	
Social Security		7,483	
State Retirement		6,643	
Medical Insurance		2,372	
Employer Medicare		1,750	
Communication		998	
Data Processing Services		13,831	
Dues and Memberships		600	
Postal Charges		1,159	
Duplicating Supplies		780	
Office Supplies		6,934	
In Service/Staff Development		1,854	
Office Equipment		1,657	
Total Register of Deeds			167,408

Planning

Board and Committee Members Fees	\$	6,100	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Contracts with Government Agencies	\$	10,500	
Other Charges		4,674	
Total Planning			\$ 21,274

County Buildings

Custodial Personnel	\$	32,174	
Social Security		1,995	
State Retirement		754	
Employer Medicare		467	
Communication		789	
Janitorial Services		22,146	
Maintenance & Repair Services - Buildings		37,668	
Maintenance & Repair Services - Equipment		24,292	
Pest Control		864	
Other Contracted Services		903	
Custodial Supplies		11,075	
Electricity		71,962	
Natural Gas		14,704	
Water and Sewer		2,658	
Other Supplies and Materials		10	
Building and Contents Insurance		251,040	
Other Construction		55,082	
Total County Buildings			528,583

Preservation of Records

Board and Committee Members Fees	\$	2,400	
Social Security		149	
Employer Medicare		35	
Other Contracted Services		9,972	
Office Supplies		1,667	
Other Charges		1,377	
Office Equipment		757	
Total Preservation of Records			16,357

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	56,069	
Accountants/Bookkeepers		110,374	
Social Security		9,671	
State Retirement		9,098	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Medical Insurance	\$	14,124	
Employer Medicare		2,262	
Communication		3,431	
Contracts with Government Agencies		7,246	
Data Processing Services		5,890	
Dues and Memberships		1,399	
Legal Notices, Recording, and Court Costs		1,841	
Maintenance Agreements		1,289	
Postal Charges		4,638	
Printing, Stationery, and Forms		3,173	
Travel		1,031	
Duplicating Supplies		1,649	
Office Supplies		4,824	
Other Supplies and Materials		883	
In Service/Staff Development		484	
Office Equipment		362	
Total Accounting and Budgeting			\$ 239,738

Property Assessor's Office

County Official/Administrative Officer	\$	56,069
Deputy(ies)		34,636
Other Salaries & Wages		12,425
Board and Committee Members Fees		2,750
Social Security		6,321
State Retirement		4,858
Medical Insurance		5,144
Employer Medicare		1,478
Communication		1,153
Contracts with Private Agencies		3,225
Data Processing Services		4,158
Dues and Memberships		1,305
Legal Notices, Recording, and Court Costs		404
Maintenance Agreements		5,038
Postal Charges		5,811
Travel		830
Duplicating Supplies		813
Gasoline		3,034
Office Supplies		1,626
In Service/Staff Development		1,214
Other Charges		139

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Office Equipment	\$ 1,425	
Total Property Assessor's Office		\$ 153,856

Reappraisal Program

Deputy(ies)	\$ 14,278	
Secretary(ies)	22,097	
Other Salaries & Wages	32,964	
Social Security	4,194	
State Retirement	3,014	
Medical Insurance	7,074	
Employer Medicare	981	
Data Processing Services	7,804	
Total Reappraisal Program		92,406

County Trustee's Office

County Official/Administrative Officer	\$ 56,069	
Deputy(ies)	48,619	
Other Salaries & Wages	10,957	
Social Security	7,098	
State Retirement	5,731	
Medical Insurance	5,065	
Employer Medicare	1,660	
Communication	972	
Contracts with Government Agencies	9,585	
Data Processing Services	4,292	
Dues and Memberships	610	
Legal Notices, Recording, and Court Costs	121	
Maintenance Agreements	2,439	
Postal Charges	5,365	
Duplicating Supplies	320	
Office Supplies	3,289	
In Service/Staff Development	2,807	
Office Equipment	44	
Total County Trustee's Office		165,043

County Clerk's Office

County Official/Administrative Officer	\$ 56,069
Deputy(ies)	90,349
Social Security	8,987
State Retirement	8,015

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Medical Insurance	\$	6,224	
Employer Medicare		2,102	
Communication		1,057	
Data Processing Services		6,108	
Dues and Memberships		625	
Maintenance Agreements		5,547	
Postal Charges		6,572	
Printing, Stationery, and Forms		3,043	
Duplicating Supplies		977	
Office Supplies		1,294	
In Service/Staff Development		221	
Office Equipment		737	
Total County Clerk's Office			\$ 197,927

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Clerical Personnel		193,774	
Other Salaries & Wages		3,915	
Jury and Witness Fees		7,469	
Social Security		15,533	
State Retirement		13,560	
Medical Insurance		13,152	
Employer Medicare		3,633	
Communication		4,074	
Data Processing Services		2,795	
Dues and Memberships		615	
Legal Notices, Recording, and Court Costs		190	
Maintenance Agreements		1,440	
Postal Charges		2,289	
Printing, Stationery, and Forms		4,193	
Travel		105	
Other Contracted Services		2,700	
Duplicating Supplies		1,333	
Office Supplies		7,831	
In Service/Staff Development		3,146	
Office Equipment		7,749	
Total Circuit Court			345,565

