

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



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
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

PATTY VARGO, CFE
SUZZIE SINGLETON, CGFM
JAY FINCHER
State Auditors

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

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THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report

The Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2008

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, 2008.

Results

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

Our audit resulted in 15 findings and recommendations, which we have reviewed with metropolitan government management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

METROPOLITAN MOORE COUNTY AND METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT

- ◆ Metropolitan Moore County and the Metropolitan Moore County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ Material audit adjustments were required for proper financial statement presentation.

OFFICE OF METROPOLITAN EXECUTIVE

- ◆ The Solid Waste/Sanitation Fund had a cash overdraft of \$11,529 at June 30, 2008.
 - ◆ Expenditures exceeded appropriations approved by the Metropolitan Council in certain major appropriation categories (the legal level of control) of the Solid Waste/Sanitation and General funds.
 - ◆ The office did not implement adequate controls to protect its information system resources.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ An employee was paid for sick leave that he did not earn.
 - ◆ Payroll deductions and taxes were not reported timely.
 - ◆ The office had deficiencies in purchasing procedures.
-

OFFICE OF TRUSTEE

- ◆ The trustee did not require one depository to adequately collateralize funds.
 - ◆ The office did not review software audit logs.
-

OFFICE OF SHERIFF

- ◆ The sheriff did not prepare an annual financial report.
 - ◆ Commissary funds were not deposited within three days of collection.
-

OTHER FINDINGS

- ◆ Officials had not adopted a central system of accounting and budgeting.
- ◆ 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.

INTRODUCTORY SECTION

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Metropolitan Government Officials

June 30, 2008

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	Coleman March
Chris Bateman	Joe Millsaps
Tommy Brown	William Pydrom
Eddie Burton	Sloan Stewart
Jackie Burton	Glen Thomas
Doug Hall	Gerald Wilkerson
Robin Holt	Mike Womack

Urban Council

Ray McEwen
Edgar Price
Charles Rogers

Board of Education

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

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

January 20, 2009

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, 2008, 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 two 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, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2009, on our consideration of the metropolitan government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

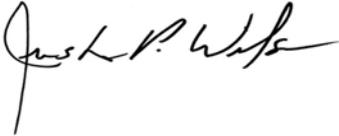
As described in Note V.B., the metropolitan government has implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

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, pension, and other postemployment benefits information on pages 81 through 87 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 a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the 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 black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Statement of Net Assets
 June 30, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 275	\$ 143,904	\$ 144,179	\$ 0	\$ 242,386
Equity in Pooled Cash and Investments	1,865,433	0	1,865,433	784,559	0
Inventories	0	51,508	51,508	9,671	0
Internal Balances	(32,836)	32,836	0	0	0
Accounts Receivable	176,555	86,383	262,938	0	2,126
Allowance for Uncollectibles	(34,910)	(978)	(35,888)	0	0
Other Receivables	588,104	3,450	591,554	0	714
Due from Other Governments	557,619	0	557,619	139,989	2,187
Due from Primary Government	0	0	0	588,104	0
Prepaid Items	0	0	0	0	4,814
Unbilled Charges for Services	0	71,747	71,747	0	0
Property Taxes Receivable	2,017,383	0	2,017,383	1,928,120	0
Allowance for Uncollectible Property Taxes	(11,850)	0	(11,850)	(11,327)	0
Restricted Assets:					
Customer Deposits	0	530	530	0	0
Revenue Bond Future Debt Service Account	0	78,015	78,015	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	308,779	76,512	385,291	39,342	0
Construction in Progress	324,873	34,860	359,733	2,106,395	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,119,988	0	1,119,988	3,828,818	0
Other Capital Assets	940,807	10,041,906	10,982,713	399,399	62,478
Infrastructure	611,873	0	611,873	0	0
Total Assets	\$ 8,432,093	\$ 10,620,673	\$ 19,052,766	\$ 9,813,070	\$ 314,705
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 75,277	\$ 75,277	\$ 21,856	\$ 24
Accrued Payroll	0	9,124	9,124	0	0
Payroll Deductions Payable	6,088	0	6,088	165,124	0
Accrued Interest Payable	11,081	9,502	20,583	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
\$ 588,104	\$ 0	\$ 588,104	\$ 0	\$ 0	0
9	0	9	0	0	0
0	73,483	73,483	0	0	0
0	12,378	12,378	0	0	0
11,529	0	11,529	0	0	0
0	0	0	408,839	0	0
0	0	0	44,547	0	0
1,966,556	0	1,966,556	1,879,540	0	0
492,091	203,680	695,771	53,825	0	0
2,863,258	5,241,626	8,104,884	280,132	0	0
\$ 5,938,716	\$ 5,625,070	\$ 11,563,786	\$ 2,853,863	\$ 24	

LIABILITIES (CONT.)

Due to Component Unit	
Due to State of Tennessee	
Other Current Liabilities	
Accrued Leave - Current	
Cash Overdraft	
Contracts Payable	
Retainage Payable	
Deferred Revenue - Current Property Taxes	
Noncurrent Liabilities:	
Due Within One Year	
Due in More Than One Year	
Total Liabilities	

NET ASSETS

Invested in Capital Assets,	
Net of Related Debt	
Invested in Capital Assets	
Restricted for:	
Urban Services	
Solid Waste	
Drug Control	
Highway/Public Works	
Debt Service	
Education Capital Projects	
Other Purposes	
Unrestricted	
Total Net Assets	

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, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	
				Governmental Activities	Business-type Activities	Metropolitan School Department	Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 412,366	\$ 50,900	\$ 56,669	\$ (304,797)	\$ 0	\$ 0	\$ 0
Finance	244,261	160,275	2,902	(81,084)	0	0	0
Administration of Justice	256,217	85,686	16,664	(153,867)	0	0	0
Public Safety	1,404,087	254,484	7,000	(933,573)	0	0	0
Public Health and Welfare	782,247	349,272	7,604	(425,371)	0	0	0
Social, Cultural, and Recreational Services	131,868	6,835	177,382	52,349	0	52,349	0
Agriculture and Natural Resources	62,387	0	0	(62,387)	0	0	0
Other Operations	11,133	0	0	(11,133)	0	0	0
Highways/Public Works	1,232,674	0	1,206,733	(17,870)	0	(17,870)	0
Education	2,256,820	0	0	(2,256,820)	0	0	0
Interest on Long-term Debt	43,407	0	0	(43,407)	0	0	0
Other Debt Service	7,794	0	0	(7,794)	0	0	0
Total Governmental Activities	\$ 6,845,261	\$ 907,452	\$ 1,474,954	\$ (4,245,754)	\$ 0	\$ (4,245,754)	\$ 0
Business-type Activities:							
Water and Sewer Department	\$ 1,481,572	\$ 1,388,954	\$ 0	\$ 552,145	\$ 0	\$ 459,527	\$ 459,527
Total Business-type Activities	\$ 1,481,572	\$ 1,388,954	\$ 0	\$ 552,145	\$ 0	\$ 459,527	\$ 459,527
Total Primary Government	\$ 8,326,833	\$ 2,296,406	\$ 1,474,954	\$ (4,245,754)	\$ 459,527	\$ (3,786,227)	\$ 0
Component Units:							
Metropolitan School Department	\$ 8,005,767	\$ 280,010	\$ 917,912	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	84,766	112,262	42,841	0	0	0	70,337
Total Component Units	\$ 8,090,533	\$ 392,272	\$ 960,753	\$ 0	\$ 0	\$ (6,807,845)	\$ 70,337

(Continued)

