

ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2007



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FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
SUZZIE SINGLETON, CGFM
NATHAN ABBOTT, CISA, CFE
State Auditors

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

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Metropolitan Government Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	22
Proprietary Fund:		
Statement of Net Assets	D-1	23
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	24
Statement of Cash Flows	D-3	25
Fiduciary Fund:		
Statement of Fiduciary Assets and Liabilities	E	26
Notes to the Financial Statements		27-62
REQUIRED SUPPLEMENTARY INFORMATION:		63
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	F-1	65-66

	Exhibit	Page(s)
Highway/Public Works Fund	F-2	67
Schedule of Funding Progress – Pension Plan	F-3	68
Notes to the Required Supplementary Information		69
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		71
Nonmajor Governmental Funds:		73
Combining Balance Sheet	G-1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	76
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Urban Services Fund	G-3	77
Solid Waste/Sanitation Fund	G-4	78
Drug Control Fund	G-5	79
Major Governmental Fund:		81
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	83
Fiduciary Fund:		85
Statement of Changes in Fiduciary Assets and Liabilities	I	87
Component Unit:		
Discretely Presented Metropolitan School Department:		89
Statement of Activities	J-1	91
Balance Sheet – Governmental Funds	J-2	92
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	93
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	94
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	95
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	97
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	98-99
School Federal Projects Fund	J-9	100
Central Cafeteria Fund	J-10	101
Miscellaneous Schedules:		103
Schedule of Changes in Long-term Notes	K-1	105
Schedule of Transfers	K-2	106
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Metropolitan School Department	K-3	107

	Exhibit	Page(s)
Schedule of Detailed Revenues – All Governmental Fund Types	K-4	108-111
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Metropolitan School Department	K-5	112-113
Schedule of Detailed Expenditures – All Governmental Fund Types	K-6	114-127
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Metropolitan School Department	K-7	128-136
 <u>SINGLE AUDIT SECTION</u>		 137
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		 139-141
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		 143-145
Schedule of Expenditures of Federal Awards and State Grants		147-148
Schedule of Audit Findings Not Corrected		149-150
Schedule of Findings and Questioned Costs		151-156
Auditee Reporting Responsibilities		157

Audit Highlights

Annual Financial Report

The Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF METROPOLITAN EXECUTIVE

- ◆ Expenditures exceeded appropriations approved by the Metropolitan Council in the Solid Waste/Sanitation Fund by \$13,651.
- ◆ The Solid Waste/Sanitation Fund had a cash overdraft of \$4,833 at June 30, 2007.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ In several instances, purchase orders were either not issued or were issued after the purchases were made. Also, several invoices were paid without documentation that goods had been received or services had been rendered. The office also overpaid a vendor \$3,000.
- ◆ The office sold culverts to the public in violation of state statute.
- ◆ The office did not file claims for reimbursements of applicable litter grant expenditures, and expenditures were not adequately documented.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ In several instances, purchase orders were either not issued or were issued after the purchases were made.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

Metropolitan Government Officials

June 30, 2007

Officials

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

Metropolitan Council

David Parks, Chairman	
Arvis Bobo	Joe Millsaps
Chris Bateman	William Pyrdom
Tommy Brown	Chris Roberts
Jackie Burton	Doug Hall
Robin Holt	Sloan Stewart
Coleman March	Glen Thomas
Eddie Burton	Mike Womack

Urban Council

Ray McEwen
Edgar Price
Charles Rogers

Board of Education

David Camp, Chairman	
Dawn Durm	Lorrie McKenzie
Kandy Qualls	Ronnie Smith

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

December 17, 2007

Metropolitan Executive and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the metropolitan government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the metropolitan government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets and revenues of the business-type activities. The Metropolitan Lynchburg – Moore County Water and Sewer Department is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District which represent three percent and four percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District, are based solely on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of June 30, 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 December 17, 2007, on our consideration of the metropolitan government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison and pension information on pages 65 through 69 are not required parts of the basic financial statements but they do provide supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units	
	Governmental	Business-	Total	Metropolitan	Emergency
	Activities	type		School	Communications
		Activities		Department	District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 175	\$ 211,814	\$ 211,989	\$ 0	\$ 141,576
Equity in Pooled Cash and Investments	1,222,797	0	1,222,797	538,684	58,553
Inventories	0	43,981	43,981	10,227	0
Accounts Receivable	197,488	79,912	277,400	0	2,170
Allowance for Uncollectibles	(21,038)	(1,119)	(22,157)	0	0
Other Receivables	0	3,630	3,630	0	912
Due from Other Governments	522,790	0	522,790	78,058	1,244
Prepaid Items	0	0	0	0	1,586
Unbilled Charges for Services	0	63,977	63,977	0	0
Property Taxes Receivable	1,809,130	0	1,809,130	1,733,929	0
Allowance for Uncollectible Property Taxes	(9,827)	0	(9,827)	(9,961)	0
Restricted Assets:					
Customer Deposits	0	530	530	0	0
Revenue Bond Future Debt Service Account	0	67,743	67,743	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	308,779	0	308,779	39,342	0
Construction in Progress	0	1,484,562	1,484,562	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,085,514	0	1,085,514	4,001,010	0
Other Capital Assets	868,023	8,007,429	8,875,452	457,293	48,017
Infrastructure	646,300	0	646,300	0	0
Total Assets	\$ 6,630,131	\$ 9,962,459	\$ 16,592,590	\$ 6,848,582	\$ 254,058
<u>LIABILITIES</u>					
Accounts Payable	\$ 246,293	\$ 262,977	\$ 509,270	\$ 10,562	\$ 12,238
Accrued Payroll	0	11,296	11,296	0	0
Payroll Deductions Payable	3,744	0	3,744	145,898	0
Accrued Interest Payable	11,094	12,097	23,191	0	0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
<u>LIABILITIES (Cont.)</u>					
Due to State of Tennessee	\$ 9	\$ 3	\$ 12	\$ 0	\$ 0
Other Current Liabilities	0	24,062	24,062	0	0
Accrued Leave - Current	0	13,707	13,707	0	0
Cash Overdraft	4,833	0	4,833	0	0
Deferred Revenue - Current Property Taxes	1,764,648	0	1,764,648	1,686,567	0
Noncurrent Liabilities:					
Due Within One Year	274,875	197,786	472,661	53,825	0
Due in More Than One Year	488,741	4,931,491	5,420,232	117,248	0
Total Liabilities	<u>\$ 2,794,237</u>	<u>\$ 5,453,419</u>	<u>\$ 8,247,656</u>	<u>\$ 2,014,100</u>	<u>\$ 12,238</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 2,357,505	\$ 4,139,906	\$ 6,497,411	\$ 0	\$ 37,429
Invested in Capital Assets Restricted for:	0	0	0	4,497,645	0
Highway/Public Works	377,262	0	377,262	0	0
Debt Service	486,586	67,743	554,329	0	0
Other Purposes	66,772	0	66,772	25,790	0
Unrestricted	547,769	301,391	849,160	311,047	204,391
Total Net Assets	<u>\$ 3,835,894</u>	<u>\$ 4,509,040</u>	<u>\$ 8,344,934</u>	<u>\$ 4,834,482</u>	<u>\$ 241,820</u>

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Metropolitan School Department	Emergency Communications District
					Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 559,118	\$ 56,552	\$ 17,380	\$ 93,983	\$ (391,203)	\$ 0	\$ (391,203)	\$ 0	\$ 0
Finance	227,473	148,631	2,272	0	(76,570)	0	(76,570)	0	0
Administration of Justice	239,369	96,619	9,000	0	(133,750)	0	(133,750)	0	0
Public Safety	1,188,481	154,868	37,800	93,105	(902,708)	0	(902,708)	0	0
Public Health and Welfare	684,828	291,515	3,000	492,956	102,643	0	102,643	0	0
Social, Cultural, and Recreational Services	151,456	6,046	5,207	600	(139,603)	0	(139,603)	0	0
Agriculture and Natural Resources	54,313	0	0	0	(54,313)	0	(54,313)	0	0
Other Operations	497,974	0	0	0	(497,974)	0	(497,974)	0	0
Highways/Public Works	1,171,730	0	1,203,669	93,589	125,528	0	125,528	0	0
Interest on Long-term Debt	24,947	0	0	0	(24,947)	0	(24,947)	0	0
Other Debt Service	4,032	0	0	0	(4,032)	0	(4,032)	0	0
Total Governmental Activities	\$ 4,803,721	\$ 754,231	\$ 1,278,328	\$ 774,233	\$ (1,996,929)	\$ 0	\$ (1,996,929)	\$ 0	\$ 0
Business-type Activities:									
Water and Sewer Department	\$ 1,185,973	\$ 1,279,659	\$ 35,882	\$ 400,000	\$ 0	\$ 529,568	\$ 529,568	\$ 0	\$ 0
Total Business-type Activities	\$ 1,185,973	\$ 1,279,659	\$ 35,882	\$ 400,000	\$ 0	\$ 529,568	\$ 529,568	\$ 0	\$ 0
Total Primary Government	\$ 5,989,694	\$ 2,033,890	\$ 1,314,210	\$ 1,174,233	\$ (1,996,929)	\$ 529,568	\$ (1,467,361)	\$ 0	\$ 0
Component Units:									
Metropolitan School Department	\$ 7,254,631	\$ 256,873	\$ 599,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,397,882)	\$ 0
Emergency Communications District	86,882	157,378	40,000	0	0	0	0	0	110,496
Total Component Units	\$ 7,341,513	\$ 414,251	\$ 639,876	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,397,882)	\$ 110,496

(Continued)

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communica- tions District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,476,290	\$ 0	\$ 1,476,290	\$ 1,770,229	\$ 0
Property Taxes Levied for Debt Service					40,515	0	40,515	0	0
Local Option Sales Taxes					284,917	0	284,917	283,889	0
Other Local Taxes					158,566	0	158,566	2,843	0
Grants and Contributions Not Restricted to Specific Programs					471,029	0	471,029	4,248,012	0
Unrestricted Investment Earnings					61,421	10,894	72,315	330	2,501
Miscellaneous					25,248	0	25,248	15,372	0
Total General Revenues					<u>\$ 2,517,986</u>	<u>\$ 10,894</u>	<u>\$ 2,528,880</u>	<u>\$ 6,320,675</u>	<u>\$ 2,501</u>
Change in Net Assets					\$ 521,057	\$ 540,462	\$ 1,061,519	\$ (77,207)	\$ 112,997
Net Assets, July 1, 2006					<u>3,314,837</u>	<u>3,968,578</u>	<u>7,283,415</u>	<u>4,911,689</u>	<u>128,823</u>
Net Assets, June 30, 2007					<u>\$ 3,835,894</u>	<u>\$ 4,509,040</u>	<u>\$ 8,344,934</u>	<u>\$ 4,834,482</u>	<u>\$ 241,820</u>

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

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore 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	\$ 175	\$ 0	\$ 0	\$ 0	\$ 175
Equity in Pooled Cash and Investments	553,326	198,220	445,693	25,558	1,222,797
Accounts Receivable	169,859	0	0	27,629	197,488
Allowance for Uncollectibles	(19,873)	0	0	(1,165)	(21,038)
Due from Other Governments	163,349	308,312	51,129	0	522,790
Property Taxes Receivable	1,348,309	24,077	196,752	239,992	1,809,130
Allowance for Uncollectible Property Taxes	(7,712)	(138)	(690)	(1,287)	(9,827)
Total Assets	<u>\$ 2,207,433</u>	<u>\$ 530,471</u>	<u>\$ 692,884</u>	<u>\$ 290,727</u>	<u>\$ 3,721,515</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 124,792	\$ 110,353	\$ 0	\$ 11,148	\$ 246,293
Payroll Deductions Payable	3,500	120	0	124	3,744
Cash Overdraft	0	0	0	4,833	4,833
Due to State of Tennessee	9	0	0	0	9
Deferred Revenue - Current Property Taxes	1,311,774	23,425	195,204	234,245	1,764,648
Deferred Revenue - Delinquent Property Taxes	24,705	440	735	4,211	30,091
Other Deferred Revenues	80,767	121,900	15,267	7,175	225,109
Total Liabilities	<u>\$ 1,545,547</u>	<u>\$ 256,238</u>	<u>\$ 211,206</u>	<u>\$ 261,736</u>	<u>\$ 2,274,727</u>
<u>Fund Balances</u>					
Reserved for Alcohol and Drug Treatment	\$ 1,877	\$ 0	\$ 0	\$ 0	\$ 1,877
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	19,807	0	0	0	19,807
Reserved for Sexual Offender Registration	513	0	0	0	513
Reserved for Computer System - Register	3,915	0	0	0	3,915
Reserved for Automation Purposes - Chancery Court	148	0	0	0	148
Reserved for Other General Purposes	9,059	0	0	0	9,059
Unreserved, Reported In:					
General Fund	626,567	0	0	0	626,567
Special Revenue Funds	0	274,233	0	28,991	303,224
Debt Service Funds	0	0	481,678	0	481,678
Total Fund Balances	<u>\$ 661,886</u>	<u>\$ 274,233</u>	<u>\$ 481,678</u>	<u>\$ 28,991</u>	<u>\$ 1,446,788</u>
Total Liabilities and Fund Balances	<u>\$ 2,207,433</u>	<u>\$ 530,471</u>	<u>\$ 692,884</u>	<u>\$ 290,727</u>	<u>\$ 3,721,515</u>

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 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)		\$	1,446,788
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	308,779	
Add: infrastructure net of accumulated depreciation		646,300	
Add: buildings and improvements net of accumulated depreciation		1,085,514	
Add: other capital assets net of accumulated depreciation		<u>868,023</u>	2,908,616
(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	\$	(711,319)	
Less: compensated absences payable		(52,297)	
Less: accrued interest on notes		<u>(11,094)</u>	(774,710)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>255,200</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>3,835,894</u></u>