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	112,881	
Social Security		6,817	
State Retirement		6,179	
Medical Insurance		1,356	
Employer Medicare		1,594	
Communication		838	
Travel		1,674	
Office Supplies		66	
Total General Sessions Court			\$ 131,405

Chancery Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		80,017	
Other Salaries & Wages		3,570	
Social Security		8,520	
State Retirement		7,019	
Medical Insurance		9,768	
Employer Medicare		1,992	
Communication		1,888	
Data Processing Services		11,337	
Dues and Memberships		515	
Legal Notices, Recording, and Court Costs		2,000	
Postal Charges		3,114	
Printing, Stationery, and Forms		256	
Duplicating Supplies		680	
Office Supplies		4,771	
In Service/Staff Development		1,349	
Total Chancery Court			192,865

Juvenile Court

Assistant(s)	\$	28,145	
Youth Service Officer(s)		24,582	
Salary Supplements		10,000	
Other Salaries & Wages		21,082	
Social Security		5,078	
State Retirement		4,497	
Medical Insurance		5,065	
Employer Medicare		1,187	
Communication		2,220	
Postal Charges		195	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Travel	\$	2,738	
Other Contracted Services		18,358	
Office Supplies		2,001	
Total Juvenile Court			\$ 125,148

Judicial Commissioners

Other Salaries & Wages	\$	25,773	
Social Security		1,598	
Employer Medicare		374	
Communication		310	
Total Judicial Commissioners			28,055

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Assistant(s)		37,397	
Deputy(ies)		322,730	
Investigator(s)		130,564	
Captain(s)		6,413	
Sergeant(s)		135,499	
Accountants/Bookkeepers		24,514	
Salary Supplements		10,893	
School Resource Officer		15,412	
Overtime Pay		31,786	
Social Security		48,213	
State Retirement		39,257	
Medical Insurance		59,355	
Employer Medicare		11,276	
Communication		86,292	
Contracts with Government Agencies		158,417	
Contributions		5,000	
Dues and Memberships		1,800	
Maintenance & Repair Services - Equipment		2,810	
Maintenance & Repair Services - Office Equipment		2,027	
Maintenance & Repair Services - Vehicles		32,638	
Medical and Dental Services		10,648	
Postal Charges		6,637	
Tow-in Services		1,971	
Travel		86	
Duplicating Supplies		2,082	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Gasoline	\$	67,209	
Law Enforcement Supplies		4,560	
Office Supplies		5,002	
Uniforms		8,897	
Other Supplies and Materials		1,460	
In Service/Staff Development		8,007	
Other Charges		3,116	
Administration Equipment		430	
Communication Equipment		505	
Law Enforcement Equipment		5,862	
Motor Vehicles		96,032	
Office Equipment		1,952	
Total Sheriff's Department			\$ 1,448,425

Jail

Supervisor/Director	\$	29,244
Lieutenant(s)		30,315
Sergeant(s)		135,173
Guards		472,521
Cafeteria Personnel		49,967
Maintenance Personnel		8,731
Overtime Pay		34,153
Social Security		45,930
State Retirement		36,284
Medical Insurance		74,900
Employer Medicare		10,742
Communication		1,934
Data Processing Services		7,861
Legal Services		791
Maintenance & Repair Services - Buildings		42,814
Maintenance & Repair Services - Equipment		20,003
Maintenance & Repair Services - Office Equipment		140
Maintenance & Repair Services - Vehicles		2,709
Medical and Dental Services		93,946
Pest Control		540
Postal Charges		2,000
Transportation - Other than Students		5,810
Custodial Supplies		56,946
Drugs and Medical Supplies		21,695
Duplicating Supplies		2,189

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Electricity	\$	45,900	
Food Supplies		176,338	
Gasoline		19,156	
Natural Gas		23,905	
Office Supplies		7,161	
Prisoners Clothing		9,764	
Uniforms		8,525	
Water and Sewer		32,640	
Other Supplies and Materials		6,667	
In Service/Staff Development		3,790	
Other Charges		1,362	
Communication Equipment		1,761	
Maintenance Equipment		476	
Office Equipment		4,794	
Total Jail			\$ 1,529,577

Fire Prevention and Control

Dues and Memberships	\$	110	
Maintenance & Repair Services - Buildings		1,656	
Maintenance & Repair Services - Equipment		10,925	
Maintenance & Repair Services - Vehicles		15,013	
Postal Charges		239	
Travel		378	
Electricity		12,593	
Gasoline		15,029	
Natural Gas		14,401	
Office Supplies		1,029	
Uniforms		4,317	
Water and Sewer		2,757	
Other Supplies and Materials		7,260	
Liability Insurance		2,810	
In Service/Staff Development		3,527	
Other Equipment		4,067	
Other Capital Outlay		550	
Total Fire Prevention and Control			96,661