Exhibit B

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units				
				Governmental Activities	Primary Government Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes				\$ 1,640,934	\$ 0	\$ 1,640,934	\$ 1,903,739	\$ 0
Property Taxes Levied for Debt Service				219,525	0	219,525	0	0
Local Option Sales Taxes				298,842	0	298,842	303,198	0
Jack Daniels Distribution - Bottle Sales				21,630	0	21,630	0	0
Hotel/Motel Tax				6,987	0	6,987	0	0
Litigation Tax				23,476	0	23,476	0	0
Business Tax				33,786	0	33,786	0	0
Mineral Severance Tax				22,564	0	22,564	0	0
Wholesale Beer Tax				55,194	0	55,194	0	0
Interstate Telecommunications Tax				768	0	768	0	0
Grants and Contributions Not Restricted to Specific Programs				482,606	0	482,606	6,723,083	0
Unrestricted Investment Earnings				85,727	8,043	93,770	381	2,524
Miscellaneous				11,198	18,993	30,191	2,169	0
Total General Revenues				\$ 2,903,237	\$ 27,036	\$ 2,930,273	\$ 8,932,570	\$ 2,524
Change in Net Assets				\$ (1,342,517)	\$ 486,563	\$ (855,954)	\$ 2,124,725	\$ 72,861
Net Assets, July 1, 2007				3,835,894	4,509,040	8,344,934	4,834,482	241,820
Net Assets, June 30, 2008				\$ 2,493,377	\$ 4,995,603	\$ 7,488,980	\$ 6,959,207	\$ 314,681

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, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds	Governmental Funds	
ASSETS							
Cash	\$ 175	\$ 0	\$ 0	\$ 0	\$ 100	\$ 275	
Equity in Pooled Cash and Investments	752,556	301,610	709,153	0	102,114	1,865,433	
Accounts Receivable	139,984	1,151	0	0	35,420	176,555	
Allowance for Uncollectibles	(33,986)	0	0	0	(924)	(34,910)	
Due from Other Governments	281,651	207,469	68,499	0	0	557,619	
Bond Proceeds Receivable	0	0	0	588,104	0	588,104	
Property Taxes Receivable	1,499,648	26,779	223,162	0	267,794	2,017,383	
Allowance for Uncollectible Property Taxes	(8,809)	(157)	(1,311)	0	(1,573)	(11,850)	
Total Assets	\$ 2,631,219	\$ 536,852	\$ 999,503	\$ 588,104	\$ 402,931	\$ 5,158,609	

LIABILITIES AND FUND BALANCES

Liabilities							
Payroll Deductions Payable	\$ 3,232	\$ 2,856	\$ 0	\$ 0	\$ 0	\$ 6,088	
Cash Overdraft	0	0	0	0	11,529	11,529	
Due to Other Funds	32,836	0	0	0	0	32,836	
Due to Component Units	0	0	0	588,104	0	588,104	
Due to State of Tennessee	9	0	0	0	0	9	
Deferred Revenue - Current Property Taxes	1,461,865	26,105	217,539	0	261,047	1,966,556	
Deferred Revenue - Delinquent Property Taxes	25,339	452	3,771	0	4,764	34,326	
Other Deferred Revenues	86,628	99,035	36,820	0	9,008	231,491	
Total Liabilities	\$ 1,609,909	\$ 128,448	\$ 258,130	\$ 588,104	\$ 286,348	\$ 2,870,939	

(Continued)

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds		
General						
\$ 120,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 120,919
4,439	0	0	0	0	0	4,439
5,925	0	0	0	0	0	5,925
889	0	0	0	0	0	889
252	0	0	0	0	0	252
7,289	0	0	0	0	0	7,289
881,597	0	0	0	0	0	881,597
0	408,404	0	0	116,583	0	524,987
0	0	741,373	0	0	0	741,373
<u>\$ 1,021,310</u>	<u>\$ 408,404</u>	<u>\$ 741,373</u>	<u>\$ 0</u>	<u>\$ 116,583</u>	<u>\$ 0</u>	<u>\$ 2,287,670</u>
Total Liabilities and Fund Balances	\$ 2,631,219	\$ 999,503	\$ 588,104	\$ 402,931	\$ 5,158,609	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances	
Reserved for Encumbrances	\$ 120,919
Reserved for Alcohol and Drug Treatment	4,439
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	5,925
Reserved for Sexual Offender Registration	889
Reserved for Automation Purposes - Chancery Court	252
Reserved for Other General Purposes	7,289
Unreserved, Reported In:	
General Fund	881,597
Special Revenue Funds	0
Debt Service Funds	0
Total Fund Balances	<u>\$ 1,021,310</u>

Total Liabilities and Fund Balances

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, 2008

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)		\$ 2,287,670
(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: construction in progress	324,873	
Add: infrastructure net of accumulated depreciation	611,873	
Add: buildings and improvements net of accumulated depreciation	1,119,988	
Add: other capital assets net of accumulated depreciation	<u>940,807</u>	3,306,320
(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	\$ (1,035,139)	
Less: other loans payable	(2,256,820)	
Less: compensated absences payable	(63,390)	
Less: accrued interest on notes	<u>(11,081)</u>	(3,366,430)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>265,817</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 2,493,377</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, 2008

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
Revenues						
Local Taxes	\$ 1,770,558	\$ 51,734	\$ 557,349	\$ 0	\$ 133,328	\$ 2,512,969
Licenses and Permits	12,613	0	0	0	2,334	14,947
Fines, Forfeitures, and Penalties	34,908	0	0	0	95,178	130,086
Charges for Current Services	131,149	0	0	0	184,692	315,841
Other Local Revenues	134,177	5,463	0	0	22,057	161,697
Fees Received from County Officials	257,730	0	0	0	0	257,730
State of Tennessee	614,786	1,226,853	0	0	27,391	1,869,030
Federal Government	229,827	0	0	0	0	229,827
Total Revenues	\$ 3,185,748	\$ 1,284,050	\$ 557,349	\$ 0	\$ 464,980	\$ 5,492,127
Expenditures						
Current:						
General Government	\$ 471,109	\$ 0	\$ 0	\$ 0	\$ 14,603	\$ 485,712
Finance	184,578	0	0	0	0	184,578
Administration of Justice	200,271	0	0	0	0	200,271
Public Safety	1,292,131	0	0	0	20,105	1,312,236
Public Health and Welfare	288,509	0	0	0	342,680	631,189
Social, Cultural, and Recreational Services	437,361	0	0	0	0	437,361
Agriculture and Natural Resources	49,568	0	0	0	0	49,568
Other Operations	440,221	0	0	0	0	440,221
Highways	0	1,149,879	0	0	0	1,149,879
Debt Service:						
Principal on Debt	0	0	256,180	0	0	256,180
Interest on Debt	0	0	43,420	0	0	43,420
Other Debt Service	0	0	7,794	0	0	7,794
Capital Projects	32,836	0	0	2,256,820	0	2,289,656
Total Expenditures	\$ 3,396,584	\$ 1,149,879	\$ 307,394	\$ 2,256,820	\$ 377,388	\$ 7,488,065
Excess (Deficiency) of Revenues Over Expenditures	\$ (210,836)	\$ 134,171	\$ 249,955	\$ (2,256,820)	\$ 87,592	\$ (1,995,938)
Other Financing Sources (Uses)						
Notes Issued	\$ 580,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 580,000
Other Loans Issued	0	0	0	2,256,820	0	2,256,820
Transfers In	0	0	9,740	0	0	9,740
Transfers Out	(9,740)	0	0	0	0	(9,740)
Total Other Financing Sources (Uses)	\$ 570,260	\$ 0	\$ 9,740	\$ 2,256,820	\$ 0	\$ 2,836,820
Net Change in Fund Balances	\$ 359,424	\$ 134,171	\$ 259,695	\$ 0	\$ 87,592	\$ 840,882
Fund Balance, July 1, 2007	661,886	274,233	481,678	0	28,991	1,446,788
Fund Balance, June 30, 2008	\$ 1,021,310	\$ 408,404	\$ 741,373	\$ 0	\$ 116,583	\$ 2,287,670