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore 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	\$ 1,650,193	\$ 55,948	\$ 360,609	\$ 110,568	\$ 2,177,318
Licenses and Permits	13,649	0	0	2,105	15,754
Fines, Forfeitures, and Penalties	27,656	0	0	5,688	33,344
Charges for Current Services	114,217	0	0	179,660	293,877
Other Local Revenues	97,874	9,928	0	14,263	122,065
Fees Received from County Officials	257,678	0	0	0	257,678
State of Tennessee	438,311	1,340,698	0	4,879	1,783,888
Federal Government	670,160	0	0	0	670,160
Total Revenues	\$ 3,269,738	\$ 1,406,574	\$ 360,609	\$ 317,163	\$ 5,354,084
<u>Expenditures</u>					
Current:					
General Government	\$ 548,003	\$ 0	\$ 0	\$ 13,975	\$ 561,978
Finance	180,448	0	0	0	180,448
Administration of Justice	184,808	0	0	58	184,866
Public Safety	893,079	0	0	35,966	929,045
Public Health and Welfare	283,919	0	0	434,764	718,683
Social, Cultural, and Recreational Services	119,981	0	0	0	119,981
Agriculture and Natural Resources	50,386	0	0	0	50,386
Other Operations	894,541	0	0	0	894,541
Highways	0	1,238,232	0	0	1,238,232
Debt Service:					
Principal on Debt	0	0	248,170	0	248,170
Interest on Debt	0	0	27,104	0	27,104
Other Debt Service	0	0	4,032	0	4,032
Total Expenditures	\$ 3,155,165	\$ 1,238,232	\$ 279,306	\$ 484,763	\$ 5,157,466
Excess (Deficiency) of Revenues Over Expenditures	\$ 114,573	\$ 168,342	\$ 81,303	\$ (167,600)	\$ 196,618
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 120,000	\$ 120,000
Transfers In	0	0	9,740	0	9,740
Transfers Out	(9,740)	0	0	0	(9,740)
Total Other Financing Sources (Uses)	\$ (9,740)	\$ 0	\$ 9,740	\$ 120,000	\$ 120,000
Net Change in Fund Balances	\$ 104,833	\$ 168,342	\$ 91,043	\$ (47,600)	\$ 316,618
Fund Balance, July 1, 2006	557,053	105,891	390,635	76,591	1,130,170
Fund Balance, June 30, 2007	\$ 661,886	\$ 274,233	\$ 481,678	\$ 28,991	\$ 1,446,788

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

Exhibit C-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 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)		\$ 316,618
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$ 350,673	
Less: current year depreciation expense	<u>(241,136)</u>	109,537
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2007	\$ 255,200	
Less: deferred delinquent property taxes/other deferred June 30, 2006	<u>(284,506)</u>	(29,306)
(3) The issuance of long-term debt (e.g., bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (120,000)	
Add: principal payments on notes	<u>248,170</u>	128,170
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ 2,157	
Change in compensated absences	<u>(6,119)</u>	<u>(3,962)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 521,057</u>

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

	Major Enterprise Fund Water and Sewer Department
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 211,814
Inventories	43,981
Accounts Receivable	79,912
Allowance for Uncollectibles	(1,119)
Other Receivables	3,630
Unbilled Charges for Services	63,977
Total Current Assets	<u>\$ 402,195</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 530
Revenue Bond Future Debt Service Account	67,743
Capital Assets:	
Construction in Progress	1,484,562
Utility Plant in Service	10,314,951
Accumulated Depreciation - Other Capital Assets	(2,307,522)
Total Noncurrent Assets	<u>\$ 9,560,264</u>
Total Assets	<u>\$ 9,962,459</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 262,977
Accrued Payroll	11,296
Accrued Leave	13,707
Due to Other Taxing Units	3
Revenue Bonds Payable - Current	43,991
Accrued Interest Payable	12,097
Capital Outlay Notes Payable	153,795
Deferred Fees	4,746
Customer Deposits	19,316
Total Current Liabilities	<u>\$ 521,928</u>
Noncurrent Liabilities:	
Capital Outlay Notes Payable - Long-term	\$ 2,994,443
Revenue Bonds Payable - Long-term	1,960,437
Less: Deferred Loans Costs	(23,389)
Total Noncurrent Liabilities	<u>\$ 4,931,491</u>
Total Liabilities	<u>\$ 5,453,419</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 4,139,906
Restricted for Debt Service	67,743
Unrestricted	<u>301,391</u>
Total Net Assets	<u>\$ 4,509,040</u>

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	Major Enterprise Fund <u>Water and Sewer Department</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,279,659
Total Operating Revenues	<u>\$ 1,279,659</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 847,207
Depreciation	220,163
Total Operating Expenses	<u>\$ 1,067,370</u>
Operating Income (Loss)	<u>\$ 212,289</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 10,894
Interest Expense	(111,665)
Loss on Retirement of Capital Assets	(6,938)
Total Nonoperating Revenues (Expenses)	<u>\$ (107,709)</u>
Income Before Contributions and Grants	\$ 104,580
Tap Fees in Excess of Costs	15,760
Contributions From Developers	20,122
Grants	<u>400,000</u>
Change in Net Assets	\$ 540,462
Net Assets, July 1, 2006	<u>3,968,578</u>
Net Assets, June 30, 2007	<u>\$ 4,509,040</u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

	Major Enterprise Fund Water and Sewer Department
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 1,219,602
Payments to Suppliers	(355,628)
Payments to Employees	(505,748)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 358,226</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</u> <u>ACTIVITIES</u>	
Purchases of Capital Assets	\$ (3,342,154)
Proceeds from Long-term Debt	3,782,997
Capital Contributions	435,882
Principal Payments on Long-term Debt	(1,203,089)
Interest Payments on Long-term Debt	(134,954)
Bond Issuance Cost	(5,600)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (466,918)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchase of Certificate of Deposit	\$ (55,059)
Investment Income	10,894
Net Cash Provided By (Used In) Investing Activities	<u>\$ (44,165)</u>
Increase (Decrease) in Cash	\$ (152,857)
Cash, July 1, 2006	<u>225,780</u>
Cash, June 30, 2007	<u><u>\$ 72,923</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided By</u> <u>(Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 212,289
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	220,163
(Increase) Decrease in Accounts Receivable	(54,913)
(Increase) Decrease in Other Receivables	(123)
(Increase) Decrease in Other Accrued Revenue	(8,545)
(Increase) Decrease in Prepaid Items	(10)
(Increase) Decrease in Inventories	(12,524)
Increase (Decrease) in Accounts Payable	2,700
Increase (Decrease) in Accrued Wages and Payroll	1,938
Increase (Decrease) in Due to Other Taxing Units	(5,322)
Increase (Decrease) in Customer Deposits and Deferred Fees	2,040
Increase (Decrease) in Accrued Leave	533
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 358,226</u></u>
<u>Reconciliation of Cash With Statement of Net Assets</u>	
Cash and Cash Equivalents Per Statement of Net Assets	\$ 211,814
Add: Revenue Bonds Future Debt Service Account	67,743
Less: Certificates of Deposit	<u>(206,634)</u>
Cash, June 30, 2007	<u><u>\$ 72,923</u></u>

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

Exhibit E

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2007

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 53,935
Total Assets	<u>\$ 53,935</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 53,935
Total Liabilities	<u>\$ 53,935</u>

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

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the metropolitan government:

A. Reporting Entity

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

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

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

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

The Moore County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Moore County, and the Metropolitan Council appoints its governing body. The district is funded primarily through a service charge

levied on telephone services. Before the issuance of most debt instruments, the district must obtain the Metropolitan Council's approval.

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. The metropolitan government contributed no debt issues to the School Department during the year ended June 30, 2007.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, 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 the metropolitan government are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The metropolitan government only reports one proprietary fund, the Metropolitan Lynchburg – Moore County Water and Sewer Department Fund, an enterprise fund.

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

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

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

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus (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.

The metropolitan government reports the following major governmental funds:

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

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

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund type:

Agency Fund – The Constitutional Officers - Agency Fund accounts for amounts collected in an agency capacity by the constitutional officers. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

Additionally, the Metropolitan School Department reports the following fund type:

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

All ambulance, solid waste collection fees, and property taxes receivables are shown with allowances for uncollectibles. Ambulance and solid waste receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to one-half percent of total taxes levied.

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

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

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

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

3. Inventories

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

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items acquired after July 1, 2003), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (\$25,000 for infrastructure) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government (excluding the Water and Sewer Fund, enterprise fund) and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Other Capital Assets	5-15
Infrastructure:	
Roads	10-15
Bridges	40

5. Compensated Absences

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

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

6. Long-term Obligations

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

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

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

7. **Net Assets and Fund Equity**

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

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

As of June 30, 2007, the metropolitan government had \$160,208 in outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the metropolitan government’s capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2007:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Building construction	\$ 22,024
Law enforcement equipment	11,835

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 Metropolitan 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 Metropolitan 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

A. Budgetary Information

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

The metropolitan government is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and

encumbrances may not legally exceed appropriations authorized by the Metropolitan Council and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

B. Cash Overdraft

The Solid Waste/Sanitation Fund had a cash overdraft of \$4,833 at June 30, 2007. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the metropolitan trustee. The cash overdraft was liquidated subsequent to June 30, 2007.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the Metropolitan Council in the Solid Waste/Sanitation Fund by \$13,651. This overexpenditure is a violation of state statutes. The overexpenditure was funded by greater than anticipated revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public. 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 metropolitan government.

Investments

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

The metropolitan government had no pooled and nonpooled investments as of June 30, 2007.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 308,779	\$ 0	\$ 308,779
Total Capital Assets Not Depreciated	<u>\$ 308,779</u>	<u>\$ 0</u>	<u>\$ 308,779</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 1,885,169	\$ 0	\$ 1,885,169
Roads and Bridges	628,205	112,316	740,521
Other Capital Assets	2,511,171	238,357	2,749,528
Total Capital Assets Depreciated	<u>\$ 5,024,545</u>	<u>\$ 350,673</u>	<u>\$ 5,375,218</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 763,341	\$ 36,314	\$ 799,655
Roads and Bridges	63,005	31,216	94,221
Other Capital Assets	1,707,899	173,606	1,881,505
Total Accumulated Depreciation	<u>\$ 2,534,245</u>	<u>\$ 241,136</u>	<u>\$ 2,775,381</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,490,300</u>	<u>\$ 109,537</u>	<u>\$ 2,599,837</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,799,079</u>	<u>\$ 109,537</u>	<u>\$ 2,908,616</u>

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

Governmental Activities:

General Government	\$ 10,891
Finance	1,683
Public Safety	108,562
Public Health and Welfare	30,465
Social, Cultural, and Recreational Services	11,048
Agriculture and Natural Resources	1,460
Highway/Public Works	<u>77,027</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 241,136</u>
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Discretely Presented Metropolitan School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,342</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,597,136	\$ 160,109	\$ (230,181)	\$ 9,527,064
Other Capital Assets	678,089	305,495	0	983,584
Total Capital Assets Depreciated	<u>\$ 10,275,225</u>	<u>\$ 465,604</u>	<u>\$ (230,181)</u>	<u>\$ 10,510,648</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,224,511	\$ 301,543	\$ 0	\$ 5,526,054
Other Capital Assets	541,796	53,123	(68,628)	526,291
Total Accumulated Depreciation	<u>\$ 5,766,307</u>	<u>\$ 354,666</u>	<u>\$ (68,628)</u>	<u>\$ 6,052,345</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,508,918</u>	<u>\$ 110,938</u>	<u>\$ (161,553)</u>	<u>\$ 4,458,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,548,260</u>	<u>\$ 110,938</u>	<u>\$ (161,553)</u>	<u>\$ 4,497,645</u>

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

Governmental Activities:

Instruction	\$ 212,496
Support Services	59,287
Operation of Non-Instructional Services	<u>14,255</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 286,038</u>

C. Interfund Transfers

Interfund Transfers:

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

Primary Government	<u>Transfers In</u>
	General
	Debt
	Service
	<u>Fund</u>
Transfers Out	
General Fund	<u>\$ 9,740</u>
Total	<u>\$ 9,740</u>

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

D. Long-term Debt

Primary Government

Notes

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to ten years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

Capital outlay notes outstanding as of June 30, 2007, are as follows:

Type	Interest Rates	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	1.96 to 4.75%	\$ 1,987,350	\$ 711,319

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

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 253,914	\$ 28,962
2009	81,873	17,003
2010	72,921	13,718
2011	70,622	11,009
2012	73,187	8,444
2013-2015	158,802	9,767
Total	<u>\$ 711,319</u>	<u>\$ 88,903</u>

There is \$481,678 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$124, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:

	Notes	Compensated Absences
Balance, July 1, 2006	\$ 839,489	\$ 46,178
Additions	120,000	68,392
Deductions	(248,170)	(62,273)
Balance, June 30, 2007	<u>\$ 711,319</u>	<u>\$ 52,297</u>
Balance Due Within One Year	<u>\$ 253,914</u>	<u>\$ 20,961</u>

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

Discretely Presented Metropolitan School Department

Changes in Long-term Liabilities

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

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2006	\$ 159,325
Additions	65,402
Deductions	<u>(53,654)</u>
Balance, June 30, 2007	<u>\$ 171,073</u>
Balance Due Within One Year	<u>\$ 53,825</u>

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

E. Short-term Debt

The metropolitan government issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the General Fund. This note was necessary because funds were not available to provide adequate cash flow before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	<u>Balance 7-1-06</u>	Issued	Redeemed	<u>Balance 6-30-07</u>
Tax Anticipation Note	\$ 0	\$ 100,000	\$ (100,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

The metropolitan government joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The metropolitan government pays an annual premium to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures

through commercial insurance companies for claims exceeding \$200,000 for each insured event.

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

The discretely presented School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

B. Subsequent Event

On July 17, 2007, the metropolitan government entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$8,300,000 available for loan on an as-needed basis for school improvements. As of December 17, 2007, the metropolitan government had borrowed \$296,678.

C. Contingent Liabilities

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

The metropolitan government and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the American with Disabilities Act (ADA). This lawsuit applies to all metropolitan facilities. As of the date of this report, the metropolitan government believes it has completed various projects to renovate the existing facilities to bring them into substantial compliance with the ADA. A settlement order has been entered and is being monitored by the court.

D. Change in Administration

Effective July 1, 2006, Wayne Stewart left the Office of Director of Schools and was succeeded by Chad Moorehead.

E. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Metropolitan Government Employees

The metropolitan government requires employees to contribute five percent of earnable compensation. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 11.59 percent of annual covered payroll. The

contribution requirement of plan members is set by state statute. The contribution requirement for the metropolitan government is established and may be amended by the TCRS Board of Trustees.