Civil Defense

Supervisor/Director	\$	38,282	
Deputy(ies)		27,596	
Part-time Personnel		16,725	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Social Security	\$	5,050	
State Retirement		3,606	
Medical Insurance		5,065	
Employer Medicare		1,181	
Communication		3,632	
Data Processing Services		232	
Dues and Memberships		105	
Engineering Services		47,032	
Legal Notices, Recording, and Court Costs		16	
Maintenance & Repair Services - Buildings		144	
Maintenance & Repair Services - Equipment		1,865	
Maintenance & Repair Services - Vehicles		8,747	
Pest Control		168	
Postal Charges		128	
Travel		1,960	
Custodial Supplies		145	
Duplicating Supplies		638	
Electricity		4,396	
Gasoline		4,012	
Natural Gas		3,027	
Office Supplies		1,423	
Road Signs		824	
Uniforms		59	
Water and Sewer		541	
Other Supplies and Materials		940	
In Service/Staff Development		664	
Other Charges		479	
Office Equipment		1,620	
Other Capital Outlay		128,776	
Total Civil Defense			\$ 309,078

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	201,591
Social Security		12,444
State Retirement		4,485
Medical Insurance		3,741
Employer Medicare		2,910
Communication		3,851
Contracts with Government Agencies		60,000

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Janitorial Services	\$	9,597	
Maintenance & Repair Services - Equipment		977	
Medical and Dental Services		15,896	
Pest Control		216	
Postal Charges		522	
Travel		8,343	
Drugs and Medical Supplies		1,267	
Electricity		9,856	
Natural Gas		1,261	
Office Supplies		1,872	
Periodicals		154	
Water and Sewer		785	
Other Supplies and Materials		836	
Other Charges		1,303	
Office Equipment		2,187	
Other Construction		49,309	
Total Local Health Center			\$ 393,403

Maternal and Child Health Services

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

Other Local Health Services

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

Regional Mental Health Center

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

Other Local Welfare Services

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

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries & Wages		23,958	
Social Security		1,560	
State Retirement		1,377	
Employer Medicare		365	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Contracts with Private Agencies	\$ 20,848	
Instructional Supplies and Materials	8,600	
Other Charges	4,337	
Total Sanitation Management		\$ 62,245

Other Public Health and Welfare

Contributions	\$ 25,000	
Other Charges	750	
Total Other Public Health and Welfare		25,750

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 13,004	
Total Adult Activities		13,004

Libraries

Contributions	\$ 61,366	
Total Libraries		61,366

Parks and Fair Boards

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

Agriculture & Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$ 550	
Communication	2,969	
Contracts with Other Public Agencies	73,056	
Duplicating Supplies	663	
Office Supplies	365	
Office Equipment	1,892	
Total Agriculture Extension Service		79,495

Forest Service

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

Soil Conservation

Secretary(ies)	\$ 14,256	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation (Cont.)

Social Security	\$	850	
State Retirement		780	
Medical Insurance		2,671	
Employer Medicare		199	
Other Charges		2,424	
Total Soil Conservation			\$ 21,180

Other Operations

Industrial Development

Contributions	\$	82,200	
Total Industrial Development			82,200

Other Economic and Community Development

Contributions	\$	12,460	
Travel		9,236	
Other Charges		78,056	
Total Other Economic and Community Development			99,752

Airport

Airport Improvement	\$	25,861	
Total Airport			25,861

Veterans' Services

Clerical Personnel	\$	10,610	
Social Security		658	
Employer Medicare		154	
Communication		566	
Postal Charges		43	
Travel		640	
Gasoline		88	
Office Supplies		85	
Total Veterans' Services			12,844

Contributions to Other Agencies

Contributions	\$	4,900	
Other Charges		10,000	
Total Contributions to Other Agencies			14,900

Miscellaneous

Unemployment Compensation	\$	14,840	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Communication	\$	799	
Dues and Memberships		4,609	
Medical and Dental Services		8,400	
Premiums on Corporate Surety Bonds		22,840	
Trustee's Commission		87,231	
Workers' Compensation Insurance		75,486	
Other Self-Insured Claims		68,444	
Other Charges		45,721	
Other Construction		13,635	
Other Capital Outlay		32,976	
Total Miscellaneous			\$ 374,981

Total General Fund \$ 7,871,434

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$	20,000	
Total Sanitation Management			\$ 20,000

Convenience Centers

Part-time Personnel	\$	14,589	
Social Security		905	
Employer Medicare		212	
Communication		478	
Contracts with Other Public Agencies		68,389	
Maintenance & Repair Services - Equipment		2,042	
Electricity		1,269	
Water and Sewer		292	
Other Supplies and Materials		75	
Other Capital Outlay		5,056	
Total Convenience Centers			93,307