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, 2008

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)		\$	840,882
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	681,729	
Less: current year depreciation expense		<u>(277,633)</u>	404,096
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: loss on disposal of capital assets			(6,392)
(3) 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, 2008	\$	265,817	
Less: deferred delinquent property taxes/other deferred June 30, 2007		<u>(255,200)</u>	10,617
(4) 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	\$	(580,000)	
Less: other loan proceeds		(2,256,820)	
Add: principal payments on notes		<u>256,180</u>	(2,580,640)
(5) Some expenses reported in the statement of activities do not require the uses of current financial resources and therefore are not reported as expenditures in governmental funds.			
Add: change in accrued interest payable	\$	13	
Less: change in compensated absences payable		<u>(11,093)</u>	(11,080)
Change in net assets of governmental activities (Exhibit B)			<u>\$ (1,342,517)</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, 2008

	Major Enterprise Fund Water and Sewer Department
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 143,904
Inventories	51,508
Internal Balances	32,836
Accounts Receivable	86,383
Allowance for Uncollectibles	(978)
Other Receivables	3,450
Unbilled Charges for Services	71,747
Total Current Assets	<u>\$ 388,850</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 530
Revenue Bond Future Debt Service Account	78,015
Capital Assets:	
Construction in Progress	34,860
Utility Plant in Service	12,672,288
Accumulated Depreciation - Other Capital Assets	(2,553,870)
Total Noncurrent Assets	<u>\$ 10,231,823</u>
Total Assets	<u>\$ 10,620,673</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 75,277
Accrued Payroll	9,124
Accrued Leave	12,378
Revenue Bonds Payable - Current	54,754
Accrued Interest Payable	9,502
Capital Outlay Notes Payable	148,926
Deferred Fees	53,122
Customer Deposits	20,361
Total Current Liabilities	<u>\$ 383,444</u>
Noncurrent Liabilities:	
Capital Outlay Notes Payable - Long-term	\$ 1,385,121
Revenue Bonds Payable - Long-term	3,890,719
Less: Deferred Loans Costs	(34,214)
Total Noncurrent Liabilities	<u>\$ 5,241,626</u>
Total Liabilities	<u>\$ 5,625,070</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 4,673,052
Restricted for Debt Service	78,001
Unrestricted	<u>244,550</u>
Total Net Assets	<u>\$ 4,995,603</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, 2008

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,388,954
Total Operating Revenues	<u>\$ 1,388,954</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 883,545
Depreciation	325,334
Total Operating Expenses	<u>\$ 1,208,879</u>
Operating Income (Loss)	<u>\$ 180,075</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 8,043
Interest Expense	(188,485)
Loss on Retirement of Capital Assets	(84,208)
Total Nonoperating Revenues (Expenses)	<u>\$ (264,650)</u>
Income Before Contributions and Grants	\$ (84,575)
Tap Fees in Excess of Costs	18,993
Contributions	46,486
Grants	<u>505,659</u>
Change in Net Assets	\$ 486,563
Net Assets, July 1, 2007	<u>4,509,040</u>
Net Assets, June 30, 2008	<u><u>\$ 4,995,603</u></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, 2008

	Major Enterprise Fund <hr/> Water and Sewer Department
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers and Users	\$ 1,394,609
Payments to Suppliers	(385,871)
Payments to Employees	(508,339)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 500,399</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (1,109,128)
Proceeds from Disposition of Assets	800
Proceeds from Long-term Debt	2,394,399
Capital Contributions	567,688
Principal Payments on Long-term Debt	(2,209,608)
Interest Payments on Long-term Debt	(210,231)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (566,080)</u>
<u>Cash Flows From Investing Activities</u>	
Redemption of Certificate of Deposit, Net of Reinvestment	\$ 99,918
Investment Income	8,042
Net Cash Provided By (Used In) Investing Activities	<u>\$ 107,960</u>
Increase (Decrease) in Cash	\$ 42,279
Cash, July 1, 2007	<u>72,923</u>
Cash, June 30, 2008	<u><u>\$ 115,202</u></u>

(Continued)

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Major Enterprise Fund <hr/> Water and Sewer Department
<u>Reconciliation of Operating Income to Net Cash Provided By</u>	
<u>(Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 180,075
Adjustments to Reconcile Operating Income to	
Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	325,334
(Increase) Decrease in Accounts Receivable	(6,612)
(Increase) Decrease in Other Receivables	(29,205)
(Increase) Decrease in Other Accrued Revenue	(7,771)
(Increase) Decrease in Inventories	(7,528)
Increase (Decrease) in Accounts Payable	186
Increase (Decrease) in Accrued Wages and Payroll	(2,172)
Increase (Decrease) in Accrued Vacation Pay	(1,329)
Increase (Decrease) in Customer Deposits and Deferred Fees	<hr/> 49,421
Net Cash Provided By (Used In) Operating Activities	<hr/> <hr/> \$ 500,399
<u>Reconciliation of Cash With Statement of Net Assets</u>	
Cash and Cash Equivalents Per Statement of Net Assets	\$ 143,904
Add: Revenue Bonds Future Debt Service Account	78,015
Less: Certificates of Deposit	<hr/> (106,717)
Cash, June 30, 2008	<hr/> <hr/> \$ 115,202

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, 2008

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 76,441
Total Assets	<u>\$ 76,441</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 76,441
Total Liabilities	<u>\$ 76,441</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, 2008**

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 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. Net debt issues (\$2,256,820) were contributed by the county to the School Department during the year ended June 30, 2008.

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.

Education Capital Projects Fund – This fund accounts for debt issued by the metropolitan government that is subsequently contributed to the discretely presented Metropolitan School Department for construction and renovation projects.

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 funds:

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

Education Capital Projects Fund – This fund is used to account for the receipt of debt issued by the metropolitan government and contributed to the Metropolitan School Department for building construction and renovations.

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.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies;

bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the 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.

Retainage payable in the Metropolitan School Department's Education Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the metropolitan trustee as Equity in Pooled Cash and Investments.

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

7. Net Assets and Fund Equity

In the government-wide financial statements, 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, 2008, the metropolitan government had \$2,256,820 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, 2008:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Law enforcement equipment	\$ 9,862
Park construction	122,627

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, and the Education Capital Projects Fund, which adopts a projects length budget. 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: 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 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. Fund Deficit

The discretely presented Metropolitan School Department's Education Capital Projects Fund had a deficit in unreserved fund balance of \$6,492,916 at June 30, 2008. This deficit resulted from the unperformed portions of construction contracts of \$6,643,341 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of debt.

C. Cash Overdraft

The Solid Waste/Sanitation Fund had a cash overdraft of \$11,529 at June 30, 2008. This cash overdraft resulted from the issuance of warrants exceeding cash on deposit with the metropolitan trustee. The cash overdraft was liquidated subsequent to June 30, 2008.

D. An Employee Was Paid for Sick Leave That He Did Not Earn

The Highway Department paid an employee for 133 hours of sick leave that he did not earn. Details of this deficiency are discussed in the Schedule of Findings and Questioned Costs section of this report.

E. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Metropolitan Council in the Other Emergency Management and Other Economic and Community Development major appropriation categories (the legal level of control) of the General Fund by \$181,028 and \$727, respectively.

Expenditures exceeded appropriations approved by the Metropolitan Council in the Recycling Center major appropriation category (the legal level of control) of the Solid Waste/Sanitation Fund by \$14,744.

F. The County Had Deposits Exposed to Custodial Credit Risk

The metropolitan trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$686,704. Section 5-8-201, Tennessee Code Annotated, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

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 fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least

105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the metropolitan government's deposits may not be returned to it. The metropolitan government does not have a formal policy that limits custodial credit risk for deposits.

Separate disclosures concerning bank balances of pooled deposits cannot be made for the metropolitan government and the discretely presented Metropolitan School Department since both pool their deposits and investments through the metropolitan trustee. As of June 30, 2008, bank balances of \$686,704 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$686,704
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Uninsured and uncollateralized deposits are a violation of state statutes.