School Department Employees

The School Department requires employees to contribute five percent of earnable compensation. The School Department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 6.23 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

Metropolitan Government Employees

For the year ended June 30, 2007, the metropolitan government’s annual pension cost of \$45,269 to TCRS was equal to the metropolitan government’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. The metropolitan government’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was 17 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	\$45,269	100%	\$0
6-30-06	24,001	100	0
6-30-05	21,807	100	0

School Department Employees

For the year ended June 30, 2007, the School Department's annual pension cost of \$59,838 to TCRS was equal to the School Department'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. School Department's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten 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	\$59,838	100%	\$0
6-30-06	19,713	100	0
6-30-05	19,456	100	0

School Teachers

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple 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 SETHEPP. 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 the School Department 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 the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$206,128, \$185,267, and \$184,065, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the discretely presented School Department provides post-retirement health care benefits, in accordance with contract provisions, to all employees who retire from the School Department with at least 20 years employment and 30 years vested service with the Tennessee Consolidated Retirement System and who have been covered under the School Department's sponsored insurance plan for one full year prior to retirement. Currently two retirees meet those eligibility requirements. The School Department pays 55 percent of the medical premiums for retirees. Expenditures for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not reported to the county. During the year, expenditures totaling \$6,981 were recognized for post-employment health care.

G. Purchasing Law

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made

through a consolidated Metropolitan Purchasing Department. The charter further provides for the metropolitan executive to manage/conduct the Metropolitan Purchasing Department according to the procedures adopted by the Metropolitan Council. The Metropolitan Council is required by the charter to establish a three-member oversight committee to oversee the activity of the Metropolitan Purchasing Department.

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

1. Purchase orders are required for all purchases estimated to exceed \$250.
2. Purchase orders shall be approved by the metropolitan executive for the general metropolitan government, the director of schools for the School Department, and the highway superintendent for the Highway Department.
3. Evidence of receiving goods or services should be noted on all invoices prior to payment.
4. The Metropolitan Council set bid requirements for the Office of Metropolitan Executive to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for competitive bids on all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007).
5. The Metropolitan Council set the bid requirements for the Office of Highway Superintendent to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, TCA and the Uniform Road Law, Section 54-7-113, TCA, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.
6. The Metropolitan Council set the bid requirements for the Office of Director of Schools to follow the general statutes applicable to schools as set forth in Section 49-2-203, TCA, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

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

A. General

The financial statements include the accounts of Metropolitan Lynchburg – Moore County Water and Sewer Department, which is owned by Metropolitan Lynchburg – Moore County, Tennessee, (the primary government) and is governed by the Metropolitan Council and a Utility

Board, composed of members of the council. The department does not represent a separate legal entity apart from the primary government.

B. Summary of Significant Accounting Policies

The accounting policies of the department conform to generally accepted accounting principles as applicable to enterprise funds. The department applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB, in which case, GASB prevails. A proprietary activity may also elect to apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The department has not elected this option. The following is a summary of significant policies:

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

Utility Plant and Depreciation – The utility plant in service is reported at cost and includes improvements, with a cost in excess of \$3,000 that significantly add to utility plant or extends useful lives. The costs of maintenance and repairs are charged to expense, as are tap connection costs. Depreciation is calculated by the straight-line method to allocate the cost of the assets over their estimated useful lives using guidelines set forth by the Utility Review Board. The estimated useful lives are as follows:

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

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

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

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

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

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

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

Capitalized Interest – Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The department capitalized \$25,803 of interest cost during the current year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. The department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative and maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonreporting revenues and expenses.

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

C. Utility Plant Additions and Retirements

Business-type Activities:

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Capital assets not being depreciated or amortized:				
Land and land rights	\$ 38,043	\$ 34,352	\$ 0	\$ 72,395
Construction in progress	167,438	1,317,124	0	1,484,562
Total capital assets not being depreciated or amortized	<u>\$ 205,481</u>	<u>\$ 1,351,476</u>	<u>\$ 0</u>	<u>\$ 1,556,957</u>

Business-type Activities (Cont.)

	Balance 7-1-06	Additions	Deductions	Balance 6-30-07
Other capital assets:				
General	\$ 331,008	\$ 5,000	\$ 135,637	\$ 200,371
Water	5,945,265	2,113,220	2,815	8,055,670
Sewer	1,688,358	0	3,034	1,685,324
Maintenance	82,363	177,217	81,492	178,088
Acquisition adjustment	0	128,468	0	128,468
Utiltiy Plant	<u>\$ 8,046,994</u>	<u>\$ 2,423,905</u>	<u>\$ 222,978</u>	<u>\$ 10,247,921</u>
Less accumulated depreciation/amoritzation for:				
General	\$ 69,137	\$ 13,798	\$ 49,395	\$ 33,540
Water	1,105,043	163,785	1,404	1,267,424
Sewer	904,061	42,311	2,921	943,451
Maintenance	20,943	61,200	19,036	63,107
Acquisition adjustment	0	5,365	0	5,365
Total accumulated depreciation/amortization	<u>\$ 2,099,184</u>	<u>\$ 286,459</u>	<u>\$ 72,756</u>	<u>\$ 2,312,887</u>
Other capital assets, net	<u>\$ 5,947,810</u>	<u>\$ 2,137,446</u>	<u>\$ 150,222</u>	<u>\$ 7,935,034</u>
Capital assets, net	<u>\$ 6,153,291</u>	<u>\$ 3,488,922</u>	<u>\$ 150,222</u>	<u>\$ 9,491,991</u>

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2007:

	Cash	Certificates of Deposit	Total
Cash for general use:	\$ 60,180	\$ 151,634	\$ 211,814
Restricted funds:			
Bond reserve fund	12,743	55,000	67,743
Total	<u>\$ 72,923</u>	<u>\$ 206,634</u>	<u>\$ 279,557</u>

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

The department has also designated \$179,244 to be used to fund capital asset replacements.

Legal Provisions: All deposits with financial institutions must be secured by one of two methods depending on whether the financial institution participates in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public funds 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 department.

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

E. Revenue Bonds

A summary of transactions for the year ended June 30, 2007, includes the following:

Balance - beginning of year	\$ 990,143
New bond	1,050,000
Bond payments	(35,716)
Less current maturities	<u>(43,991)</u>
Revenue bonds, less current maturities - end of year	<u>\$ 1,960,436</u>

Details of water and sewer revenue bonds are as follows:

Series 1989 Sewer Revenue and Tax Bonds, 5%, payable \$1,530 per month including principal and interest with final maturity in 2009	\$ 21,871
Series 1992 Water Revenue and Tax Bonds, 6.625%, payable \$301 per month including principal and interest with final maturity in 2030	42,165
Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029	19,548

Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	\$ 74,495
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	268,018
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	331,996
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	201,168
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	<u>1,045,166</u>
Total	<u>\$ 2,004,427</u>

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2007, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 43,991	\$ 91,097
2009	31,904	89,200
2010	28,967	87,853
2011	30,353	86,467
2012	31,810	85,010
2013-2017	183,484	400,616
2018-2022	232,120	351,980
2023-2027	293,893	290,207
2028-2032	352,575	213,172
2033-2037	368,516	129,475
2038-2042	270,829	56,598
2043-2045	<u>135,985</u>	<u>8,226</u>
Total	<u>\$ 2,004,427</u>	<u>\$ 1,889,901</u>

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to be used to pay the principal and interest on the bonds as such payments are due. As part of the Bond Funds, Debt Service Reserve Accounts are also to be funded for \$18,360 for the 1989 series, \$3,612 for the 1992 series, \$1,656 for the 1992A series, \$5,544 for the 1994 series, \$17,508 for the 1997 series, \$20,532 for the 2000 series, and \$12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2007.

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

	<u>7-1-06</u>	<u>6-30-07</u>
Revenue	\$ 304,121	\$ 210,180
Operation and Maintenance	1,575	1,634
Bond	71,660	67,743

F. Notes Payable

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

Year Ending June 30	<u>Office Building 3.23%</u>		<u>Sewer Lift Station 2.55%</u>	
	Principal	Interest	Principal	Interest
2008	\$ 11,690	\$ 2,370	\$ 30,926	\$ 432
2009	12,079	1,981	0	0
2010	12,475	1,585	0	0
2011	12,884	1,176	0	0
2012	13,313	747	0	0
2013-2014	<u>16,078</u>	<u>335</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 78,519</u>	<u>\$ 8,194</u>	<u>\$ 30,926</u>	<u>\$ 432</u>

Repayment schedules for loans the department has with Moore County Bank are as follows:

Year Ending June 30	Principal	Interest	Principal	Interest
2008	\$ 29,148	\$ 9,531	\$ 7,107	\$ 1,918
2009	30,225	8,454	7,313	1,713
2010	31,316	7,363	7,524	1,501
2011	32,445	6,233	7,742	1,283
2012	33,615	5,061	7,965	1,060
2013-2016	<u>124,176</u>	<u>7,890</u>	<u>32,667</u>	<u>1,863</u>
Total	<u>\$ 280,925</u>	<u>\$ 44,532</u>	<u>\$ 70,318</u>	<u>\$ 9,338</u>

The notes are secured by the full faith and credit of the Metropolitan Government of Lynchburg, Moore County and bear interest rates of 3.55 percent and 2.86 percent, respectively.

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

Year	Principal	Interest
2008	\$ 35,988	\$ 23,353
2009	37,175	22,273
2010	38,286	21,162
2011	39,431	20,017
2012	40,476	18,960
2013-2017	221,292	75,924
2018-2022	256,429	40,800
2023-2025	<u>139,940</u>	<u>3,449</u>
Total	<u>\$ 809,017</u>	<u>\$ 225,938</u>

The department has purchased water lines from Lincoln County Utility Board and Winchester Utilities under agreements which require the following payments:

Year	Principal	Interest
2008	\$ 38,937	\$ 3,333
2009	38,936	2,500
2010	38,937	1,667
2011	38,936	833
2012	18,103	0
2013-2016	78,447	0
Total	<u>\$ 252,296</u>	<u>\$ 8,333</u>

The obligations bear interest rates of 4% and 0%.

The department also has the following line of credit for interim financing on its construction projects.

Amount Approved	Amount Drawn	Interest Rate
\$ 2,000,000	\$ 1,626,236	3.475 % *

* For 12 months, not to exceed 5.475 percent thereafter.

Notes payable activity for the year ended June 30, 2007, is as follows:

Balance 7-1-06	Draws	Repayments	Balance 6-30-07
\$ 1,582,614	\$ 2,732,998	\$ 1,167,374	\$ 3,148,238

G. Risk Management

The department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The department obtains insurance coverage covering the above risks of loss through a public risk entity pool, Tennessee School Boards Risk Management Trust (TSB-RMT), which reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event. An annual loss fund is established based on TSB-RMT's known losses. If this amount is exhausted, TSB-RMT will pay the additional amount in self-insured retentions from surplus. If loss fund payments exceed available surplus, assessments to members could be possible. No estimates of any possible future assessments have been made.

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

H. Income Taxes

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

I. Significant Concentrations

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2007, totaled \$79,912. Deposits from these customers, totaling \$19,316 at June 30, 2007, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 20 percent of the department's total water and sewer revenues.

J. Environmental Contingency

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

K. Loan and Grant Funding

USDA Rural Development has awarded a \$2,000,000 loan and a \$700,000 grant to Metropolitan Lynchburg, Moore County. The funding will be used to construct a transmission line and other improvements for the department. As of June 30, 2007, the department had drawn \$1,626,217 in interim financing related to these projects. The department currently has a pending application for \$700,000 in loan/grant funds for the construction of a 300,000 gallon elevated water storage tank and associated transmission lines.

L. Commitments

The status of construction contracts awarded for the federally funded projects is as follows:

<u>Contractor</u>	<u>Amount of Contract</u>	<u>Costs Incurred through June 30, 2007</u>
Hawkins & Price, LLC	\$ 236,774	\$ 206,098
Richland, LLC	1,630,000	1,130,902

M. Subsequent Event

Subsequent to June 30, 2007, the department has awarded the following contract:

<u>Contractor</u>	<u>Amount of Contract</u>
Preferred Sandblasting and Painting	\$ 202,996

VII. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

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

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

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

Asset	Method	Estimated Useful Life	Depreciation
Owned Operating Equipment	S/L	5 and 10 Years	\$ 12,411

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

Nonoperating income consists of investment income, interest income, and State of Tennessee grants and reimbursements.

B. Deposits

The following is a schedule of bank accounts at June 30, 2007:

Checking - Farmer's Bank	\$ 125,954
Savings - Moore County Bank	15,622
Certificates of Deposit - Moore County Bank	54,183
Certificates of Deposit - Farmer's Bank	<u>4,371</u>
 Total	 <u><u>\$ 200,130</u></u>

At June 30, 2007, the carrying amount of the Moore County Emergency Communications District’s cash deposits was \$200,130. The district’s deposit accounts are covered up to \$100,000 by the Federal Deposit Insurance Corporation. Any amounts over \$100,000 are covered by collateralization held by Farmer’s Bank of Lynchburg in the district’s name. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, Tennessee Code Annotated.

C. Bonding

Moore County Emergency Communications District has a bond covering certain members of the board at June 30, 2007. This is the only risk area the district is exposed to at this time. There have been no losses or settlements during the past three years.

D. Capital Assets

The following is a schedule of equipment at June 30, 2007:

<u>Assets</u>	<u>Balance</u> <u>7-1-06</u>	<u>Changes</u>	<u>Balance</u> <u>6-30-07</u>
Office Equipment	\$ 1,081	\$ 6,490	\$ 7,571
Communications Equipment	88,204	8,707	96,911
Total	<u>\$ 89,285</u>	<u>\$ 15,197</u>	<u>\$ 104,482</u>

<u>Assets</u>	<u>Balance</u> <u>6-30-07</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u>
Office Equipment	\$ 7,571	\$ 1,328	\$ 6,243
Communications Equipment	96,911	55,138	41,773
Total	<u>\$ 104,482</u>	<u>\$ 56,466</u>	<u>\$ 48,016</u>

E. Cash and Cash Equivalents

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

F. Accounts Receivable/Due From State Emergency Communications Board

The amounts of \$2,134 from Bell South Telephone Company, \$36 from other telephone service companies, and \$1,244 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2007. There is no need for an allowance for bad debts.