Other Waste Disposal

Clerical Personnel	\$	18,561	
Social Security		1,151	
State Retirement		1,016	
Unemployment Compensation		124	
Employer Medicare		269	
Contracts with Other Public Agencies		305,791	

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Travel	\$	182	
Disposal Fees		55,239	
Office Supplies		2,059	
Trustee's Commission		6,974	
In Service/Staff Development		100	
Other Charges		204	
Administration Equipment		1,565	
Total Other Waste Disposal			\$ 393,235

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$	20,476	
Total Postclosure Care Costs			20,476

Total Solid Waste/Sanitation Fund \$ 527,018

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Maintenance Agreements		3,282	
Tow-in Services		1,240	
Instructional Supplies and Materials		124	
Law Enforcement Supplies		8,678	
Trustee's Commission		255	
In Service/Staff Development		2,019	
Other Charges		775	
Motor Vehicles		13,500	
Total Drug Enforcement			\$ 32,873

Total Drug Control Fund 32,873

District Attorney General Fund

Administration of Justice

District Attorney General

Dues and Memberships	\$	245	
Travel		1,800	
Periodicals		357	
Trustee's Commission		137	
Other Charges		1,700	
Total District Attorney General			\$ 4,239

Total District Attorney General Fund 4,239

(Continued)

Exhibit K-8

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

Other Special Revenue Fund

Other Operations

Miscellaneous

Contributions	\$ 350,000	
Other Construction	130,822	
Total Miscellaneous		\$ 480,822

Total Other Special Revenue Fund \$ 480,822

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Bank Charges	\$ 43	
Total Register of Deeds		\$ 43

Finance

County Trustee's Office

Bank Charges	\$ 100	
Total County Trustee's Office		100

County Clerk's Office

Bank Charges	\$ 22	
Total County Clerk's Office		22

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 3,489	
Total Chancery Court		3,489

Total Constitutional Officers - Fees Fund 3,654

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,676
Assistant(s)	31,696
Accountants/Bookkeepers	24,427
Social Security	7,096
State Retirement	6,449
Medical Insurance	12,156
Employer Medicare	1,660
Communication	4,277
Dues and Memberships	3,856

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Janitorial Services	\$	1,920	
Legal Services		889	
Legal Notices, Recording, and Court Costs		714	
Maintenance & Repair Services - Office Equipment		920	
Postal Charges		339	
Printing, Stationery, and Forms		318	
Travel		1,225	
Electricity		4,662	
Office Supplies		387	
Water and Sewer		1,015	
Other Self-Insured Claims		18,083	
Office Equipment		1,616	
Total Administration			\$ 185,381

Highway and Bridge Maintenance

Foremen	\$	57,969	
Equipment Operators		159,301	
Truck Drivers		124,379	
Laborers		88,601	
Social Security		25,953	
State Retirement		20,916	
Medical Insurance		58,985	
Employer Medicare		6,070	
Other Contracted Services		16,736	
Asphalt		352,029	
Asphalt - Hot Mix		427,689	
Concrete		4,144	
Crushed Stone		5,332	
General Construction Materials		3,051	
Pipe - Metal		60,470	
Road Signs		17,106	
Wood Products		1,470	
Total Highway and Bridge Maintenance			1,430,201

Operation and Maintenance of Equipment

Mechanic(s)	\$	86,386	
Social Security		5,356	
State Retirement		4,729	
Employer Medicare		1,253	
Laundry Service		2,322	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance & Repair Services - Equipment	\$	20,874	
Diesel Fuel		110,025	
Equipment and Machinery Parts		74,018	
Garage Supplies		6,518	
Gasoline		37,776	
Lubricants		9,069	
Propane Gas		9,148	
Small Tools		895	
Tires and Tubes		45,698	
Other Supplies and Materials		301	
Total Operation and Maintenance of Equipment			\$ 414,368

Quarry Operations

Foremen	\$	25,641	
Equipment Operators		20,947	
Truck Drivers		24,280	
Social Security		4,257	
State Retirement		3,880	
Medical Insurance		9,634	
Employer Medicare		996	
Explosive and Drilling Services		21,182	
Maintenance & Repair Services - Equipment		44,288	
Electricity		25,680	
Water and Sewer		1,030	
In Service/Staff Development		400	
Total Quarry Operations			182,215

Other Charges

Electricity	\$	314	
Trustee's Commission		30,874	
Vehicle and Equipment Insurance		83,152	
Total Other Charges			114,340

Employee Benefits

Unemployment Compensation	\$	3,259	
Workers' Compensation Insurance		49,394	
Total Employee Benefits			52,653

Capital Outlay

Engineering Services	\$	6,000	
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(Continued)