Investments

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

The metropolitan government had no pooled and nonpooled investments as of June 30, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 308,779	\$ 0	\$ 0	\$ 308,779
Construction in Progress	0	324,873		324,873
Total Capital Assets Not Depreciated	\$ 308,779	\$ 324,873	\$ 0	\$ 633,652
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,885,169	\$ 71,576	\$ 0	\$ 1,956,745
Roads and Bridges	740,521	4,345	0	744,866
Other Capital Assets	2,749,528	280,935	(20,220)	3,010,243
Total Capital Assets Depreciated	\$ 5,375,218	\$ 356,856	\$ (20,220)	\$ 5,711,854
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 799,655	\$ 37,102	\$ 0	\$ 836,757
Roads and Bridges	94,221	38,772	0	132,993
Other Capital Assets	1,881,505	201,759	(13,828)	2,069,436
Total Accumulated Depreciation	\$ 2,775,381	\$ 277,633	\$ (13,828)	\$ 3,039,186
Total Capital Assets Depreciated, Net	\$ 2,599,837	\$ 79,223	\$ (6,392)	\$ 2,672,668
Governmental Activities Capital Assets, Net	\$ 2,908,616	\$ 404,096	\$ (6,392)	\$ 3,306,320

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

Governmental Activities:

General Government	\$ 11,917
Finance	1,683
Administration of Justice	1,080
Public Safety	127,981
Public Health and Welfare	41,735
Social, Cultural, and Recreational Services	11,840
Agriculture and Natural Resources	1,338
Highway/Public Works	<u>80,059</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 277,633</u></u>
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Discretely Presented Metropolitan School Department

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 39,342	\$ 0	\$ 39,342
Construction in Progress	0	2,106,395	2,106,395
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 2,106,395</u>	<u>\$ 2,145,737</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 9,527,064	\$ 14,237	\$ 9,541,301
Other Capital Assets	983,584	0	983,584
Total Capital Assets Depreciated	<u>\$ 10,510,648</u>	<u>\$ 14,237</u>	<u>\$ 10,524,885</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 5,526,054	\$ 186,429	\$ 5,712,483
Other Capital Assets	526,291	57,894	584,185
Total Accumulated Depreciation	<u>\$ 6,052,345</u>	<u>\$ 244,323</u>	<u>\$ 6,296,668</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,458,303</u>	<u>\$ (230,086)</u>	<u>\$ 4,228,217</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 4,497,645</u></u>	<u><u>\$ 1,876,309</u></u>	<u><u>\$ 6,373,954</u></u>

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

Governmental Activities:

Instruction	\$ 166,006
Support Services	64,061
Operation of Non-Instructional Services	<u>14,256</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 244,323</u>

C. Construction Commitments

At June 30, 2008, the Metropolitan School Department had uncompleted construction contracts of approximately \$6,643,341 for the construction and renovations of the schools. Funding for these future expenditures is expected to be received from issuance of debt.

D. Interfund Receivables, Payables, and Transfers

Due to/from Primary Government and Component Units:

<u>Receivable Fund:</u>	<u>Payable Fund:</u>	<u>Amount</u>
School Department: Education Capital Projects	Primary Government: Education Capital Projects	\$ 588,104

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amount:

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

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.

E. Long-term Debt

Primary Government

Notes and Other Loans

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

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for capital outlay notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rates	Original Amount of Issue	Balance 6-30-08
Capital Outlay Notes	2.83 to 4.75 %	\$ 1,269,069	\$ 1,035,139
Other Loans	Variable	2,256,820	2,256,820

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$8,300,000 and \$3,000,000 available for loan to the metropolitan government on an as-needed basis for various capital projects. As of June 30, 2008, the metropolitan government had borrowed \$1,936,567 and \$320,253, respectively, of those amounts authorized. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connections with these loans. At June 30, 2008, the variable interest rate was 1.39 percent, and other fees totaled approximately .15 percent of the outstanding loan principal (letter of credit), \$553 per month (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2008, the variable interest rate was 1.43 percent, and other fees totaled approximately .15 percent of the outstanding loan principal (letter of credit), \$200 per month (remarketing), and \$85 per month (trustee) for the \$3,000,000 loan.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 134,621	\$ 38,339	\$ 172,960
2010	127,818	33,178	160,996
2011	127,195	28,542	155,737
2012	131,725	24,011	155,736
2013	134,960	19,270	154,230
2014-2018	318,487	40,809	359,296
2019-2020	60,333	3,659	63,992
Total	<u>\$ 1,035,139</u>	<u>\$ 187,808</u>	<u>\$ 1,222,947</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 295,000	\$ 31,498	\$ 14,465	\$ 340,963
2010	305,000	27,359	14,023	346,382
2011	316,000	23,080	13,565	352,645
2012	238,253	18,646	13,091	269,990
2013	225,000	15,326	9,314	249,640
2014-2017	877,567	29,012	33,770	940,349
Total	<u>\$ 2,256,820</u>	<u>\$ 144,921</u>	<u>\$ 98,228</u>	<u>\$ 2,499,969</u>

There is \$741,373 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$574, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2007	\$ 711,319	\$ 0	\$ 52,297
Additions	580,000	2,256,820	89,512
Deductions	(256,180)	0	(78,419)
Balance, June 30, 2008	<u>\$ 1,035,139</u>	<u>\$ 2,256,820</u>	<u>\$ 63,390</u>
Balance Due Within One Year	<u>\$ 134,621</u>	<u>\$ 295,000</u>	<u>\$ 62,470</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 3,355,349
Less: Balance Due Within One Year	<u>(492,091)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,863,258</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, 2008, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2007	\$ 171,073	\$ 0
Additions	70,822	210,000
Deductions	(52,234)	(65,704)
Balance, June 30, 2008	<u>\$ 189,661</u>	<u>\$ 144,296</u>
Balance Due Within One Year	<u>\$ 53,825</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$	333,957
Less: Balance Due Within One Year		<u>(53,825)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u>280,132</u>

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

F. On-Behalf Payments – Discretely Presented Metropolitan School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$7,153 and \$4,100, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. 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, 2008, was as follows:

	Balance 7-1-07	Issued	Redeemed	Balance 6-30-08
Tax Anticipation Note	\$ 0	\$ 30,000	\$ (30,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the Metropolitan School Department's financial statements. In previous years, the Metropolitan School Department had only recognized the current year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of

GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to the metropolitan government. GASB Statement No. 48 had no effect on the financial statements of the metropolitan government for the year ended June 30, 2008, since the metropolitan government has not pledged any of its future revenues. However, it is reasonably expected that the metropolitan government may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires the metropolitan government to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On August 18, 2008, the government's General Debt Service Fund issued a \$40,000 tax anticipation note to the Solid Waste/Sanitation Fund for temporary operating funds.

On August 31, 2008, Richie Pierce left the Office of Highway Superintendent and was succeeded by Milton Ferrell.

D. Contingent Liabilities

The metropolitan government is involved in several pending lawsuits. The metropolitan government's attorney has not responded to requests to provide estimates of the potential claims not covered by insurance. However, management believes that any claims resulting from such litigation would not materially affect the government's financial statements.

The metropolitan government and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans 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.

E. Retirement Commitments

Employees

Plan Description

Employees of the metropolitan government and the 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, 2008, 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, 2008, 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, 2008, the metropolitan government's annual pension cost of \$48,154 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 postretirement 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, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-08	\$48,154	100%	\$0
6-30-07	45,269	100	0
6-30-06	24,001	100	0

School Department Employees

For the year ended June 30, 2008, the School Department's annual pension cost of \$64,003 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 postretirement 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 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, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$64,003	100%	\$0
6-30-07	59,838	100	0
6-30-06	19,713	100	0

Funded Status and Funding Progress

Metropolitan Government Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.99 percent funded. The actuarial accrued liability for benefits was \$.96 million, and the actuarial value of assets was \$.76 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.20 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.39 million, and the ratio of the UAAL to the covered payroll was 52.05 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry

age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Department Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 98.78 percent funded. The actuarial accrued liability for benefits was \$2.37 million, and the actuarial value of assets was \$2.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.94 million, and the ratio of the UAAL to the covered payroll was 3.06 percent.