G. Compensated Absences

There were no employees at June 30, 2007.

H. Calculation of Invested in Capital Assets

Net Book Value	\$ 48,016
Current and Noncurrent Debt	<u>10,587</u>
Invested in Capital Assets	<u>\$ 37,429</u>

I. Restricted and Unrestricted Resources

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,650,193	\$ 1,493,664	\$ 1,494,969	\$ 155,224
Licenses and Permits	13,649	7,500	7,630	6,019
Fines, Forfeitures, and Penalties	27,656	27,050	30,450	(2,794)
Charges for Current Services	114,217	115,900	115,900	(1,683)
Other Local Revenues	97,874	75,116	82,486	15,388
Fees Received from County Officials	257,678	212,000	212,000	45,678
State of Tennessee	438,311	405,489	413,796	24,515
Federal Government	670,160	49,305	687,830	(17,670)
Total Revenues	\$ 3,269,738	\$ 2,386,024	\$ 3,045,061	\$ 224,677
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 115,576	\$ 111,400	\$ 115,576	\$ 0
County Mayor/Executive	106,054	95,550	110,313	4,259
County Attorney	5,737	5,737	5,737	0
Election Commission	83,360	55,835	84,709	1,349
Register of Deeds	58,389	60,582	60,582	2,193
Planning	12,015	11,913	12,043	28
County Buildings	163,399	155,690	187,604	24,205
Preservation of Records	3,473	3,488	3,488	15
<u>Finance</u>				
Property Assessor's Office	64,870	65,385	66,885	2,015
County Trustee's Office	59,025	59,285	59,285	260
County Clerk's Office	56,553	56,633	56,633	80
<u>Administration of Justice</u>				
Circuit Court	61,980	63,161	63,161	1,181
General Sessions Court	56,276	54,980	56,276	0
Chancery Court	50,206	51,969	51,969	1,763
Juvenile Court	9,000	9,000	9,000	0
Judicial Commissioners	7,346	7,687	7,687	341
<u>Public Safety</u>				
Sheriff's Department	654,098	587,513	669,520	15,422
Traffic Control	3,279	0	3,400	121
Administration of the Sexual Offender Registry	0	50	50	50
Jail	183,067	189,699	189,699	6,632
Commissary	969	1,130	1,130	161
Fire Prevention and Control	51,666	82,540	82,540	30,874
County Coroner/Medical Examiner	0	200	200	200
<u>Public Health and Welfare</u>				
Local Health Center	38,104	43,522	38,904	800
Rabies and Animal Control	1,318	600	1,318	0
Ambulance/Emergency Medical Services	241,253	249,651	249,651	8,398
Alcohol and Drug Programs	1,044	1,950	1,950	906

(Continued)

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Regional Mental Health Center	\$ 2,200	\$ 2,200	\$ 2,200	\$ 0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,000	7,000	7,000	0
Libraries	65,239	61,269	67,495	2,256
Parks and Fair Boards	47,742	54,500	55,229	7,487
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	44,305	48,581	48,581	4,276
Forest Service	350	350	350	0
Soil Conservation	5,731	5,800	5,800	69
<u>Other Operations</u>				
Tourism	5,320	5,095	6,400	1,080
Housing and Urban Development	492,654	0	499,737	7,083
Employee Benefits	396,567	483,651	461,061	64,494
Total Expenditures	<u>\$ 3,155,165</u>	<u>\$ 2,693,596</u>	<u>\$ 3,343,163</u>	<u>\$ 187,998</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 114,573	\$ (307,572)	\$ (298,102)	\$ 412,675
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (9,740)	\$ 0	\$ (9,740)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (9,740)</u>	<u>\$ 0</u>	<u>\$ (9,740)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 104,833	\$ (307,572)	\$ (307,842)	\$ 412,675
Fund Balance, July 1, 2006	<u>557,053</u>	<u>312,384</u>	<u>312,384</u>	<u>244,669</u>
Fund Balance, June 30, 2007	<u>\$ 661,886</u>	<u>\$ 4,812</u>	<u>\$ 4,542</u>	<u>\$ 657,344</u>

Exhibit F-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 55,948	\$ 51,454	\$ 51,454	\$ 4,494
Other Local Revenues	9,928	7,000	7,000	2,928
State of Tennessee	1,340,698	1,381,120	1,381,120	(40,422)
Total Revenues	<u>\$ 1,406,574</u>	<u>\$ 1,439,574</u>	<u>\$ 1,439,574</u>	<u>\$ (33,000)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 95,199	\$ 96,639	\$ 96,639	\$ 1,440
Highway and Bridge Maintenance	501,040	492,960	529,940	28,900
Operation and Maintenance of Equipment	195,703	226,400	226,400	30,697
Litter and Trash Collection	35,413	31,000	40,800	5,387
Other Charges	48,100	47,050	48,100	0
Employee Benefits	231,026	219,200	233,149	2,123
Capital Outlay	131,751	248,000	182,001	50,250
Total Expenditures	<u>\$ 1,238,232</u>	<u>\$ 1,361,249</u>	<u>\$ 1,357,029</u>	<u>\$ 118,797</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 168,342</u>	<u>\$ 78,325</u>	<u>\$ 82,545</u>	<u>\$ 85,797</u>
Net Change in Fund Balance	\$ 168,342	\$ 78,325	\$ 82,545	\$ 85,797
Fund Balance, July 1, 2006	<u>105,891</u>	<u>98,594</u>	<u>98,594</u>	<u>7,297</u>
Fund Balance, June 30, 2007	<u>\$ 274,233</u>	<u>\$ 176,919</u>	<u>\$ 181,139</u>	<u>\$ 93,094</u>

Exhibit F-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

Required Supplementary Information

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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Metropolitan Government Employees

6-30-05	\$ 638	\$ 749	\$ 111	85.27 %	\$ 300	36.81 %
6-30-03	552	668	116	82.63	294	39.46
6-30-01	428	554	126	77.26	286	44.06

School Department Employees

6-30-05	2,035	2,035	0	100	883	0
6-30-03	1,873	1,873	0	100	847	0
6-30-01	1,724	1,724	0	100	789	0

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

BUDGETARY INFORMATION

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

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

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

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

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

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,661	\$ 0	\$ 23,897	\$ 25,558
Accounts Receivable	0	24,510	3,119	27,629
Allowance for Uncollectibles	0	(1,165)	0	(1,165)
Property Taxes Receivable	128,411	111,581	0	239,992
Allowance for Uncollectible Property Taxes	(735)	(552)	0	(1,287)
Total Assets	\$ 129,337	\$ 134,374	\$ 27,016	\$ 290,727
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 11,148	\$ 0	\$ 11,148
Payroll Deductions Payable	0	124	0	124
Cash Overdraft	0	4,833	0	4,833
Deferred Revenue - Current Property Taxes	124,931	109,314	0	234,245
Deferred Revenue - Delinquent Property Taxes	2,741	1,470	0	4,211
Other Deferred Revenues	0	7,175	0	7,175
Total Liabilities	\$ 127,672	\$ 134,064	\$ 0	\$ 261,736
<u>Fund Balances</u>				
Unreserved	\$ 1,665	\$ 310	\$ 27,016	\$ 28,991
Total Fund Balances	\$ 1,665	\$ 310	\$ 27,016	\$ 28,991
Total Liabilities and Fund Balances	\$ 129,337	\$ 134,374	\$ 27,016	\$ 290,727

Exhibit G-2

Moore 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
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 9,975	\$ 100,593	\$ 0	\$ 0	\$ 110,568
Licenses and Permits	2,105	0	0	0	2,105
Fines, Forfeitures, and Penalties	0	0	5,688	0	5,688
Charges for Current Services	0	179,552	0	108	179,660
Other Local Revenues	84	14,179	0	0	14,263
State of Tennessee	0	3,000	1,879	0	4,879
Total Revenues	<u>\$ 12,164</u>	<u>\$ 297,324</u>	<u>\$ 7,567</u>	<u>\$ 108</u>	<u>\$ 317,163</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 13,975	\$ 0	\$ 0	\$ 0	\$ 13,975
Administration of Justice	0	0	0	58	58
Public Safety	0	0	35,916	50	35,966
Public Health and Welfare	0	434,764	0	0	434,764
Total Expenditures	<u>\$ 13,975</u>	<u>\$ 434,764</u>	<u>\$ 35,916</u>	<u>\$ 108</u>	<u>\$ 484,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,811)</u>	<u>\$ (137,440)</u>	<u>\$ (28,349)</u>	<u>\$ 0</u>	<u>\$ (167,600)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 120,000	\$ 0	\$ 0	\$ 120,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 120,000</u>
Net Change in Fund Balances	\$ (1,811)	\$ (17,440)	\$ (28,349)	\$ 0	\$ (47,600)
Fund Balance, July 1, 2006	3,476	17,750	55,365	0	76,591
Fund Balance, June 30, 2007	<u>\$ 1,665</u>	<u>\$ 310</u>	<u>\$ 27,016</u>	<u>\$ 0</u>	<u>\$ 28,991</u>

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,975	\$ 10,371	\$ 10,371	\$ (396)
Licenses and Permits	2,105	2,000	2,000	105
Other Local Revenues	84	85	85	(1)
Total Revenues	<u>\$ 12,164</u>	<u>\$ 12,456</u>	<u>\$ 12,456</u>	<u>\$ (292)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 13,975	\$ 13,104	\$ 13,980	\$ 5
Total Expenditures	<u>\$ 13,975</u>	<u>\$ 13,104</u>	<u>\$ 13,980</u>	<u>\$ 5</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,811)	\$ (648)	\$ (1,524)	\$ (287)
Net Change in Fund Balance	\$ (1,811)	\$ (648)	\$ (1,524)	\$ (287)
Fund Balance, July 1, 2006	<u>3,476</u>	<u>3,548</u>	<u>3,548</u>	<u>(72)</u>
Fund Balance, June 30, 2007	<u><u>\$ 1,665</u></u>	<u><u>\$ 2,900</u></u>	<u><u>\$ 2,024</u></u>	<u><u>\$ (359)</u></u>

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 100,593	\$ 74,530	\$ 74,530	\$ 26,063
Charges for Current Services	179,552	183,362	183,362	(3,810)
Other Local Revenues	14,179	7,500	7,500	6,679
State of Tennessee	3,000	3,400	3,400	(400)
Total Revenues	<u>\$ 297,324</u>	<u>\$ 268,792</u>	<u>\$ 268,792</u>	<u>\$ 28,532</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Recycling Center	\$ 434,764	\$ 281,113	\$ 421,113	\$ (13,651)
Total Expenditures	<u>\$ 434,764</u>	<u>\$ 281,113</u>	<u>\$ 421,113</u>	<u>\$ (13,651)</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (137,440)	\$ (12,321)	\$ (152,321)	\$ 14,881
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 120,000	\$ 0	\$ 120,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 120,000</u>	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (17,440)	\$ (12,321)	\$ (32,321)	\$ 14,881
Fund Balance, July 1, 2006	17,750	15,817	15,817	1,933
Fund Balance, June 30, 2007	<u>\$ 310</u>	<u>\$ 3,496</u>	<u>\$ (16,504)</u>	<u>\$ 16,814</u>

Exhibit G-5

The Metropolitan Government of Lynchburg, Moore 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	\$ 5,688	\$ 10,500	\$ 10,500	\$ (4,812)
State of Tennessee	1,879	0	0	1,879
Total Revenues	<u>\$ 7,567</u>	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ (2,933)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 35,916	\$ 41,000	\$ 41,000	\$ 5,084
Total Expenditures	<u>\$ 35,916</u>	<u>\$ 41,000</u>	<u>\$ 41,000</u>	<u>\$ 5,084</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (28,349)</u>	<u>\$ (30,500)</u>	<u>\$ (30,500)</u>	<u>\$ 2,151</u>
Net Change in Fund Balance	\$ (28,349)	\$ (30,500)	\$ (30,500)	\$ 2,151
Fund Balance, July 1, 2006	<u>55,365</u>	<u>63,975</u>	<u>63,975</u>	<u>(8,610)</u>
Fund Balance, June 30, 2007	<u><u>\$ 27,016</u></u>	<u><u>\$ 33,475</u></u>	<u><u>\$ 33,475</u></u>	<u><u>\$ (6,459)</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 360,609	\$ 283,040	\$ 263,040	\$ 97,569
Total Revenues	\$ 360,609	\$ 283,040	\$ 263,040	\$ 97,569
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 89,352	\$ 87,631	\$ 89,352	\$ 0
Education	158,818	157,982	158,818	0
<u>Interest on Debt</u>				
General Government	17,195	18,963	17,195	0
Education	9,909	10,744	9,909	0
<u>Other Debt Service</u>				
General Government	4,032	3,400	4,032	0
Total Expenditures	\$ 279,306	\$ 278,720	\$ 279,306	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 81,303	\$ 4,320	\$ (16,266)	\$ 97,569
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 9,740	\$ 9,740	\$ 9,740	\$ 0
Total Other Financing Sources (Uses)	\$ 9,740	\$ 9,740	\$ 9,740	\$ 0
Net Change in Fund Balance	\$ 91,043	\$ 14,060	\$ (6,526)	\$ 97,569
Fund Balance, July 1, 2006	390,635	357,323	357,323	33,312
Fund Balance, June 30, 2007	\$ 481,678	\$ 371,383	\$ 350,797	\$ 130,881

Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 47,104	\$ 1,195,456	\$ 1,188,625	\$ 53,935
Total Assets	\$ 47,104	\$ 1,195,456	\$ 1,188,625	\$ 53,935
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 47,104	\$ 1,195,456	\$ 1,188,625	\$ 53,935
Total Liabilities	\$ 47,104	\$ 1,195,456	\$ 1,188,625	\$ 53,935