Exhibit K-8

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Highways (Cont.)</u>		
<u>Capital Outlay (Cont.)</u>		
Bridge Construction	\$ 12,985	
Highway Equipment	339,040	
Other Construction	<u>35,512</u>	
Total Capital Outlay		<u>\$ 393,537</u>
Total Highway/Public Works Fund		\$ 2,772,695
 <u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 120,000	
Total General Government		\$ 120,000
 <u>Education</u>		
Principal on Bonds	\$ 1,300,000	
Principal on Other Loans	<u>200,009</u>	
Total Education		1,500,009
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 13,387	
Total General Government		13,387
 <u>Education</u>		
Interest on Bonds	\$ 862,276	
Interest on Other Loans	<u>169,455</u>	
Total Education		1,031,731
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 20,390	
Total General Government		20,390
 <u>Education</u>		
Other Debt Issuance Charges	\$ 88,969	
Total Education		<u>88,969</u>
Total General Debt Service Fund		<u>2,774,486</u>
Total Governmental Funds - Primary Government		<u>\$ 14,467,221</u>

Exhibit K-9

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,187,356	
Career Ladder Program	133,660	
Career Ladder Extended Contracts	95,000	
Educational Assistants	355,084	
Other Salaries & Wages	84,391	
Certified Substitute Teachers	10,908	
Non-certified Substitute Teachers	82,065	
Social Security	527,809	
State Retirement	532,314	
Employee and Dependent Insurance	39,558	
Medical Insurance	643,017	
Unemployment Compensation	31,961	
Employer Medicare	123,439	
Maintenance & Repair Services - Equipment	23,772	
Instructional Supplies and Materials	116,367	
Textbooks	261,001	
Other Supplies and Materials	2,498	
Fee Waivers	46,193	
Other Charges	2,741	
Furniture and Fixtures	13,973	
Regular Instruction Equipment	161,614	
Total Regular Instruction Program		\$ 11,474,721

Alternative Instruction Program

Teachers	\$ 116,269	
Career Ladder Program	2,000	
Social Security	6,807	
State Retirement	7,250	
Medical Insurance	13,517	
Employer Medicare	1,592	
Total Alternative Instruction Program		147,435

Special Education Program

Teachers	\$ 1,013,315
Career Ladder Program	11,000
Educational Assistants	382,921
Speech Pathologist	67,736
Certified Substitute Teachers	3,368
Non-certified Substitute Teachers	19,180

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	88,586	
State Retirement		85,015	
Employee and Dependent Insurance		37,530	
Medical Insurance		89,099	
Employer Medicare		20,718	
Contracts with Other Public Agencies		10,300	
Contracts with Private Agencies		483	
Maintenance & Repair Services - Equipment		3,190	
Instructional Supplies and Materials		20,430	
Special Education Equipment		15,542	
Total Special Education Program			\$ 1,868,413

Vocational Education Program

Teachers	\$	763,655	
Career Ladder Program		11,515	
Non-certified Substitute Teachers		1,040	
Social Security		44,914	
State Retirement		47,477	
Medical Insurance		71,001	
Employer Medicare		10,504	
Maintenance & Repair Services - Equipment		4,959	
Instructional Supplies and Materials		30,077	
Vocational Instruction Equipment		8,621	
Total Vocational Education Program			993,763

Student Body Education Program

Other Salaries & Wages	\$	44,551	
Social Security		2,681	
State Retirement		1,635	
Employer Medicare		627	
Other Charges		10,630	
Total Student Body Education Program			60,124

Support Services

Attendance

Supervisor/Director	\$	65,554	
Career Ladder Program		2,000	
Other Salaries & Wages		23,186	
Social Security		5,310	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	5,410	
Medical Insurance		6,491	
Employer Medicare		1,242	
Travel		2,839	
Total Attendance			\$ 112,032

Health Services

Medical Personnel	\$	151,476	
Social Security		9,267	
State Retirement		7,397	
Employee and Dependent Insurance		8,407	
Employer Medicare		2,167	
Travel		54	
Drugs and Medical Supplies		814	
Total Health Services			179,582

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		388,593	
Social Workers		20,000	
School Resource Officer		15,000	
Other Salaries & Wages		46,130	
Social Security		28,030	
State Retirement		28,173	
Medical Insurance		18,364	
Employer Medicare		6,555	
Evaluation and Testing		14,055	
Travel		15,072	
Other Contracted Services		10,000	
Instructional Supplies and Materials		324	
Other Supplies and Materials		148,753	
In Service/Staff Development		10,445	
Other Charges		3,500	
Other Equipment		5,000	
Total Other Student Support			764,994

Regular Instruction Program

Supervisor/Director	\$	66,432
Career Ladder Program		10,000

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Librarians	\$	378,638	
Instructional Computer Personnel		79,136	
Other Salaries & Wages		35,440	
Social Security		34,438	
State Retirement		34,687	
Employee and Dependent Insurance		4,690	
Medical Insurance		25,274	
Employer Medicare		8,054	
Maintenance & Repair Services - Equipment		250	
Postal Charges		149	
Travel		14,669	
Instructional Supplies and Materials		5,106	
Library Books/Media		13,069	
Other Supplies and Materials		2,865	
In Service/Staff Development		22,726	
Other Charges		12,684	
Other Equipment		31,330	
Total Regular Instruction Program			\$ 779,637