The schedule of funding progress, presented as required supplementary information) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters

34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 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, 2008, 2007, and 2006, were \$224,336, \$206,128, and \$185,267, respectively, equal to the required contributions for each year.

F. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 members and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$0 to \$494 per month. The School Department recognized expenditures of \$65,704 for postemployment health care during the year ended June 30, 2008.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 210,000
Interest on the NPO	0
Adjustment to the ARC	0
	<hr/>
Annual OPEB cost	\$ 210,000
Amount of contribution	(65,704)
	<hr/>
Increase/decrease in NPO	\$ 144,296
Net OPEB obligation, 7-1-07	0
	<hr/>
Net OPEB obligation, 6-30-08	<u>\$ 144,296</u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 210,000	31%	\$ 144,296

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 1,668,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,668,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,515,000
UAAL as a % of covered payroll	37%

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

Actuarial Methods and Assumptions

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

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

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 \$10,000.
5. The Metropolitan Council set the bid requirements for the Office of Highway Superintendent to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, 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 the Metropolitan Lynchburg – Moore County Water and Sewer Department, which is owned by Metropolitan Lynchburg – Moore County, Tennessee, (the primary government) and 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 adds to the 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.

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 nonoperating 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 7-1-07	Additions	Deductions	Balance 6-30-08
Capital assets not being depreciated or amortized:				
Land and land rights	\$ 72,395	\$ 4,117	\$ 0	\$ 76,512
Construction in progress	1,484,562	0	1,449,702	34,860
Total capital assets not being depreciated or amortized	<u>\$ 1,556,957</u>	<u>\$ 4,117</u>	<u>\$ 1,449,702</u>	<u>\$ 111,372</u>
Other capital assets:				
General	\$ 200,371	\$ 9,301	\$ 0	\$ 209,672
Water	8,055,670	2,361,313	154,386	10,262,597
Sewer	1,685,324	0	486	1,684,838
Maintenance	178,088	46,424	0	224,512
Acquisition adjustment	128,468	98,900	0	227,368
Utility Plant	<u>\$ 10,247,921</u>	<u>\$ 2,515,938</u>	<u>\$ 154,872</u>	<u>\$ 12,608,987</u>
Less accumulated depreciation/ amortization for:				
General	\$ 33,540	\$ 11,644	\$ 0	\$ 45,184
Water	1,267,424	248,216	69,508	1,446,132
Sewer	943,451	40,632	356	983,727
Maintenance	63,107	15,720	0	78,827
Acquisition adjustment	5,365	7,846	0	13,211
Total accumulated depreciation/ amortization	<u>\$ 2,312,887</u>	<u>\$ 324,058</u>	<u>\$ 69,864</u>	<u>\$ 2,567,081</u>
Other capital assets, net	<u>\$ 7,935,034</u>	<u>\$ 2,191,880</u>	<u>\$ 85,008</u>	<u>\$ 10,041,906</u>
Capital assets, net	<u>\$ 9,491,991</u>	<u>\$ 2,195,997</u>	<u>\$ 1,534,710</u>	<u>\$ 10,153,278</u>

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2008:

	Cash	Certificates of Deposit	Total
Cash for general use:	\$ 92,188	\$ 51,716	\$ 143,904
Restricted funds:			
Construction account	14	0	14
Bond reserve fund	23,001	55,000	78,001
Total	<u>\$ 115,203</u>	<u>\$ 106,716</u>	<u>\$ 221,919</u>

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

The department has also designated \$86,709 to fund capital assets 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. Due from Other Funds

The General Fund has agreed to provide funding for a water service expansion project. At June 30, 2008, the department had incurred \$32,836 toward this project for which it will be reimbursed by the General Fund.

F. Revenue Bonds

A summary of transactions for the year ended June 30, 2008, includes the following:

Balance - beginning of year	\$ 2,004,428
New bond	2,000,000
Bond payments	(58,955)
Less current maturities	<u>(54,754)</u>
Revenue bonds, less current maturities - end of year	<u>\$ 3,890,719</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	\$ 4,198
Series 1992 Water Revenue and Tax Bonds, 6.625%, payable \$301 per month including principal and interest with final maturity in 2030	41,321
Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029	19,126
Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	73,012
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	263,476
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	327,130
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	198,523
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	1,033,539

Water and Sewer Revenue Bonds (Cont.)

Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	<u>\$ 1,985,148</u>
Total	<u><u>\$ 3,945,473</u></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, 2008, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 54,692	\$ 170,665
2010	52,779	168,357
2011	55,166	165,970
2012	57,666	163,470
2013	60,279	160,857
2014-2018	344,994	760,686
2019-2023	430,914	674,766
2024-2028	538,611	567,069
2029-2033	638,351	438,192
2034-2038	711,827	286,512
2039-2043	680,624	139,472
2044-2046	319,570	15,160
Total	<u><u>\$ 3,945,473</u></u>	<u><u>\$ 3,711,176</u></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 pay the principal and interest on the bonds as such payments are due. Debt Service Reserve Accounts are to be funded for \$4,221 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, \$12,144 for the 2001 series, \$55,824 for the 2006 series, and \$104,316 for the 2008 series. All reserve accounts were funded as required at June 30, 2008.

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

	<u>7-1-07</u>	<u>6-30-08</u>
Revenue	\$ 210,180	\$ 142,188
Operation and Maintenance	1,634	1,716
Bond	67,743	78,001

G. 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>2008 Dodge Truck 2.63%</u>	
	Principal	Interest	Principal	Interest
2009	\$ 12,080	\$ 1,981	\$ 9,110	\$ 607
2010	12,475	1,585	9,352	365
2011	12,884	1,176	8,802	116
2012	13,313	748	0	0
2013	14,920	319	0	0
2014	1,099	15	0	0
Total	<u>\$ 66,771</u>	<u>\$ 5,824</u>	<u>\$ 27,264</u>	<u>\$ 1,088</u>

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

Year Ending June 30	Principal		Interest	
	Principal	Interest	Principal	Interest
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	5,062	7,965	1,061
2013	34,831	3,848	8,197	829
2014-2016	89,446	4,041	24,493	1,033
Total	<u>\$ 251,878</u>	<u>\$ 35,001</u>	<u>\$ 63,234</u>	<u>\$ 7,420</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
2009	\$ 37,175	\$ 22,273
2010	38,286	21,162
2011	39,431	20,017
2012	40,476	18,960
2013	41,688	17,748
2014-2018	227,916	69,312
2019-2023	264,096	33,132
2024-2025	83,961	2,052
Total	\$ 773,029	\$ 204,656

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

Year	Lincoln Co. Utilities		Winchester Utilities	
	Principal	Interest	Principal	Interest
2009	\$ 20,833	\$ 2,500	\$ 18,103	\$ 14,206
2010	20,834	1,667	18,103	14,206
2011	20,833	834	18,103	14,206
2012	0	0	18,103	14,207
2013	0	0	18,104	14,207
2014-2018	0	0	60,344	67,480
Total	\$ 62,500	\$ 5,001	\$ 150,860	\$ 138,512

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

Notes payable activity for the year ended June 30, 2008, is as follows:

Balance 7-1-07	Draws	Repayments	Balance 6-30-08
\$ 3,148,238	\$ 536,462	\$ 2,150,653	\$ 1,534,047

The department capitalized \$19,151 of interest cost during the current year.

H. 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 entity risk pool, Tennessee Risk Management Trust (TN-RMT), which reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event. An annual loss fund is established based on TN-RMT's known losses. If this amount is exhausted, TN-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 coverage.