Metropolitan School Department

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

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

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

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

Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Activities
Discretely Presented Metropolitan 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
Component Unit:				
Governmental Activities:				
Instruction	\$ 4,167,809	\$ 0	\$ 348,470	\$ (3,819,339)
Support Services	2,581,983	1,200	20,916	(2,559,867)
Operation of Non-Instructional Services	504,839	255,673	230,490	(18,676)
Total Governmental Activities	\$ 7,254,631	\$ 256,873	\$ 599,876	\$ (6,397,882)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,770,229
Local Option Sales Taxes				283,889
Other Local Taxes				2,843
Grants and Contributions Not Restricted to Specific Programs				4,248,012
Unrestricted Investment Income				330
Miscellaneous				15,372
Total General Revenues				\$ 6,320,675
Change in Net Assets				\$ (77,207)
Net Assets, July 1, 2006				4,911,689
Net Assets, June 30, 2007				\$ 4,834,482

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan 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	\$ 499,718	\$ 38,966	\$ 538,684
Inventories	0	10,227	10,227
Due from Other Governments	67,025	11,033	78,058
Property Taxes Receivable	1,733,929	0	1,733,929
Allowance for Uncollectible Property Taxes	(9,961)	0	(9,961)
Total Assets	<u>\$ 2,290,711</u>	<u>\$ 60,226</u>	<u>\$ 2,350,937</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 10,254	\$ 308	\$ 10,562
Payroll Deductions Payable	130,641	15,257	145,898
Deferred Revenue - Current Property Taxes	1,686,567	0	1,686,567
Deferred Revenue - Delinquent Property Taxes	32,058	0	32,058
Other Deferred Revenues	32,521	0	32,521
Total Liabilities	<u>\$ 1,892,041</u>	<u>\$ 15,565</u>	<u>\$ 1,907,606</u>
<u>Fund Balances</u>			
Reserved for Vocational Projects	\$ 0	\$ 2	\$ 2
Other Local Education Reserves	687	0	687
Reserved for Career Ladder - Extended Contract	764	0	764
Reserved for Career Ladder Program	3,893	0	3,893
Reserved for Title I Grants to Local Education Agencies	0	6,840	6,840
Reserved for Innovative Education Program Strategies	0	1,066	1,066
Reserved for Special Education - Grants to States	0	202	202
Other Federal Reserves	0	4,212	4,212
Unreserved, Reported In:			
General Fund	393,326	0	393,326
Special Revenue Funds	0	32,339	32,339
Total Fund Balances	<u>\$ 398,670</u>	<u>\$ 44,661</u>	<u>\$ 443,331</u>
Total Liabilities and Fund Balances	<u>\$ 2,290,711</u>	<u>\$ 60,226</u>	<u>\$ 2,350,937</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Metropolitan 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)		\$	443,331
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: buildings and improvements net of accumulated depreciation		4,001,010	
Add: other capital assets net of accumulated depreciation		<u>457,293</u>	4,497,645
(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 payable			(171,073)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>64,579</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>4,834,482</u></u>

Exhibit J-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Metropolitan 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	\$ 2,046,168	\$ 0	\$ 2,046,168
Licenses and Permits	735	0	735
Charges for Current Services	21,362	235,511	256,873
Other Local Revenues	15,402	331	15,733
State of Tennessee	4,268,482	5,641	4,274,123
Federal Government	4,811	555,031	559,842
Total Revenues	<u>\$ 6,356,960</u>	<u>\$ 796,514</u>	<u>\$ 7,153,474</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,747,814	\$ 267,108	\$ 4,014,922
Support Services	2,546,130	79,875	2,626,005
Operation of Non-Instructional Services	21,694	443,493	465,187
Capital Outlay	70,694	0	70,694
Total Expenditures	<u>\$ 6,386,332</u>	<u>\$ 790,476</u>	<u>\$ 7,176,808</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,372)</u>	<u>\$ 6,038</u>	<u>\$ (23,334)</u>
Net Change in Fund Balances	\$ (29,372)	\$ 6,038	\$ (23,334)
Fund Balance, July 1, 2006	428,042	38,623	466,665
Fund Balance, June 30, 2007	<u>\$ 398,670</u>	<u>\$ 44,661</u>	<u>\$ 443,331</u>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Metropolitan 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)		\$ (23,334)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$ 235,423	
Less: current year depreciation expense	<u>(286,038)</u>	(50,615)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2007	\$ 64,579	
Less: deferred delinquent property taxes/other deferred June 30, 2006	<u>(56,089)</u>	8,490
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Less: change in compensated absences		<u>(11,748)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (77,207)</u>

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2007

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 7,641	\$ 31,325	\$ 38,966
Inventories	0	10,227	10,227
Due from Other Governments	11,033	0	11,033
Total Assets	<u>\$ 18,674</u>	<u>\$ 41,552</u>	<u>\$ 60,226</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 308	\$ 0	\$ 308
Payroll Deductions Payable	6,044	9,213	15,257
Total Liabilities	<u>\$ 6,352</u>	<u>\$ 9,213</u>	<u>\$ 15,565</u>
<u>Fund Balances</u>			
Reserved for Vocational Projects	\$ 2	\$ 0	\$ 2
Reserved for Title I Grants to Local Education Agencies	6,840	0	6,840
Reserved for Innovative Education Program Strategies	1,066	0	1,066
Reserved for Special Education - Grants to States	202	0	202
Other Federal Reserves	4,212	0	4,212
Unreserved	0	32,339	32,339
Total Fund Balances	<u>\$ 12,322</u>	<u>\$ 32,339</u>	<u>\$ 44,661</u>
Total Liabilities and Fund Balances	<u>\$ 18,674</u>	<u>\$ 41,552</u>	<u>\$ 60,226</u>

Exhibit J-7

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

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 235,511	\$ 235,511
Other Local Revenues	0	331	331
State of Tennessee	0	5,641	5,641
Federal Government	347,059	207,972	555,031
Total Revenues	<u>\$ 347,059</u>	<u>\$ 449,455</u>	<u>\$ 796,514</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 267,108	\$ 0	\$ 267,108
Support Services	79,875	0	79,875
Operation of Non-Instructional Services	0	443,493	443,493
Total Expenditures	<u>\$ 346,983</u>	<u>\$ 443,493</u>	<u>\$ 790,476</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76</u>	<u>\$ 5,962</u>	<u>\$ 6,038</u>
Net Change in Fund Balances	\$ 76	\$ 5,962	\$ 6,038
Fund Balance, July 1, 2006	12,246	26,377	38,623
Fund Balance, June 30, 2007	<u>\$ 12,322</u>	<u>\$ 32,339</u>	<u>\$ 44,661</u>

Exhibit J-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Metropolitan School Department
General Purpose School 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	\$ 2,046,168	\$ 0	\$ 2,046,168	\$ 1,903,924	\$ 2,002,086	\$ 44,082
Licenses and Permits	735	0	735	650	600	135
Charges for Current Services	21,362	0	21,362	34,200	21,180	182
Other Local Revenues	15,402	0	15,402	10,000	11,181	4,221
State of Tennessee	4,268,482	0	4,268,482	4,229,091	4,258,256	10,226
Federal Government	4,811	0	4,811	0	4,811	0
Total Revenues	\$ 6,356,960	\$ 0	\$ 6,356,960	\$ 6,177,865	\$ 6,298,114	\$ 58,846
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,023,040	\$ 0	\$ 3,023,040	\$ 3,031,355	\$ 3,035,157	\$ 12,117
Alternative Instruction Program	66,909	0	66,909	66,616	66,909	0
Special Education Program	406,139	0	406,139	392,453	408,283	2,144
Vocational Education Program	251,726	0	251,726	225,852	252,445	719
<u>Support Services</u>						
Attendance	5,787	0	5,787	7,410	5,794	7
Health Services	52,580	0	52,580	60,582	53,524	944
Other Student Support	197,707	0	197,707	192,849	198,247	540
Regular Instruction Program	299,062	0	299,062	329,608	300,559	1,497
Special Education Program	3,866	0	3,866	3,364	3,868	2
Vocational Education Program	33,354	0	33,354	33,065	33,464	110
Board of Education	156,899	0	156,899	147,390	157,478	579
Director of Schools	141,377	0	141,377	145,831	142,803	1,426
Office of the Principal	444,988	0	444,988	435,628	446,447	1,459
Fiscal Services	73,641	0	73,641	73,604	73,777	136
Operation of Plant	644,329	0	644,329	682,000	650,078	5,749

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Maintenance of Plant	\$ 79,654	\$ (595)	\$ 79,059	\$ 72,120	\$ 79,835	\$ 776
Transportation	412,886	0	412,886	326,918	414,160	1,274
<u>Operation of Non-Instructional Services</u>						
Community Services	21,694	0	21,694	28,604	22,948	1,254
<u>Capital Outlay</u>						
Regular Capital Outlay	70,694	(36,997)	33,697	40,000	34,000	303
Total Expenditures	\$ 6,386,332	\$ (37,592)	\$ 6,348,740	\$ 6,295,249	\$ 6,379,776	\$ 31,036
Excess (Deficiency) of Revenues Over Expenditures						
	\$ (29,372)	\$ 37,592	\$ 8,220	\$ (117,384)	\$ (81,662)	\$ 89,882
Net Change in Fund Balance						
Fund Balance, July 1, 2006	\$ 428,042	(37,592)	390,450	309,797	309,797	80,653
Fund Balance, June 30, 2007	\$ 398,670	0	398,670	192,413	228,135	170,535

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 347,059	\$ 423,100	\$ 405,341	\$ (58,282)
Total Revenues	\$ 347,059	\$ 423,100	\$ 405,341	\$ (58,282)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 61,237	\$ 74,278	\$ 84,122	\$ 22,885
Special Education Program	191,592	246,678	223,872	32,280
Vocational Education Program	14,279	13,567	14,345	66
<u>Support Services</u>				
Health Services	9,554	12,198	12,198	2,644
Other Student Support	3,193	4,300	3,193	0
Regular Instruction Program	58,675	82,080	72,080	13,405
Special Education Program	8,453	7,968	8,453	0
Total Expenditures	\$ 346,983	\$ 441,069	\$ 418,263	\$ 71,280
Excess (Deficiency) of Revenues Over Expenditures	\$ 76	\$ (17,969)	\$ (12,922)	\$ 12,998
Net Change in Fund Balance	\$ 76	\$ (17,969)	\$ (12,922)	\$ 12,998
Fund Balance, July 1, 2006	12,246	17,969	17,969	(5,723)
Fund Balance, June 30, 2007	\$ 12,322	\$ 0	\$ 5,047	\$ 7,275

Exhibit J-10

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 235,511	\$ 253,000	\$ 253,000	\$ (17,489)
Other Local Revenues	331	750	750	(419)
State of Tennessee	5,641	5,600	5,600	41
Federal Government	207,972	170,000	190,000	17,972
Total Revenues	<u>\$ 449,455</u>	<u>\$ 429,350</u>	<u>\$ 449,350</u>	<u>\$ 105</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 443,493	\$ 436,314	\$ 456,314	\$ 12,821
Total Expenditures	<u>\$ 443,493</u>	<u>\$ 436,314</u>	<u>\$ 456,314</u>	<u>\$ 12,821</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,962</u>	<u>\$ (6,964)</u>	<u>\$ (6,964)</u>	<u>\$ 12,926</u>
Net Change in Fund Balance	\$ 5,962	\$ (6,964)	\$ (6,964)	\$ 12,926
Fund Balance, July 1, 2006	26,377	13,412	13,412	12,965
Fund Balance, June 30, 2007	<u>\$ 32,339</u>	<u>\$ 6,448</u>	<u>\$ 6,448</u>	<u>\$ 25,891</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Long-term Notes
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	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	\$ 1,265,281	3.349 %	10-26-98	4-10-08	\$ 319,026	\$ 0	\$ 158,818	\$ 160,208
Ambulance	74,069	4.75	7-31-01	7-31-09	27,576	0	10,080	17,496
Health Department Building	70,000	4.75	12-14-01	12-14-10	30,874	0	8,350	22,524
Patrol Car	19,000	1.723	10-29-03	10-26-06	6,442	0	6,442	0
Courthouse Roof	25,000	.84	6-23-04	2-7-07	8,360	0	8,360	0
Library Roof	33,000	1.96	3-2-05	3-2-08	22,211	0	11,025	11,186
Land	225,000	3.38	11-16-05	11-16-14	225,000	0	21,872	203,128
Fire truck	200,000	3.94	1-27-06	1-23-14	200,000	0	23,223	176,777
Garbage Truck	120,000	3.58	6-22-07	6-22-13	0	120,000	0	120,000
Total Notes Payable					<u>\$ 839,489</u>	<u>\$ 120,000</u>	<u>\$ 248,170</u>	<u>\$ 711,319</u>

Exhibit K-2

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

Exhibit K-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Executive Highway Superintendent	Section 8-24-102, <u>TCA</u>	\$ 53,787	\$ 25,000	RLI Insurance Company
Director of Schools	Section 8-24-102, <u>TCA</u> and Metropolitan Council State Board of Education and Metropolitan Board of Education	53,787	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	63,232 (1)	50,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	277,100	RLI Insurance Company
Metropolitan Clerk	Section 8-24-102, <u>TCA</u>	46,569	10,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Register	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	51,826 (2)	25,000	"
<u>Employee Bonds</u>				
Metropolitan Employees			150,000	Tennessee School Boards Risk Management Trust
School Department Employees			150,000	"

(1) Includes career ladder supplement of \$1,000.

(2) Includes law enforcement training supplement of \$600.