Special Education Program

Supervisor/Director	\$	48,600	
Social Security		2,930	
State Retirement		2,979	
Medical Insurance		3,418	
Employer Medicare		685	
Travel		3,360	
Other Supplies and Materials		1,000	
In Service/Staff Development		5,143	
Total Special Education Program			68,115

Vocational Education Program

Supervisor/Director	\$	50,779	
Career Ladder Program		1,000	
Clerical Personnel		12,088	
Social Security		3,960	
State Retirement		3,836	
Medical Insurance		607	
Employer Medicare		926	
Travel		9,678	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

In Service/Staff Development	\$	2,422	
Other Charges		<u>5,021</u>	
Total Vocational Education Program			\$ 90,317

Board of Education

Secretary to Board	\$	750	
Other Salaries & Wages		8,759	
Board and Committee Members Fees		26,220	
Social Security		2,204	
State Retirement		581	
Employer Medicare		516	
Audit Services		10,150	
Dues and Memberships		7,341	
Legal Services		2,687	
Travel		2,146	
Liability Insurance		186,100	
Trustee's Commission		120,483	
Workers' Compensation Insurance		181,545	
Liability Claims		87,739	
Criminal Investigation of Applicants - TBI		8,400	
Other Charges		<u>24,449</u>	
Total Board of Education			670,070

Director of Schools

County Official/Administrative Officer	\$	86,280	
Secretary(ies)		37,456	
Social Security		7,900	
State Retirement		7,634	
Employee and Dependent Insurance		4,832	
Medical Insurance		5,140	
Employer Medicare		1,848	
Communication		25,465	
Postal Charges		1,581	
Travel		7,994	
Office Supplies		8,173	
Other Charges		593	
Administration Equipment		6,637	
Health Equipment		<u>7,020</u>	
Total Director of Schools			208,553

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Assistant(s)	\$	118,733	
Principals		495,462	
Career Ladder Program		12,000	
Clerical Personnel		171,068	
Social Security		47,981	
State Retirement		46,928	
Employee and Dependent Insurance		1,697	
Medical Insurance		35,317	
Employer Medicare		11,221	
Communication		14,066	
Contributions		40,000	
Total Office of the Principal			\$ 994,473

Operation of Plant

Custodial Personnel	\$	377,738	
Social Security		22,673	
State Retirement		15,607	
Employee and Dependent Insurance		51,340	
Employer Medicare		5,302	
Janitorial Services		10,705	
Other Contracted Services		8,525	
Custodial Supplies		67,594	
Electricity		924,490	
Natural Gas		245,897	
Water and Sewer		75,761	
Other Charges		13,595	
Total Operation of Plant			1,819,227

Maintenance of Plant

Supervisor/Director	\$	67,946	
Maintenance Personnel		118,145	
Other Salaries & Wages		52,796	
Social Security		14,590	
State Retirement		12,829	
Employee and Dependent Insurance		11,789	
Medical Insurance		2,944	
Employer Medicare		3,412	
Maintenance & Repair Services - Buildings		91,960	
Maintenance & Repair Services - Equipment		150,108	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

General Construction Materials	\$	21,069	
Other Supplies and Materials		55,120	
Other Charges		23,714	
Total Maintenance of Plant			\$ 626,422

Transportation

Supervisor/Director	\$	62,943	
Mechanic(s)		79,317	
Bus Drivers		436,446	
Other Salaries & Wages		19,920	
Social Security		35,664	
State Retirement		31,323	
Employee and Dependent Insurance		72,934	
Medical Insurance		2,944	
Employer Medicare		8,341	
Communication		1,988	
Medical and Dental Services		5,220	
Gasoline		218,115	
Lubricants		3,120	
Tires and Tubes		19,520	
Vehicle Parts		91,408	
Other Supplies and Materials		5,873	
Other Charges		356	
Motor Vehicles		22,913	
Transportation Equipment		307,897	
Total Transportation			1,426,242

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	62,276
Social Security		3,761
State Retirement		3,818
Medical Insurance		3,513
Employer Medicare		880
Maintenance & Repair Services - Equipment		893
Payments to Schools - Breakfast		199,327
Payments to Schools - Lunch		708,160
Payments to Schools - Other USDA		8,029
Travel		2,684

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Contracted Services	\$	944	
Other Supplies and Materials		3,603	
In Service/Staff Development		860	
Other Charges		2,881	
Total Food Service			\$ 1,001,629

Community Services

Other Salaries & Wages	\$	97,480	
Social Security		6,017	
State Retirement		2,523	
Employer Medicare		1,407	
Travel		3,042	
Other Supplies and Materials		21,708	
In Service/Staff Development		15,164	
Other Charges		400	
Other Equipment		8,433	
Total Community Services			156,174