I. Income Taxes

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

J. 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, 2008, totaled \$86,383. Deposits from these customers, totaling \$20,361 at June 30, 2008, 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.

K. 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.

L. Loan and Grant Funding

The department has been approved for a \$558,000 loan and a \$192,000 grant to construct a 300,000 gallon elevated water storage tank and associated transmission lines.

VII. OTHER NOTES – DISCRETELY PRESENTED MOORE COUNTY 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 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	\$ 17,890

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, 2008:

Checking - Farmer's Bank	\$ 162,279
Savings - Moore County Bank	18,874
Certificates of Deposit - Moore County Bank	56,675
Certificates of Deposit - Farmer's Bank	<u>4,558</u>
 Total	 <u><u>\$ 242,386</u></u>

At June 30, 2008, the carrying amount of the Moore County Emergency Communications District's cash deposits was \$242,386. 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, 2008. This is the only risk area the district is exposed to at this time. There have been no losses or settlements that exceeded coverage during the past three years.

D. Capital Assets

The following is a schedule of equipment at June 30, 2008:

Assets	Cost	Accumulated Depreciation	Net
Office Equipment	\$ 9,073	\$ 2,468	\$ 6,605
Communications Equipment	127,762	71,889	55,873
Total	\$ 136,835	\$ 74,357	\$ 62,478

Assets	Balance 7-1-07	Additions	Balance 6-30-08
Office Equipment	\$ 7,571	\$ 1,502	\$ 9,073
Communications Equipment	96,911	30,851	127,762
Total	\$ 104,482	\$ 32,353	\$ 136,835

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 \$2,045 from Bell South Telephone Company, \$82 from other telephone service companies, and \$2,187 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2008. There is no need for an allowance for bad debts.

G. Compensated Absences

There were no employees at June 30, 2008.

H. Calculation of Invested in Capital Assets

Net Book Value	\$ 62,478
Current and Noncurrent Debt	<u>0</u>
Invested in Capital Assets	<u>\$ 62,478</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**

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Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 1,770,558	\$ 0	\$ 1,770,558	\$ 1,591,024	\$ 1,592,512	\$ 178,046
Licenses and Permits	12,613	0	12,613	7,500	7,500	5,113
Fines, Forfeitures, and Penalties	34,908	0	34,908	26,575	26,825	8,083
Charges for Current Services	131,149	0	131,149	115,400	115,400	15,749
Other Local Revenues	134,177	0	134,177	78,486	104,324	29,853
Fees Received from County Officials	257,730	0	257,730	218,000	225,500	32,230
State of Tennessee	614,786	0	614,786	385,474	540,101	74,685
Federal Government	229,827	0	229,827	0	12,726	217,101
Total Revenues	\$ 3,185,748	\$ 0	\$ 3,185,748	\$ 2,422,459	\$ 2,624,888	\$ 560,860
Expenditures						
General Government						
County Commission	\$ 121,841	\$ 0	\$ 121,841	\$ 121,050	\$ 128,550	\$ 6,709
County Mayor/Executive	104,541	0	104,541	102,075	104,991	450
County Attorney	6,000	0	6,000	6,000	6,000	0
Election Commission	59,993	0	59,993	53,498	63,271	3,278
Register of Deeds	61,652	0	61,652	63,585	63,585	1,933
Planning	12,892	0	12,892	12,914	12,914	22
County Buildings	88,527	4,600	93,127	59,000	95,345	2,218
Preservation of Records	15,663	0	15,663	4,691	15,691	28
Finance						
Property Assessor's Office	65,081	0	65,081	69,388	69,388	4,307
County Trustee's Office	60,291	0	60,291	59,822	62,022	1,731
County Clerk's Office	59,206	0	59,206	59,462	59,462	256
Administration of Justice						
Circuit Court	69,990	0	69,990	73,572	80,865	10,875
General Sessions Court	60,783	0	60,783	57,478	61,011	228

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice (Cont.)</u>						
Chancery Court	\$ 53,005	\$ 0	\$ 53,005	\$ 54,682	\$ 54,682	\$ 1,677
Juvenile Court	9,000	0	9,000	9,000	9,000	0
Judicial Commissioners	7,493	0	7,493	7,687	7,687	194
<u>Public Safety</u>						
Sheriff's Department	637,301	0	637,301	652,522	652,893	15,592
Traffic Control	2,589	0	2,589	2,500	2,750	161
Administration of the Sexual Offender Registry	24	0	24	50	50	26
Jail	215,417	0	215,417	202,142	219,958	4,541
Commissary	219	0	219	1,225	1,225	1,006
Fire Prevention and Control	255,553	11,319	266,872	267,110	267,110	238
Other Emergency Management	181,028	0	181,028	0	0	(181,028)
<u>Public Health and Welfare</u>						
Local Health Center	29,686	0	29,686	43,522	33,782	4,096
Rabies and Animal Control	1,295	0	1,295	2,000	2,000	705
Ambulance/Emergency Medical Services	253,469	100,000	353,469	362,793	362,793	9,324
Alcohol and Drug Programs	1,559	0	1,559	1,950	1,950	391
Regional Mental Health Center	2,500	0	2,500	2,500	2,500	0
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	7,000	0	7,000	7,000	7,000	0
Libraries	62,063	5,000	67,063	64,587	67,443	380
Parks and Fair Boards	368,298	0	368,298	350,253	497,753	129,455
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	43,533	0	43,533	52,974	52,974	9,441
Forest Service	350	0	350	350	350	0
Soil Conservation	5,685	0	5,685	5,800	5,800	115

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations</u>						
Tourism	\$ 5,845	\$ 0	\$ 5,845	\$ 5,095	\$ 6,000	\$ 155
Other Economic and Community Development	727	0	727	0	0	(727)
Veterans' Services	1,500	0	1,500	1,500	1,500	0
Employee Benefits	432,149	0	432,149	497,278	491,545	59,396
<u>Capital Projects</u>						
Public Utility Projects	32,836	0	32,836	0	32,836	0
Total Expenditures	\$ 3,396,584	\$ 120,919	\$ 3,517,503	\$ 3,337,055	\$ 3,604,676	\$ 87,173
Excess (Deficiency) of Revenues Over Expenditures	\$ (210,836)	\$ (120,919)	\$ (331,755)	\$ (914,596)	\$ (979,788)	\$ 648,033
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 580,000	\$ 0	\$ 580,000	\$ 580,000	\$ 580,000	\$ 0
Transfers Out	(9,740)	0	(9,740)	0	(9,740)	0
Total Other Financing Sources (Uses)	\$ 570,260	\$ 0	\$ 570,260	\$ 580,000	\$ 570,260	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 359,424	\$ (120,919)	\$ 238,505	\$ (334,596)	\$ (409,528)	\$ 648,033
Fund Balance, June 30, 2008	661,886	0	661,886	431,890	431,890	229,996
	\$ 1,021,310	\$ (120,919)	\$ 900,391	\$ 97,294	\$ 22,362	\$ 878,029

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 51,734	\$ 56,514	\$ 56,514	\$ (4,780)
Other Local Revenues	5,463	8,000	8,000	(2,537)
State of Tennessee	1,226,853	1,570,703	1,570,703	(343,850)
Total Revenues	<u>\$ 1,284,050</u>	<u>\$ 1,635,217</u>	<u>\$ 1,635,217</u>	<u>\$ (351,167)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 102,292	\$ 97,718	\$ 102,292	\$ 0
Highway and Bridge Maintenance	514,255	512,442	530,852	16,597
Operation and Maintenance of Equipment	202,378	228,924	228,924	26,546
Litter and Trash Collection	0	30,000	30,000	30,000
Other Charges	18,551	49,900	49,900	31,349
Employee Benefits	256,336	241,000	272,521	16,185
Capital Outlay	56,067	310,000	242,000	185,933
Total Expenditures	<u>\$ 1,149,879</u>	<u>\$ 1,469,984</u>	<u>\$ 1,456,489</u>	<u>\$ 306,610</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 134,171</u>	<u>\$ 165,233</u>	<u>\$ 178,728</u>	<u>\$ (44,557)</u>
Net Change in Fund Balance	\$ 134,171	\$ 165,233	\$ 178,728	\$ (44,557)
Fund Balance, July 1, 2007	<u>274,233</u>	<u>108,528</u>	<u>108,528</u>	<u>165,705</u>
Fund Balance, June 30, 2008	<u>\$ 408,404</u>	<u>\$ 273,761</u>	<u>\$ 287,256</u>	<u>\$ 121,148</u>