Exhibit K-4

The Metropolitan Government of Lynchburg, Moore 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	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,323,351	\$ 9,671	\$ 78,772	\$ 0	\$ 0	\$ 23,772	\$ 39,382	\$ 1,474,948
Trustee's Collections - Prior Year	30,157	274	1,328	0	0	343	610	32,712
Circuit/Clerk & Master Collections - Prior Years	4,557	0	228	0	0	0	116	4,901
Interest and Penalty	5,186	30	265	0	0	127	134	5,742
Payments in-Lieu-of Taxes - T.V.A.	4,289	0	0	0	0	0	0	4,289
<u>County Local Option Taxes</u>								
Local Option Sales Tax	138,588	0	20,000	0	0	0	121,917	280,505
Hotel/Motel Tax	7,963	0	0	0	0	0	0	7,963
Litigation Tax - General	22,752	0	0	0	0	0	0	22,752
Litigation Tax - Jail, Workhouse, or Courthouse	6,745	0	0	0	0	0	0	6,745
Business Tax	30,378	0	0	0	0	0	0	30,378
Mineral Severance Tax	0	0	0	0	0	31,706	0	31,706
<u>Statutory Local Taxes</u>								
Bank Excise Tax	19,950	0	0	0	0	0	0	19,950
Wholesale Beer Tax	55,232	0	0	0	0	0	0	55,232
Interstate Telecommunications Tax	1,045	0	0	0	0	0	0	1,045
Other Statutory Local Taxes	0	0	0	0	0	0	198,450	198,450
Total Local Taxes	\$ 1,650,193	\$ 9,975	\$ 100,593	\$ 0	\$ 0	\$ 55,948	\$ 360,609	\$ 2,177,318
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 5,554	\$ 2,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,659
<u>Permits</u>								
Building Permits	8,095	0	0	0	0	0	0	8,095
Total Licenses and Permits	\$ 13,649	\$ 2,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,754
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 2,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,985
Officers Costs	629	0	0	0	0	0	0	629
Drug Control Fines	0	0	0	3,668	0	0	0	3,668
Drug Court Fees	109	0	0	0	0	0	0	109

(Continued)

Exhibit K-4

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Data Entry Fee - Circuit Court	\$ 148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	148
Courtroom Security Fee	103	0	0	0	0	0	0	103
<u>General Sessions Court</u>								
Fines	5,582	0	0	0	0	0	0	5,582
Officers Costs	7,145	0	0	0	0	0	0	7,145
Game and Fish Fines	104	0	0	0	0	0	0	104
Drug Control Fines	0	0	0	2,020	0	0	0	2,020
Drug Court Fees	516	0	0	0	0	0	0	516
Jail Fees	2,779	0	0	0	0	0	0	2,779
Interpreter Fees	50	0	0	0	0	0	0	50
DUI Treatment Fines	969	0	0	0	0	0	0	969
Data Entry Fee - General Sessions Court	1,152	0	0	0	0	0	0	1,152
Courtroom Security Fee	4	0	0	0	0	0	0	4
<u>Chancery Court</u>								
Officers Costs	375	0	0	0	0	0	0	375
Data Entry Fee - Chancery Court	136	0	0	0	0	0	0	136
<u>Other Fines, Forfeitures, and Penalties</u>								
Other Fines, Forfeitures, and Penalties	4,870	0	0	0	0	0	0	4,870
Total Fines, Forfeitures, and Penalties	\$ 27,656	\$ 0	\$ 0	\$ 5,688	\$ 0	\$ 0	\$ 0	33,344
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 179,552	\$ 0	\$ 0	\$ 0	\$ 0	179,552
Patient Charges	103,313	0	0	0	0	0	0	103,313
Other General Service Charges	425	0	0	0	0	0	0	425
<u>Fees</u>								
Recreation Fees	5,027	0	0	0	0	0	0	5,027
Copy Fees	276	0	0	0	0	0	0	276
Library Fees	1,019	0	0	0	0	0	0	1,019
Vending Machine Collections	226	0	0	0	0	0	0	226
Constitutional Officers' Fees and Commissions	0	0	0	0	108	0	0	108
Data Processing Fee - Register	2,918	0	0	0	0	0	0	2,918

(Continued)

Exhibit K-4

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Data Processing Fee - Sheriff	\$ 813	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 813
Sexual Offender Registration Fees - Sheriff	200	0	0	0	0	0	0	200
Total Charges for Current Services	\$ 114,217	\$ 0	\$ 179,552	\$ 0	\$ 108	\$ 0	\$ 0	\$ 293,877
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 61,421	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,421
Lease/Rentals	9,986	0	0	0	0	0	0	9,986
Commissary Sales	4,929	0	0	0	0	0	0	4,929
Sale of Recycled Materials	0	0	14,047	0	0	0	0	14,047
Miscellaneous Refunds	8,104	0	21	0	0	9,928	0	18,053
<u>Nonrecurring Items</u>								
Sale of Equipment	1,300	0	111	0	0	0	0	1,411
Damages Recovered from Individuals	3,750	0	0	0	0	0	0	3,750
Contributions & Gifts	8,384	0	0	0	0	0	0	8,384
<u>Other Local Revenues</u>								
Other Local Revenues	0	84	0	0	0	0	0	84
Total Other Local Revenues	\$ 97,874	\$ 84	\$ 14,179	\$ 0	\$ 0	\$ 9,928	\$ 0	\$ 122,065
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 44,435	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,435
Circuit Court Clerk	15,578	0	0	0	0	0	0	15,578
General Sessions Court Clerk	32,354	0	0	0	0	0	0	32,354
Clerk and Master	18,701	0	0	0	0	0	0	18,701
Juvenile Court Clerk	1,454	0	0	0	0	0	0	1,454
Register	37,675	0	0	0	0	0	0	37,675
Sheriff	3,285	0	0	0	0	0	0	3,285
Trustee	104,196	0	0	0	0	0	0	104,196
Total Fees Received from County Officials	\$ 257,678	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 257,678

(Continued)

Exhibit K-4

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	2,272	0	0	0	0	0	0	2,272
Solid Waste Grants	0	0	3,000	0	0	0	0	3,000
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	7,800
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	47,083	0	47,083
State Aid Program	0	0	0	0	0	95,148	0	95,148
<u>Other State Revenues</u>								
Income Tax	23,193	0	0	0	0	0	0	23,193
Beer Tax	18,895	0	0	0	0	0	0	18,895
Alcoholic Beverage Tax	10,314	0	0	0	0	0	0	10,314
State Revenue Sharing - T.V.A.	150,581	0	0	0	0	0	0	150,581
Contracted Prisoner Boarding	126,070	0	0	0	0	0	0	126,070
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,193,849	0	1,193,849
Petroleum Special Tax	0	0	0	0	0	4,618	0	4,618
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
State Shared Sales Tax - Cities	35,499	0	0	0	0	0	0	35,499
Other State Grants	38,307	0	0	0	0	0	0	38,307
Other State Revenues	0	0	0	1,879	0	0	0	1,879
Total State of Tennessee	\$ 438,311	\$ 0	\$ 3,000	\$ 1,879	\$ 0	\$ 1,340,698	\$ 0	\$ 1,783,888
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 84,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	84,721
Other Federal through State	549,744	0	0	0	0	0	0	549,744
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	35,695	0	0	0	0	0	0	35,695
Total Federal Government	\$ 670,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 670,160
Total	\$ 3,269,738	\$ 12,164	\$ 297,324	\$ 7,567	\$ 108	\$ 1,406,574	\$ 360,609	\$ 5,354,084

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Metropolitan School Department
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,717,203	\$ 0	\$ 0	\$ 1,717,203
Trustee's Collections - Prior Year	35,595	0	0	35,595
Circuit/Clerk & Master Collections - Prior Years	6,081	0	0	6,081
Interest and Penalty	6,876	0	0	6,876
<u>County Local Option Taxes</u>				
Local Option Sales Tax	279,477	0	0	279,477
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	936	0	0	936
Total Local Taxes	\$ 2,046,168	\$ 0	\$ 0	\$ 2,046,168
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 735	\$ 0	\$ 0	\$ 735
Total Licenses and Permits	\$ 735	\$ 0	\$ 0	\$ 735
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 143,676	\$ 143,676
Lunch Payments - Adults	0	0	13,252	13,252
Income from Breakfast	0	0	16,280	16,280
A la carte Sales	0	0	62,303	62,303
Receipts from Individual Schools	2,230	0	0	2,230
Community Service Fees - Children	17,932	0	0	17,932
TBI Criminal Background Fees	1,200	0	0	1,200
Total Charges for Current Services	\$ 21,362	\$ 0	\$ 235,511	\$ 256,873
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 330	\$ 330
Sale of Materials and Supplies	150	0	0	150
Miscellaneous Refunds	15,221	0	1	15,222
<u>Other Local Revenues</u>				
Other Local Revenues	31	0	0	31
Total Other Local Revenues	\$ 15,402	\$ 0	\$ 331	\$ 15,733
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 4,106,000	\$ 0	\$ 0	\$ 4,106,000
School Food Service	0	0	5,641	5,641
Driver Education	4,008	0	0	4,008
Other State Education Funds	28,799	0	0	28,799
Career Ladder Program	57,028	0	0	57,028
Career Ladder - Extended Contract	14,425	0	0	14,425
<u>Other State Revenues</u>				
Beer Tax	40,944	0	0	40,944
Other State Revenues	17,278	0	0	17,278
Total State of Tennessee	\$ 4,268,482	\$ 0	\$ 5,641	\$ 4,274,123

(Continued)

Exhibit K-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 160,318	\$ 160,318
Breakfast	0	0	47,654	47,654
Vocational Education - Basic Grants to States	0	15,067	0	15,067
Title I Grants to Local Education Agencies	0	101,231	0	101,231
Innovative Education Program Strategies	0	1,374	0	1,374
Special Education - Grants to States	0	191,213	0	191,213
Special Education Preschool Grants	0	12,357	0	12,357
Eisenhower Professional Development State Grants	0	22,190	0	22,190
Other Federal through State	4,811	3,627	0	8,438
Total Federal Government	<u>\$ 4,811</u>	<u>\$ 347,059</u>	<u>\$ 207,972</u>	<u>\$ 559,842</u>
Total	<u>\$ 6,356,960</u>	<u>\$ 347,059</u>	<u>\$ 449,455</u>	<u>\$ 7,153,474</u>

Exhibit K-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Other Per Diem & Fees	\$	3,760	
Audit Services		1,372	
Dues and Memberships		1,000	
Operating Lease Payments		2,400	
Liability Insurance		54,176	
Trustee's Commission		35,192	
Workers' Compensation Insurance		17,676	
Total County Commission			\$ 115,576

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Accountants/Bookkeepers		25,000	
In-Service Training		271	
Communication		1,726	
Data Processing Services		4,676	
Dues and Memberships		4,718	
Legal Notices, Recording, and Court Costs		1,383	
Postal Charges		1,100	
Travel		149	
Premiums on Corporate Surety Bonds		263	
Other Charges		12,981	
Total County Mayor/Executive			106,054

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	37,255	
Other Salaries & Wages		2,400	
Election Commission		500	
Election Workers		4,625	
Communication		697	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		1,083	
Maintenance & Repair Services - Office Equipment		2,140	
Postal Charges		427	
Printing, Stationery, and Forms		646	
Travel		1,965	
Other Contracted Services		8,425	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Supplies	\$	223	
Office Equipment		22,874	
Total Election Commission			\$ 83,360

Register of Deeds

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		4,079	
Communication		374	
Dues and Memberships		352	
Maintenance Agreements		3,001	
Postal Charges		400	
Printing, Stationery, and Forms		1,342	
Premiums on Corporate Surety Bonds		263	
Data Processing Equipment		125	
Office Equipment		1,884	
Total Register of Deeds			58,389

Planning

County Official/Administrative Officer	\$	4,188	
Communication		359	
Contracts with Government Agencies		7,000	
Legal Notices, Recording, and Court Costs		314	
Other Charges		154	
Total Planning			12,015

County Buildings

Custodial Personnel	\$	14,900	
Maintenance & Repair Services - Buildings		122,843	
Pest Control		480	
Custodial Supplies		2,218	
Electricity		10,302	
Natural Gas		6,655	
Office Supplies		3,596	
Water and Sewer		2,405	
Total County Buildings			163,399

Preservation of Records

Part-time Personnel	\$	2,288	
Maintenance Agreements		301	
Office Supplies		884	
Total Preservation of Records			3,473

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		9,000	
Other Per Diem & Fees		170	
Communication		373	
Data Processing Services		2,382	
Legal Notices, Recording, and Court Costs		34	
Postal Charges		197	
Travel		745	
Other Contracted Services		5,400	
Total Property Assessor's Office			\$ 64,870

County Trustee's Office

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		1,204	
In-Service Training		199	
Communication		416	
Data Processing Services		4,047	
Dues and Memberships		300	
Legal Notices, Recording, and Court Costs		272	
Postal Charges		939	
Printing, Stationery, and Forms		629	
Travel		974	
Premiums on Corporate Surety Bonds		3,476	
Total County Trustee's Office			59,025

County Clerk's Office

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		6,705	
Communication		394	
Dues and Memberships		357	
Postal Charges		1,300	
Printing, Stationery, and Forms		721	
Premiums on Corporate Surety Bonds		263	
Office Equipment		244	
Total County Clerk's Office			56,553

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		6,549	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Jury and Witness Fees	\$	2,505	
Communication		424	
Data Processing Services		3,188	
Dues and Memberships		617	
Legal Notices, Recording, and Court Costs		13	
Postal Charges		599	
Printing, Stationery, and Forms		765	
Travel		134	
Other Contracted Services		354	
Premiums on Corporate Surety Bonds		263	
Total Circuit Court			\$ 61,980

General Sessions Court

Judge(s)	\$	54,411	
Travel		612	
Office Supplies		500	
Office Equipment		753	
Total General Sessions Court			56,276

Chancery Court

County Official/Administrative Officer	\$	46,569	
Part-time Personnel		1,076	
Communication		343	
Dues and Memberships		317	
Postal Charges		368	
Printing, Stationery, and Forms		567	
Travel		94	
Periodicals		288	
Office Equipment		584	
Total Chancery Court			50,206

Juvenile Court

Supervisor/Director	\$	9,000	
Total Juvenile Court			9,000

Judicial Commissioners

County Official/Administrative Officer	\$	6,887	
Communication		459	
Total Judicial Commissioners			7,346

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	51,226	
Supervisor/Director		31,927	
Deputy(ies)		198,513	
Sergeant(s)		29,369	
Foremen		22,442	
Dispatchers/Radio Operators		106,252	
Longevity Pay		22,000	
Overtime Pay		351	
Other Salaries & Wages		18,338	
In-Service Training		11,049	
Communication		5,642	
Contracts with Private Agencies		2,011	
Dues and Memberships		935	
Maintenance & Repair Services - Equipment		634	
Maintenance & Repair Services - Vehicles		12,373	
Medical and Dental Services		42	
Postal Charges		629	
Printing, Stationery, and Forms		1,287	
Travel		1,307	
Other Contracted Services		2,304	
Gasoline		21,526	
Office Supplies		1,994	
Uniforms		1,437	
Premiums on Corporate Surety Bonds		444	
Other Charges		82,712	
Data Processing Equipment		2,091	
Law Enforcement Equipment		2,118	
Motor Vehicles		23,145	
Total Sheriff's Department			\$ 654,098