Early Childhood Education

Teachers	\$	224,656	
Educational Assistants		85,153	
Other Salaries & Wages		28,365	
Non-certified Substitute Teachers		720	
Social Security		20,663	
State Retirement		18,250	
Employee and Dependent Insurance		13,007	
Medical Insurance		3,434	
Employer Medicare		4,833	
Postal Charges		39	
Travel		11,529	
Instructional Supplies and Materials		41,186	
Textbooks		25,734	
Other Supplies and Materials		345	
In Service/Staff Development		1,615	
Other Equipment		177,714	
Total Early Childhood Education			657,243

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Other Construction	\$ 290,474	
Other Capital Outlay	147,602	
Total Regular Capital Outlay		\$ 438,076

Total General Purpose School Fund \$ 24,537,242

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 303,728	
Educational Assistants	33,034	
Non-certified Substitute Teachers	2,205	
Social Security	17,953	
State Retirement	20,169	
Employee and Dependent Insurance	4,289	
Medical Insurance	12,420	
Employer Medicare	4,199	
Instructional Supplies and Materials	8,941	
Total Regular Instruction Program		\$ 406,938

Alternative Instruction Program

Teachers	\$ 43,399	
Social Security	2,691	
State Retirement	2,660	
Employer Medicare	629	
Total Alternative Instruction Program		49,379

Special Education Program

Teachers	\$ 41,818	
Educational Assistants	152,460	
Speech Pathologist	81,115	
Other Salaries & Wages	80,234	
Non-certified Substitute Teachers	29	
Social Security	21,559	
State Retirement	19,835	
Medical Insurance	17,694	
Employer Medicare	5,042	
Contracts with Other Public Agencies	85,182	
Contracts with Private Agencies	2,713	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$ 25,047	
Total Special Education Program		\$ 532,728

Vocational Education Program

Other Supplies and Materials	\$ 53,877	
Vocational Instruction Equipment	54,408	
Total Vocational Education Program		108,285

Support Services

Health Services

Medical Personnel	\$ 51,947	
Social Security	3,221	
State Retirement	2,844	
Employer Medicare	753	
Total Health Services		58,765

Other Student Support

Social Workers	\$ 16,500	
Attendants	3,400	
Other Salaries & Wages	49,970	
Social Security	4,169	
State Retirement	4,344	
Medical Insurance	6,973	
Employer Medicare	975	
Evaluation and Testing	240	
Travel	790	
Instructional Supplies and Materials	742	
Other Charges	2,605	
Total Other Student Support		90,708

Regular Instruction Program

Supervisor/Director	\$ 73,201
Secretary(ies)	19,456
Other Salaries & Wages	46,636
Social Security	8,123
State Retirement	8,411
Employee and Dependent Insurance	4,249
Medical Insurance	10,971
Employer Medicare	1,900

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Maintenance & Repair Services - Equipment	\$	499	
Travel		1,429	
Other Contracted Services		446	
Other Supplies and Materials		6,608	
In Service/Staff Development		79,532	
Total Regular Instruction Program			\$ 261,461

Special Education Program

Supervisor/Director	\$	9,720	
Psychological Personnel		47,684	
Clerical Personnel		11,039	
Social Security		4,227	
State Retirement		4,123	
Medical Insurance		95	
Employer Medicare		989	
Travel		9,344	
In Service/Staff Development		23,307	
Total Special Education Program			110,528

Vocational Education Program

In Service/Staff Development	\$	5,918	
Total Vocational Education Program			5,918

Transportation

Bus Drivers	\$	53,312	
Other Salaries & Wages		10,827	
Social Security		3,884	
State Retirement		3,269	
Medical Insurance		4,560	
Employer Medicare		908	
Transportation Equipment		38,002	
Total Transportation			114,762

Total School Federal Projects Fund \$ 1,739,472

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	13,924	
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(Continued)

Exhibit K-9

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

Extended School Program Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Salaries & Wages	\$ 72,824	
Social Security	5,378	
State Retirement	4,562	
Employer Medicare	1,258	
Other Charges	<u>9,875</u>	
Total Community Services		<u>\$ 107,821</u>

Total Extended School Program Fund \$ 107,821

Total Governmental Funds - Lincoln County School Department \$ 26,384,535

Exhibit K-10

Lincoln County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 752,971	\$ 752,971
Trustee's Collections - Prior Years	0	22,433	22,433
Circuit/Clerk & Master Collections - Prior Years	0	18,273	18,273
Interest and Penalty	0	4,616	4,616
Local Option Sales Tax	1,604,886	572,916	2,177,802
Wholesale Beer Tax	0	25,700	25,700
Interstate Telecommunications Tax	0	890	890
Marriage Licenses	0	522	522
Income Tax	0	15,755	15,755
Total Cash Receipts	<u>\$ 1,604,886</u>	<u>\$ 1,414,076</u>	<u>\$ 3,018,962</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,604,886	\$ 1,397,063	\$ 3,001,949
Trustee's Commission	0	16,310	16,310
Total Cash Disbursements	<u>\$ 1,604,886</u>	<u>\$ 1,413,373</u>	<u>\$ 3,018,259</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 703	\$ 703
Cash Balance, July 1, 2006	0	65,639	65,639
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 66,342</u>	<u>\$ 66,342</u>

SINGLE AUDIT SECTION



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

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

January 8, 2008

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

To the Lincoln County Executive and
Board of County Commissioners,

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated January 8, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lincoln County Health System, Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting: 7.01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lincoln County's internal control.