Exhibit F-3

Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Metropolitan School Department
June 30, 2008

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Metropolitan Government Employees	6-30-07	\$ 763	\$ 966	\$ 203	78.99 %	\$ 390	52.05 %	
School Department Employees	6-30-07	2,349	2,378	29	98.78	949	3.06	

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit F-4

Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Metropolitan School Department
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date *	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group Plan 6-30-07	\$ 0	\$ 1,668	\$ 1,668	0 %	\$ 4,515	37 %

* Data not available for two preceding years.

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008**

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the Metropolitan Council in the Other Emergency Management (\$181,028) and Other Economic and Community Development (\$727) major appropriation categories (the legal level of control) of the General Fund.

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

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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.

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Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
Cash	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100	100
Equity in Pooled Cash and Investments	144	0	101,970	0	0	102,114
Accounts Receivable	0	35,301	119	0	0	35,420
Allowance for Uncollectibles	0	(924)	0	0	0	(924)
Property Taxes Receivable	142,824	124,970	0	0	0	267,794
Allowance for Uncollectible Property Taxes	(839)	(734)	0	0	0	(1,573)
Total Assets	\$ 142,129	\$ 158,613	\$ 102,089	\$ 100	\$ 100	\$ 402,931

ASSETS

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Cash Overdraft	\$ 0	\$ 11,529	\$ 0	\$ 0	\$ 0	\$ 11,529
Deferred Revenue - Current Property Taxes	139,225	121,822	0	0	0	261,047
Deferred Revenue - Delinquent Property Taxes	2,653	2,111	0	0	0	4,764
Other Deferred Revenues	0	9,008	0	0	0	9,008
Total Liabilities	\$ 141,878	\$ 144,470	\$ 0	\$ 0	\$ 0	\$ 286,348
<u>Fund Balances</u>						
Unreserved	\$ 251	\$ 14,143	\$ 102,089	\$ 100	\$ 100	\$ 116,583
Total Fund Balances	\$ 251	\$ 14,143	\$ 102,089	\$ 100	\$ 100	\$ 116,583
Total Liabilities and Fund Balances	\$ 142,129	\$ 158,613	\$ 102,089	\$ 100	\$ 100	\$ 402,931

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2008

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 10,748	\$ 122,580	\$ 0	\$ 0	\$ 133,328
Licenses and Permits	2,334	0	0	0	2,334
Fines, Forfeitures, and Penalties	0	0	95,178	0	95,178
Charges for Current Services	0	184,592	0	100	184,692
Other Local Revenues	107	21,950	0	0	22,057
State of Tennessee	0	27,391	0	0	27,391
Total Revenues	\$ 13,189	\$ 356,513	\$ 95,178	\$ 100	\$ 464,980
<u>Expenditures</u>					
Current:					
General Government	\$ 14,603	\$ 0	\$ 0	\$ 0	\$ 14,603
Public Safety	0	0	20,105	0	20,105
Public Health and Welfare	0	342,680	0	0	342,680
Total Expenditures	\$ 14,603	\$ 342,680	\$ 20,105	\$ 0	\$ 377,388
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,414)	\$ 13,833	\$ 75,073	\$ 100	\$ 87,592
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ (1,414)	\$ 13,833	\$ 75,073	\$ 100	\$ 87,592
	1,665	310	27,016	0	28,991
Fund Balance, June 30, 2008	\$ 251	\$ 14,143	\$ 102,089	\$ 100	\$ 116,583

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 10,748	\$ 10,709	\$ 10,709	\$ 39
Licenses and Permits	2,334	2,100	2,100	234
Other Local Revenues	107	85	85	22
Total Revenues	<u>\$ 13,189</u>	<u>\$ 12,894</u>	<u>\$ 12,894</u>	<u>\$ 295</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 14,603	\$ 14,010	\$ 14,670	\$ 67
Total Expenditures	<u>\$ 14,603</u>	<u>\$ 14,010</u>	<u>\$ 14,670</u>	<u>\$ 67</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,414)</u>	<u>\$ (1,116)</u>	<u>\$ (1,776)</u>	<u>\$ 362</u>
Net Change in Fund Balance	\$ (1,414)	\$ (1,116)	\$ (1,776)	\$ 362
Fund Balance, July 1, 2007	1,665	2,325	2,325	(660)
Fund Balance, June 30, 2008	<u>\$ 251</u>	<u>\$ 1,209</u>	<u>\$ 549</u>	<u>\$ (298)</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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 122,580	\$ 112,132	\$ 112,132	\$ 10,448
Charges for Current Services	184,592	183,337	183,337	1,255
Other Local Revenues	21,950	8,000	8,000	13,950
State of Tennessee	27,391	32,637	32,637	(5,246)
Total Revenues	<u>\$ 356,513</u>	<u>\$ 336,106</u>	<u>\$ 336,106</u>	<u>\$ 20,407</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 24,835	\$ 29,237	\$ 29,237	\$ 4,402
Recycling Center	317,845	302,317	303,101	(14,744)
Total Expenditures	<u>\$ 342,680</u>	<u>\$ 331,554</u>	<u>\$ 332,338</u>	<u>\$ (10,342)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,833</u>	<u>\$ 4,552</u>	<u>\$ 3,768</u>	<u>\$ 10,065</u>
Net Change in Fund Balance	\$ 13,833	\$ 4,552	\$ 3,768	\$ 10,065
Fund Balance, July 1, 2007	310	7,599	7,599	(7,289)
Fund Balance, June 30, 2008	<u>\$ 14,143</u>	<u>\$ 12,151</u>	<u>\$ 11,367</u>	<u>\$ 2,776</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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 95,178	\$ 10,500	\$ 10,500	\$ 84,678
Total Revenues	<u>\$ 95,178</u>	<u>\$ 10,500</u>	<u>\$ 10,500</u>	<u>\$ 84,678</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 20,105	\$ 18,500	\$ 20,105	\$ 0
Total Expenditures	<u>\$ 20,105</u>	<u>\$ 18,500</u>	<u>\$ 20,105</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 75,073</u>	<u>\$ (8,000)</u>	<u>\$ (9,605)</u>	<u>\$ 84,678</u>
Net Change in Fund Balance	\$ 75,073	\$ (8,000)	\$ (9,605)	\$ 84,678
Fund Balance, July 1, 2007	<u>27,016</u>	<u>55,327</u>	<u>55,327</u>	<u>(28,311)</u>
Fund Balance, June 30, 2008	<u>\$ 102,089</u>	<u>\$ 47,327</u>	<u>\$ 45,722</u>	<u>\$ 56,367</u>

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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.

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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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 557,349	\$ 469,400	\$ 469,400	\$ 87,949
Total Revenues	\$ 557,349	\$ 469,400	\$ 469,400	\$ 87,949
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 95,971	\$ 93,734	\$ 95,972	\$ 1
Education	160,209	163,251	163,251	3,042
<u>Interest on Debt</u>				
General Government	18,044	20,415	18,177	133
Education	25,376	269,415	264,415	239,039
<u>Other Debt Service</u>				
General Government	7,794	3,600	8,600	806
Total Expenditures	\$ 307,394	\$ 550,415	\$ 550,415	\$ 243,021
Excess (Deficiency) of Revenues Over Expenditures	\$ 249,955	\$ (81,015)	\$ (81,015)	\$ 330,970
<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	\$ 259,695	\$ (71,275)	\$ (71,275)	\$ 330,970
Fund Balance, July 1, 2007	481,678	483,204	483,204	(1,526)
Fund Balance, June 30, 2008	\$ 741,373	\$ 411,929	\$ 411,929	\$ 329,444

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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.