Traffic Control

Other Charges	\$	3,279	
Total Traffic Control			3,279

Jail

Guards	\$	86,104	
Secretary(ies)		20,955	
Longevity Pay		1,000	
Contracts with Government Agencies		45	
Maintenance & Repair Services - Buildings		4,476	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance & Repair Services - Equipment	\$	568	
Medical and Dental Services		9,264	
Pest Control		240	
Custodial Supplies		2,112	
Drugs and Medical Supplies		6,876	
Electricity		13,265	
Food Preparation Supplies		478	
Food Supplies		22,344	
Natural Gas		2,709	
Prisoners Clothing		696	
Uniforms		1,183	
Water and Sewer		10,752	
Total Jail			\$ 183,067

Commissary

Printing, Stationery, and Forms	\$	280	
Food Supplies		658	
Other Supplies and Materials		31	
Total Commissary			969

Fire Prevention and Control

Part-time Personnel	\$	10,300	
In-Service Training		1,870	
Communication		1,171	
Maintenance Agreements		1,937	
Maintenance & Repair Services - Buildings		2,184	
Maintenance & Repair Services - Vehicles		675	
Pest Control		240	
Rentals		182	
Electricity		2,642	
Gasoline		2,925	
Natural Gas		5,263	
Water and Sewer		1,254	
Excess Risk Insurance		1,469	
Other Equipment		19,554	
Total Fire Prevention and Control			51,666

Public Health and Welfare

Local Health Center

Communication	\$	1,557	
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(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Contracts with Government Agencies	\$	14,000	
Contracts with Private Agencies		5,982	
Maintenance & Repair Services - Buildings		9,510	
Pest Control		240	
Postal Charges		28	
Other Contracted Services		161	
Custodial Supplies		163	
Drugs and Medical Supplies		273	
Office Supplies		34	
Utilities		6,146	
Other Supplies and Materials		10	
Total Local Health Center			\$ 38,104

Rabies and Animal Control

Other Supplies and Materials	\$	1,318	
Total Rabies and Animal Control			1,318

Ambulance/Emergency Medical Services

Paraprofessionals	\$	137,726	
Part-time Personnel		31,732	
Longevity Pay		6,000	
Overtime Pay		33,189	
In-Service Training		904	
Communication		2,384	
Data Processing Services		1,173	
Dues and Memberships		810	
Maintenance & Repair Services - Buildings		1,376	
Maintenance & Repair Services - Equipment		340	
Maintenance & Repair Services - Vehicles		5,913	
Pest Control		240	
Postal Charges		80	
Travel		881	
Drugs and Medical Supplies		5,093	
Electricity		2,767	
Gasoline		4,413	
Natural Gas		2,186	
Office Supplies		864	
Uniforms		1,111	
Water and Sewer		1,090	
Other Supplies and Materials		595	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Refunds	\$ 386	
Total Ambulance/Emergency Medical Services		\$ 241,253

Alcohol and Drug Programs

Other Supplies and Materials	\$ 1,044	
Total Alcohol and Drug Programs		1,044

Regional Mental Health Center

Contracts with Other Public Agencies	\$ 2,200	
Total Regional Mental Health Center		2,200

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 7,000	
Total Senior Citizens Assistance		7,000

Libraries

Assistant(s)	\$ 4,736	
Supervisor/Director	19,469	
Part-time Personnel	13,942	
Longevity Pay	2,000	
Communication	1,539	
Data Processing Services	1,940	
Dues and Memberships	100	
Maintenance & Repair Services - Buildings	384	
Pest Control	240	
Postal Charges	494	
Printing, Stationery, and Forms	114	
Travel	38	
Custodial Supplies	440	
Electricity	3,613	
Instructional Supplies and Materials	202	
Library Books/Media	3,851	
Natural Gas	2,214	
Office Supplies	1,170	
Periodicals	450	
Water and Sewer	814	
Office Equipment	7,489	
Total Libraries		65,239

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Assistant(s)	\$	2,249	
Supervisor/Director		8,445	
Attendants		4,842	
Dues and Memberships		340	
Maintenance & Repair Services - Buildings		2,967	
Maintenance & Repair Services - Equipment		11,529	
Rentals		620	
Electricity		6,250	
General Construction Materials		5,240	
Water and Sewer		2,038	
Chemicals		3,222	
Total Parks and Fair Boards			\$ 47,742

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,561	
Part-time Personnel		8,227	
Longevity Pay		1,500	
Communication		1,052	
Data Processing Services		1,500	
Travel		1,785	
Office Supplies		660	
Other Charges		20	
Total Agriculture Extension Service			44,305

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

Soil Conservation

Communication	\$	606	
Matching Share		5,125	
Total Soil Conservation			5,731

Other Operations

Tourism

Dues and Memberships	\$	1,095	
Maintenance & Repair Services - Buildings		50	
Custodial Supplies		343	
Electricity		1,074	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Tourism (Cont.)

Natural Gas	\$	779	
Water and Sewer		674	
Other Charges		1,305	
Total Tourism			\$ 5,320

Housing and Urban Development

Contracts with Private Agencies	\$	492,654	
Total Housing and Urban Development			492,654

Employee Benefits

Social Security	\$	104,067	
State Retirement		39,297	
Employee and Dependent Insurance		237,615	
Unemployment Compensation		2,311	
Local Retirement		13,277	
Total Employee Benefits			<u>396,567</u>

Total General Fund \$ 3,155,165

Urban Services Fund

General Government

Other General Administration

Electricity	\$	13,737	
Trustee's Commission		238	
Total Other General Administration			<u>\$ 13,975</u>

Total Urban Services Fund 13,975

Solid Waste/Sanitation Fund

Public Health and Welfare

Recycling Center

County Official/Administrative Officer	\$	11,816	
Assistant(s)		2,400	
Laborers		89,010	
Longevity Pay		2,000	
Other Salaries & Wages		2,724	
Social Security		7,665	
Medical Insurance		31,469	
Unemployment Compensation		234	
Advertising		246	

(Continued)

Exhibit K-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Communication	\$	1,336	
Contracts with Private Agencies		77,984	
Maintenance & Repair Services - Vehicles		29,132	
Postal Charges		84	
Other Contracted Services		8,420	
Diesel Fuel		22,636	
Office Supplies		38	
Tires and Tubes		4,402	
Utilities		1,032	
Trustee's Commission		3,476	
Vehicle and Equipment Insurance		9,753	
Workers' Compensation Insurance		4,285	
Motor Vehicles		123,975	
Solid Waste Equipment		647	
Total Recycling Center			\$ 434,764

Total Solid Waste/Sanitation Fund \$ 434,764

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	200	
Communication		10,482	
Confidential Drug Enforcement Payments		500	
Maintenance & Repair Services - Vehicles		1,069	
Gasoline		3,000	
Law Enforcement Supplies		500	
Uniforms		561	
Trustee's Commission		19	
Other Charges		62	
Motor Vehicles		18,784	
Other Equipment		739	
Total Drug Enforcement			\$ 35,916

Total Drug Control Fund 35,916

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Bank Charges	\$	58	
Total Chancery Court			\$ 58

(Continued)

Exhibit K-6

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

Constitutional Officers - Fees Fund (Cont.)

Public Safety

Sheriff's Department

Bank Charges	\$ 50	
Total Sheriff's Department		\$ 50

Total Constitutional Officers - Fees Fund \$ 108

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 53,787	
Assistant(s)	37,038	
Legal Notices, Recording, and Court Costs	149	
Pest Control	176	
Postal Charges	149	
Printing, Stationery, and Forms	641	
Office Supplies	2,393	
Other Charges	866	
Total Administration		\$ 95,199

Highway and Bridge Maintenance

Foremen	\$ 21,632	
Equipment Operators	143,724	
Truck Drivers	104,992	
Laborers	56,238	
Contracts with Private Agencies	17,200	
Dues and Memberships	1,802	
Asphalt - Hot Mix	98,464	
Asphalt - Liquid	10,696	
Crushed Stone	19,771	
Pipe	22,431	
Road Signs	3,926	
Other Charges	164	
Total Highway and Bridge Maintenance		501,040

Operation and Maintenance of Equipment

Mechanic(s)	\$ 103,691
Diesel Fuel	30,304
Equipment and Machinery Parts	30,175
Garage Supplies	9,985
Gasoline	13,324
Lubricants	3,912

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tires and Tubes	\$ 3,748	
Other Charges	564	
Total Operation and Maintenance of Equipment		\$ 195,703

Litter and Trash Collection

Other Salaries & Wages	\$ 35,413	
Total Litter and Trash Collection		35,413

Other Charges

Communication	\$ 2,257	
Electricity	2,128	
Water and Sewer	236	
Liability Insurance	15,169	
Premiums on Corporate Surety Bonds	350	
Trustee's Commission	12,791	
Vehicle and Equipment Insurance	15,169	
Total Other Charges		48,100

Employee Benefits

Social Security	\$ 43,510	
State Retirement	12,827	
Employee and Dependent Insurance	148,221	
Unemployment Compensation	758	
Workers' Compensation Insurance	25,710	
Total Employee Benefits		231,026

Capital Outlay

Contracts with Private Agencies	\$ 3,275	
Engineering Services	121	
Highway Equipment	33,000	
State Aid Projects	95,355	
Total Capital Outlay		131,751

Total Highway/Public Works Fund \$ 1,238,232

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 89,352	
Total General Government		\$ 89,352

(Continued)

Exhibit K-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education</u>		
Principal on Notes	<u>\$ 158,818</u>	
Total Education		\$ 158,818
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	<u>\$ 17,195</u>	
Total General Government		17,195
<u>Education</u>		
Interest on Notes	<u>\$ 9,909</u>	
Total Education		9,909
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	<u>\$ 4,032</u>	
Total General Government		<u>4,032</u>
Total General Debt Service Fund		<u>\$ 279,306</u>
Total Governmental Funds - Primary Government		<u>\$ 5,157,466</u>

Exhibit K-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,060,870	
Career Ladder Program		32,881	
Career Ladder Extended Contracts		12,768	
Educational Assistants		74,912	
Other Salaries & Wages		2,385	
Certified Substitute Teachers		1,490	
Non-certified Substitute Teachers		34,535	
Social Security		131,486	
State Retirement		132,352	
Medical Insurance		352,135	
Unemployment Compensation		1,753	
Employer Medicare		30,751	
Maintenance & Repair Services - Equipment		577	
Instructional Supplies and Materials		50,779	
Textbooks		79,998	
Other Supplies and Materials		1,085	
Other Charges		4,633	
Regular Instruction Equipment		17,650	
Total Regular Instruction Program			\$ 3,023,040

Alternative Instruction Program

Teachers	\$	44,755	
Educational Assistants		13,990	
Social Security		3,642	
State Retirement		3,615	
Unemployment Compensation		55	
Employer Medicare		852	
Total Alternative Instruction Program			66,909

Special Education Program

Teachers	\$	226,373	
Career Ladder Program		5,000	
Homebound Teachers		17,915	
Educational Assistants		56,922	
Social Security		17,974	
State Retirement		18,718	
Medical Insurance		58,126	
Unemployment Compensation		282	
Employer Medicare		4,204	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$ 625	
Total Special Education Program		\$ 406,139

Vocational Education Program

Teachers	\$ 200,074	
Career Ladder Program	2,140	
Social Security	12,211	
State Retirement	12,395	
Medical Insurance	18,777	
Unemployment Compensation	129	
Employer Medicare	2,856	
Maintenance & Repair Services - Equipment	36	
Instructional Supplies and Materials	2,941	
Other Charges	167	
Total Vocational Education Program		251,726

Support Services

Attendance

Supervisor/Director	\$ 4,398	
Social Security	259	
State Retirement	270	
Medical Insurance	797	
Unemployment Compensation	3	
Employer Medicare	60	
Total Attendance		5,787

Health Services

Medical Personnel	\$ 37,393	
Social Security	2,173	
State Retirement	2,292	
Medical Insurance	9,361	
Unemployment Compensation	55	
Employer Medicare	508	
Travel	158	
Other Charges	640	
Total Health Services		52,580

Other Student Support

Career Ladder Program	\$ 1,000	
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(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Guidance Personnel	\$	108,867	
Social Security		6,343	
State Retirement		6,735	
Medical Insurance		17,474	
Unemployment Compensation		82	
Employer Medicare		1,483	
Contracts with Government Agencies		30,553	
Evaluation and Testing		4,987	
Other Contracted Services		16,000	
Other Charges		4,183	
Total Other Student Support			\$ 197,707

Regular Instruction Program

Supervisor/Director	\$	39,585	
Career Ladder Program		3,000	
Librarians		94,068	
Instructional Computer Personnel		49,912	
Educational Assistants		22,812	
Other Salaries & Wages		15,020	
Social Security		10,262	
State Retirement		13,778	
Medical Insurance		34,442	
Unemployment Compensation		176	
Employer Medicare		2,400	
Maintenance & Repair Services - Equipment		78	
Travel		1,795	
Library Books/Media		5,802	
Other Supplies and Materials		1,867	
In Service/Staff Development		4,005	
Other Equipment		60	
Total Regular Instruction Program			299,062

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		122	
State Retirement		125	
Medical Insurance		86	
Employer Medicare		29	
Travel		1,504	
Total Special Education Program			3,866

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	27,870	
Career Ladder Program		500	
Social Security		1,759	
Medical Insurance		2,787	
Unemployment Compensation		27	
Employer Medicare		411	
Total Vocational Education Program	\$		33,354

Board of Education

Board and Committee Members Fees	\$	1,675	
Social Security		104	
Employer Medicare		24	
Audit Services		3,100	
Dues and Memberships		5,440	
Travel		3,863	
Liability Insurance		12,140	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		48,467	
Workers' Compensation Insurance		69,922	
Criminal Investigation of Applicants - TBI		1,248	
Refund to Applicant for Criminal Investigation		48	
Other Charges		10,693	
Total Board of Education			156,899

Director of Schools

County Official/Administrative Officer	\$	63,232	
Assistant(s)		21,033	
Career Ladder Program		1,000	
Bonus Payments		257	
Social Security		5,288	
State Retirement		3,892	
Medical Insurance		11,553	
Dental Insurance		239	
Employer Medicare		1,237	
Communication		16,617	
Travel		1,760	
Office Supplies		4,679	
Other Charges		6,588	
Administration Equipment		4,002	
Total Director of Schools			141,377