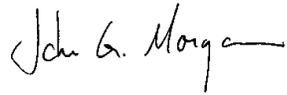
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu



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 8, 2008

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

To the Lincoln County Executive and
Board of County Commissioners

Compliance

We have audited the compliance of Lincoln County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs, except as follows, for the year ended June 30, 2007. Other auditors have audited the compliance of Lincoln County with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) for the year ended June 30, 2007. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on Lincoln County's compliance with those requirements.

In our opinion, based on our audit and the report of other auditors, Lincoln County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no instances involving the internal control over compliance that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year

ended June 30, 2007, and have issued our report thereon dated January 8, 2008. 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 management, the county executive, director of schools, highway superintendent, Board of County Commissioners, Board of Education, others within Lincoln County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a horizontal line extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

Lincoln County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 1,147,247
Passed-through State Department of Agriculture:			
Food Distribution (Noncash Assistance)	10.550	(2)	85,840
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	199,327
National School Lunch Program	10.555	(2)	716,189
Total U.S. Department of Agriculture			\$ 2,148,603
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-48	\$ 73,772
Total U.S. Department of Housing and Urban Development			\$ 73,772
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 558,702
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	832,006
Special Education - Preschool Grants	84.173	N/A	38,002
Vocational Education - Basic Grants to States	84.048	N/A	114,315
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	14,016
Twenty-First Century Community Learning Centers	84.287	(2)	86,142
State Grants for Innovative Programs	84.298	N/A	7,893
Education Technology State Grants	84.318	(2)	5,049
Reading First State Grants	84.357	GG-0411037-00	245,471
English Language Acquisition Grants	84.365	N/A	6,394
Improving Teacher Quality State Grants	84.367	N/A	163,095
Hurricane Education Recovery	84.938	(2)	7,217
Total U.S. Department of Education			\$ 2,078,302
U.S. Department of Election Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	(4)	\$ 229,442
Total U.S. Department of Election Assistance Commission			\$ 229,442
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants-Public Assistance (Presidentially Declared Disaster)	97.036	Z-05-025181-00	\$ 6,452
Hazardous Mitigation Grant	97.039	(3)	37,394
Emergency Management Performance Grants	97.042	Z-06-032856-00	30,859
Homeland Security Grant Program	97.067	Z-05-025181-00	140,400
Total U.S. Department of Homeland Security			\$ 215,105
Total Federal Awards			\$ 4,745,224

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 8,256
Health Department Programs - State Department of Health	N/A	Z-07-03601-00	241,482
Safe and Drug-Free Schools and Communities - State Dept. of Education	N/A	(2)	19,315
Safe and Drug-Free Schools and Communities - State Dept. of Education	N/A	(2)	60,876
Safe and Drug-Free Schools and Communities - State Dept. of Education	N/A	(2)	167,504
Early Childhood Education Voluntary Lottery Pre-K - State Department of Education	N/A	(2)	309,917
Lottery for Education - After School Programs - State Department of Education	N/A	019-07-2-052	96,972
Lottery for Education - After School Programs - State Department of Education	N/A	019-07-2-047	51,242
Lottery for Education - After School Programs - State Department of Education	N/A	019-07-2-024	49,091
Arts Education Artists-in-Residence Grant - State Department of Arts Commission		Z-07-034783-00	4,000
Optional Waste Tire - State Department of Environment and Conservation	N/A	Z-03-011302-00	25,920
Family Resource Grant - State Department of Environment and Conservation	N/A	(2)	33,300
Dental Grant - State Department of Corrections	N/A	GU-07-03462-00	19,299
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-07-036554-00	9,000
Archives Grant - State Department of Library and Archives	N/A	Z-07-036610-00	1,500
Fingerprint Grant - State Department of Finance and Administration	N/A	Z-06-027061-00	14,380
Litter Program - State Department of Transportation	N/A	Z-07-033820-00	23,776
Total State Grants			<u>\$ 1,135,830</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 was not available.
- (3) - GG-05-011613-01: \$35,274; GG-04-010694-00: \$2,120.
- (4) - Z-07-037452-00: \$4,820; Z-06-032967-00: \$224,622.

Lincoln County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2006, that has not been corrected.

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	196	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

LINCOLN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of Lincoln County.
2. The audit of the financial statements of Lincoln County disclosed one significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760), Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Help America Vote Act Requirements Payments (CFDA No. 90.401) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lincoln County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

A finding and recommendation, as a result of our examination, is presented below. We reviewed this finding and recommendation with management to provide an opportunity for their response. Officials offered oral responses to the finding and recommendation; however, these oral responses have not been included in this report.

FINDING 07.01 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