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	111,843	
Career Ladder Program		3,521	
Assistant Principals		129,842	
Secretary(ies)		73,250	
Clerical Personnel		30,804	
Social Security		20,860	
State Retirement		21,514	
Medical Insurance		45,327	
Unemployment Compensation		287	
Employer Medicare		4,879	
Communication		700	
Other Charges		2,161	
Total Office of the Principal			\$ 444,988

Fiscal Services

Supervisor/Director	\$	34,018	
Accountants/Bookkeepers		27,199	
Social Security		3,686	
State Retirement		3,814	
Medical Insurance		4,007	
Unemployment Compensation		55	
Employer Medicare		862	
Total Fiscal Services			73,641

Operation of Plant

Custodial Personnel	\$	224,864	
Social Security		13,361	
State Retirement		12,175	
Medical Insurance		32,054	
Unemployment Compensation		358	
Employer Medicare		3,125	
Electricity		196,129	
Natural Gas		49,939	
Water and Sewer		42,416	
Other Supplies and Materials		34,431	
Building and Contents Insurance		35,477	
Total Operation of Plant			644,329

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance & Repair Services - Buildings	\$	5,006	
Maintenance & Repair Services - Equipment		23,171	
Other Contracted Services		4,116	
Other Supplies and Materials		36,223	
Other Charges		3,423	
Maintenance Equipment		7,715	
Total Maintenance of Plant			\$ 79,654

Transportation

Mechanic(s)	\$	37,436	
Bus Drivers		166,484	
Social Security		12,553	
State Retirement		12,386	
Medical Insurance		4,097	
Unemployment Compensation		372	
Employer Medicare		2,936	
Communication		6,912	
Medical and Dental Services		973	
Gasoline		49,392	
Tires and Tubes		8,136	
Vehicle Parts		29,456	
Other Supplies and Materials		1,653	
Vehicle and Equipment Insurance		10,383	
Other Charges		2,117	
Transportation Equipment		67,600	
Total Transportation			412,886

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	14,523	
Social Security		862	
State Retirement		667	
Medical Insurance		2,071	
Unemployment Compensation		34	
Employer Medicare		202	
Other Supplies and Materials		3,335	
Total Community Services			21,694

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 70,694	
Total Regular Capital Outlay		\$ 70,694

Total General Purpose School Fund \$ 6,386,332

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 41,770	
Certified Substitute Teachers	765	
Non-certified Substitute Teachers	40	
Social Security	2,622	
State Retirement	2,438	
Unemployment Compensation	36	
Employer Medicare	613	
Instructional Supplies and Materials	1,142	
Regular Instruction Equipment	11,811	
Total Regular Instruction Program		\$ 61,237

Special Education Program

Teachers	\$ 42,040	
Educational Assistants	88,744	
Certified Substitute Teachers	175	
Non-certified Substitute Teachers	1,250	
Social Security	7,770	
State Retirement	6,535	
Medical Insurance	20,753	
Unemployment Compensation	207	
Employer Medicare	1,817	
Contracts with Private Agencies	6,220	
Maintenance & Repair Services - Equipment	90	
Other Contracted Services	7,346	
Instructional Supplies and Materials	6,019	
Textbooks	166	
Other Supplies and Materials	360	
Special Education Equipment	2,100	
Total Special Education Program		191,592

(Continued)

Exhibit K-7

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Travel	\$	1,865	
Instructional Supplies and Materials		9,872	
Vocational Instruction Equipment		2,542	
Total Vocational Education Program			\$ 14,279

Support Services

Health Services

Medical Personnel	\$	8,396	
Social Security		521	
State Retirement		515	
Employer Medicare		122	
Total Health Services			9,554

Other Student Support

In Service/Staff Development	\$	786	
Other Charges		2,407	
Total Other Student Support			3,193

Regular Instruction Program

Supervisor/Director	\$	17,840	
Other Salaries & Wages		9,394	
Social Security		1,667	
State Retirement		1,669	
Medical Insurance		1,068	
Employer Medicare		390	
Travel		3,479	
Library Books/Media		3,927	
In Service/Staff Development		19,241	
Total Regular Instruction Program			58,675

Special Education Program

Supervisor/Director	\$	5,000	
Clerical Personnel		2,000	
Social Security		429	
State Retirement		431	
Medical Insurance		266	
Employer Medicare		100	
Travel		227	
Total Special Education Program			8,453

Total School Federal Projects Fund \$ 346,983

(Continued)

Exhibit K-7

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 164,625	
Social Security	9,296	
State Retirement	9,647	
Medical Insurance	48,343	
Unemployment Compensation	338	
Employer Medicare	2,174	
Maintenance & Repair Services - Equipment	9,472	
Transportation - Other than Students	2,560	
Travel	3,839	
Food Supplies	176,421	
Office Supplies	354	
Other Supplies and Materials	12,687	
Other Charges	2,487	
Food Service Equipment	1,250	
Total Food Service	<u>443,493</u>	\$ <u>443,493</u>

Total Central Cafeteria Fund \$ 443,493

Total Governmental Funds - Metropolitan School Department \$ 7,176,808

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

December 17, 2007

Metropolitan Executive and
Metropolitan Council,
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise The Metropolitan Government of Lynchburg, Moore County's basic financial statements and have issued our report thereon dated December 17, 2007. 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 Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District as described in our report on the Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Metropolitan Government of Lynchburg, Moore 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.02, 7.03, 7.05, 7.06, and 7.07.

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 the Metropolitan Government of Lynchburg, Moore 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, of the significant deficiencies described above, we consider item 7.05 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Government of Lynchburg, Moore 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 7.01 and 7.04.

We consider item 07.08 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of the Metropolitan Government of Lynchburg, Moore County in separate communications.

The Metropolitan Government of Lynchburg, Moore County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Metropolitan Government of Lynchburg, Moore County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the metropolitan executive, director of schools, highway superintendent, metropolitan council, board of education, others within the Metropolitan Government of Lynchburg, Moore 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" followed by a horizontal flourish.

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

December 17, 2007

Metropolitan Executive and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

Compliance

We have audited the compliance of the Metropolitan Government of Lynchburg, Moore County 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 the Metropolitan Government of Lynchburg, Moore County, with the types of compliance requirements described above that are applicable to Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760), a major federal program, for the year ended June 30, 2007, whose report has been furnished to us, and our opinion, insofar as it related to compliance requirements of the Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) is based solely on the report of the other auditors. The Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore County's management. Our responsibility is to express an opinion on the Metropolitan Government of Lynchburg, Moore County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits

contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Metropolitan Government of Lynchburg, Moore 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 of the Metropolitan Government of Lynchburg, Moore County's compliance with those requirements.

In our opinion, based on our audit and the report of other auditors, the Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore 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 the Metropolitan Government of Lynchburg, Moore 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 17, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Metropolitan Government of Lynchburg, Moore County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

The Metropolitan Government of Lynchburg, Moore County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Metropolitan Government of Lynchburg, Moore County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the metropolitan executive, director of schools, highway superintendent, metropolitan council, board of education, others within the Metropolitan Government of Lynchburg, Moore 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.

Yours very truly,



John G. Morgan
Comptroller of the Treasury

JGM/yu

The Metropolitan Government of Lynchburg, Moore 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	\$ 2,760,469
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	15,460
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	47,654
National School Lunch Program	10.555	(2)	160,318
Total U.S. Department of Agriculture			<u>\$ 2,983,901</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
HOME Investment Partnership Program	14.239	HM-04-36	\$ 492,956
Total U.S. Department of Housing and Urban Development			<u>\$ 492,956</u>
U.S. Department of Interior:			
Direct Program:			
Save America's Treasures Grant Program	15.929	N/A	\$ 35,695
Total U.S. Department of Interior			<u>\$ 35,695</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction Grant	20.205	STP-EN-6400(8)	\$ 32,914
Total U.S. Department of Transportation			<u>\$ 32,914</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 95,701
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	195,648
Special Education - Preschool Grants	84.173	N/A	15,380
Vocational Education - Basic Grants to States	84.048	N/A	15,065
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	5,314
State Grants for Innovative Programs	84.298	N/A	3,927
Education Technology State Grants	84.318	N/A	1,281
Improving Teacher Quality State Grants	84.367	N/A	19,716
Hurricane Education Recovery	84.938	N/A	4,811
Total U.S. Department of Education			<u>\$ 356,843</u>
U.S. Department of Election Assistance Commission:			
Passed-through Tennessee Secretary of State's Office:			
Help America Vote Act Requirements Payments	90.401	Z-07-037460-00	\$ 1,000
Election Reform Payments	39.011	Z-06-032979-00	22,874
Total U.S. Department of Election Assistance Commission			<u>\$ 23,874</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022478-00	\$ 70,969
State Domestic Preparedness Equipment Support Program	97.004	Z-05-025193-00	13,752
Total U.S. Department of Homeland Security			<u>\$ 84,721</u>
Total Expenditures of Federal Grants			<u>\$ 4,010,904</u>

(Continued)

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 2,272
Archives Grant - State Library and Archives	N/A	Z-06-033589-00	2,000
Archives Grant - State Library and Archives	N/A	Z-07-020509-00	3,207
Rural Dispatcher Grant - State Department of Commerce and Insurance	N/A	Z-04-020017-00	30,000
Technology Grants - Tennessee Secretary of State	N/A	(2)	600
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-001339-00	3,000
Safe Schools Act - State Department of Education	N/A	(2)	5,599
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-07-036566-00	9,000
Three-star Priority Matching Grant - State Department of Economic and Community Development	N/A	GG-07-21390-00	<u>2,500</u>
Total State Grants			<u>\$ 58,178</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.

The Metropolitan Government of Lynchburg, Moore 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 are findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

OFFICE OF METROPOLITAN EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	150	Expenditures exceeded appropriations in the Solid Waste/Sanitation Fund
06.03	151	The Solid Waste/Sanitation Fund had a cash overdraft

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	151	Purchase orders were not always issued and invoices were paid without documentation that goods had been received or services had been rendered
06.06	152	The office did not file claims for reimbursement for litter grant expenditures, and expenditures were not adequately documented

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.07	152	Purchase orders were issued after purchases were made.

OTHER FINDINGS

Finding Number	Page Number	Subject
06.11	154	Duties were not segregated adequately in the Offices of Metropolitan Executive; Highway Superintendent; Director of Schools; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff
06.12	155	A central system of accounting and budgeting had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unqualified.
2. The audit of the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance which are material to the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee.
4. The audit disclosed no 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 Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) and the HOME Investment Partnership Program (CFDA No. 14.239) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The Metropolitan Government of Lynchburg, Moore County, Tennessee, did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the metropolitan executive are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF METROPOLITAN EXECUTIVE

FINDING 07.01 **EXPENDITURES EXCEEDED APPROPRIATIONS IN THE SOLID WASTE/SANITATION FUND (Noncompliance Under Government Auditing Standards)**

Expenditures exceeded total appropriations approved by the Metropolitan Council in the Solid Waste/Sanitation Fund by \$13,651. Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE

These excess expenditures primarily resulted from the recognition of accounts payable.

FINDING 07.02 **THE SOLID WASTE/SANITATION FUND HAD A CASH OVERDRAFT OF \$4,833 (Internal Control – Significant Deficiency Under Government Auditing Standards)**

The Solid Waste/Sanitation Fund had a cash overdraft of \$4,833 at June 30, 2007. This overdraft resulted from the issuance of warrants that exceeded cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2007.

RECOMMENDATION

The office should not make disbursements that exceed available cash on deposit with the county trustee.

MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE

The cash overdraft occurred because some anticipated revenues were not received until July. Hopefully, we will have enough fund balance to prevent this in the future.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 07.03 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit revealed the following purchasing deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Also, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.

- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods had been received and services had been rendered.

- C. The Highway Department overpaid a vendor \$3,000 during December 2004. This overpayment went undetected until the vendor refunded the overpayment in August 2006.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Invoices and monthly statements should be reviewed for accuracy prior to payment.

FINDING 07.04 **THE HIGHWAY DEPARTMENT SOLD CULVERTS TO THE PUBLIC**
(Noncompliance Under Government Auditing Standards)

The Highway Department had a policy of selling culverts to the public. Section 54-7-202(a), Tennessee Code Annotated, provides that the chief administrative officer shall not authorize or knowingly permit road materials to be used for any private purposes.

RECOMMENDATION

The Highway Department should not sell culverts to the public.

FINDING 07.05 **THE OFFICE DID NOT FILE CLAIMS FOR REIMBURSEMENTS OF LITTER GRANT EXPENDITURES, AND EXPENDITURES WERE NOT ADEQUATELY DOCUMENTED**

(Internal Control – Material Weakness Under Government Auditing Standards)

The Highway Department qualified for participation in the litter grant program sponsored by the Tennessee Department of Transportation and was awarded a \$29,237 grant. However, officials at the Tennessee Department of Transportation advised us that the Highway Department did not file any claims for reimbursement, and therefore, had not received any of the grant funds. The Highway Department posted expenditures of \$35,413 to the Litter and Trash Collection major appropriation category of the Highway/Public Works Fund. These expenditures were for salaries to employees of the Highway Department. The Highway Department was not able to provide us with documentation of the days and/or hours worked on litter and trash collection; therefore, we were unable to determine if the expenditures were reimbursable through the litter grant program.

RECOMMENDATION

Requests for reimbursements should be timely submitted to the Tennessee Department of Transportation for allowable litter grant expenditures, and these expenditures should be supported by adequate documentation.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.06 **THE OFFICE HAD PURCHASING DEFICIENCIES**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Also, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases before purchases are made.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF METROPOLITAN EXECUTIVE; HIGHWAY SUPERINTENDENT; DIRECTOR OF SCHOOLS; TRUSTEE; METROPOLITAN CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

FINDING 07.08 **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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

Director of Schools – Summary Schedule of Prior Year's Findings

FINDINGS 06.07 and 06.13

The School Department still issued some purchase orders after purchases were made.

FINDINGS 06.11 and 06.14

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.

Metropolitan Executive – Summary Schedule of Prior Year's Findings

FINDINGS 06.11 and 06.14

Although the Metropolitan Executive's Office as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.