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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, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 53,935	\$ 1,397,096	\$ 1,374,590	\$ 76,441
Total Assets	\$ 53,935	\$ 1,397,096	\$ 1,374,590	\$ 76,441
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 53,935	\$ 1,397,096	\$ 1,374,590	\$ 76,441
Total Liabilities	\$ 53,935	\$ 1,397,096	\$ 1,374,590	\$ 76,441

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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, two Special Revenue Funds and one Capital Projects Fund.

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.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

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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, 2008

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total Governmental Activities	
Component Unit:					
Governmental Activities:					
Instruction	\$ 4,618,716	\$ 4,200	\$ 4,200	\$ 548,375	\$ (4,066,141)
Support Services	2,768,218	2,304	2,304	41,099	(2,724,815)
Operation of Noninstructional Services	618,833	273,506	273,506	328,438	(16,889)
Total Governmental Activities	\$ 8,005,767	\$ 280,010	\$ 280,010	\$ 917,912	\$ (6,807,845)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 1,903,739	
Local Option Sales Tax				303,198	
Grants and Contributions Not Restricted to Specific Programs				6,723,083	
Unrestricted Investment Income				381	
Miscellaneous				2,169	
Total General Revenues				\$ 8,932,570	
Change in Net Assets				\$	2,124,725
Net Assets, July 1, 2007					4,834,482
Net Assets, June 30, 2008				\$	6,959,207

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Funds Other Govern-mental Funds</u>	
ASSETS				
Equity in Pooled Cash and Investments	\$ 723,819	\$ 19,707	\$ 41,033	\$ 784,559
Inventories	0	0	9,671	9,671
Due from Other Governments	122,291	0	17,698	139,989
Due from Primary Government	0	588,104	0	588,104
Property Taxes Receivable	1,928,120	0	0	1,928,120
Allowance for Uncollectible Property Taxes	(11,327)	0	0	(11,327)
Total Assets	\$ 2,762,903	\$ 607,811	\$ 68,402	\$ 3,439,116
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts Payable	\$ 17,799	\$ 4,000	\$ 57	\$ 21,856
Payroll Deductions Payable	148,919	0	16,205	165,124
Contracts Payable	0	408,839	0	408,839
Retainage Payable	0	44,547	0	44,547
Deferred Revenue - Current Property Taxes	1,879,540	0	0	1,879,540
Deferred Revenue - Delinquent Property Taxes	32,580	0	0	32,580
Other Deferred Revenues	38,703	0	0	38,703
Total Liabilities	\$ 2,117,541	\$ 457,386	\$ 16,262	\$ 2,591,189
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 14,237	\$ 6,643,341	\$ 0	\$ 6,657,578
Other Local Education Reserves	1,947	0	0	1,947
Reserved for Career Ladder - Extended Contract	873	0	0	873
Reserved for Career Ladder Program	4,737	0	0	4,737
Reserved for Title I Grants to Local Education Agencies	0	0	8,604	8,604
Reserved for Innovative Education Program Strategies	0	0	7,686	7,686
Reserved for Special Education - Grants to States	0	0	1,131	1,131
Other Federal Reserves	0	0	438	438
Unreserved, Reported In:				
General Fund	623,568	0	0	623,568
Special Revenue Funds	0	0	34,281	34,281
Capital Projects Funds (Deficit)	0	(6,492,916)	0	(6,492,916)
Total Fund Balances	\$ 645,362	\$ 150,425	\$ 52,140	\$ 847,927
Total Liabilities and Fund Balances	\$ 2,762,903	\$ 607,811	\$ 68,402	\$ 3,439,116

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, 2008

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)		\$	847,927
(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: construction in progress		2,106,395	
Add: buildings and improvements net of accumulated depreciation		3,828,818	
Add: other capital assets net of accumulated depreciation		<u>399,399</u>	6,373,954
(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	\$	(189,661)	
Less: other postemployment benefits obligation		<u>(144,296)</u>	(333,957)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>71,283</u>
Net assets of governmental activities (Exhibit A)			<u><u>\$ 6,959,207</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, 2008

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	
<u>Revenues</u>				
Local Taxes	\$ 2,207,210	\$ 0	\$ 0	\$ 2,207,210
Licenses and Permits	785	0	0	785
Charges for Current Services	23,745	0	256,265	280,010
Other Local Revenues	3,540	0	381	3,921
State of Tennessee	4,751,987	0	5,769	4,757,756
Federal Government	0	0	592,741	592,741
Other Governments and Citizens Groups	0	2,256,820	0	2,256,820
Total Revenues	<u>\$ 6,987,267</u>	<u>\$ 2,256,820</u>	<u>\$ 855,156</u>	<u>\$ 10,099,243</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,957,004	\$ 0	\$ 292,928	\$ 4,249,932
Support Services	2,659,106	0	88,080	2,747,186
Operation of Non-Instructional Services	105,227	0	466,669	571,896
Capital Outlay	19,238	0	0	19,238
Capital Projects	0	2,106,395	0	2,106,395
Total Expenditures	<u>\$ 6,740,575</u>	<u>\$ 2,106,395</u>	<u>\$ 847,677</u>	<u>\$ 9,694,647</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 246,692</u>	<u>\$ 150,425</u>	<u>\$ 7,479</u>	<u>\$ 404,596</u>
Net Change in Fund Balances	\$ 246,692	\$ 150,425	\$ 7,479	\$ 404,596
Fund Balance, July 1, 2007	398,670	0	44,661	443,331
Fund Balance, June 30, 2008	<u>\$ 645,362</u>	<u>\$ 150,425</u>	<u>\$ 52,140</u>	<u>\$ 847,927</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, 2008

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)		\$ 404,596
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 2,120,632	
Less: current year depreciation expense	<u>(244,323)</u>	1,876,309
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 71,283	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(64,579)</u>	6,704
<p>(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.</p>		
Less: change in other postemployment benefits obligation	\$ (144,296)	
Less: change in compensated absences payable	<u>(18,588)</u>	<u>(162,884)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,124,725</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, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 22,413	\$ 18,620	\$ 41,033
Inventories	0	9,671	9,671
Due from Other Governments	550	17,148	17,698
Total Assets	<u>\$ 22,963</u>	<u>\$ 45,439</u>	<u>\$ 68,402</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 57	\$ 0	\$ 57
Payroll Deductions Payable	5,047	11,158	16,205
Total Liabilities	<u>\$ 5,104</u>	<u>\$ 11,158</u>	<u>\$ 16,262</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 8,604	\$ 0	\$ 8,604
Reserved for Innovative Education Program Strategies	7,686	0	7,686
Reserved for Special Education - Grants to States	1,131	0	1,131
Other Federal Reserves	438	0	438
Unreserved	0	34,281	34,281
Total Fund Balances	<u>\$ 17,859</u>	<u>\$ 34,281</u>	<u>\$ 52,140</u>
Total Liabilities and Fund Balances	<u>\$ 22,963</u>	<u>\$ 45,439</u>	<u>\$ 68,402</u>

Exhibit J-7

The Metropolitan Government of Lynchburg, 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, 2008

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 256,265	\$ 256,265
Other Local Revenues	0	381	381
State of Tennessee	0	5,769	5,769
Federal Government	386,545	206,196	592,741
Total Revenues	<u>\$ 386,545</u>	<u>\$ 468,611</u>	<u>\$ 855,156</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 292,928	\$ 0	\$ 292,928
Support Services	88,080	0	88,080
Operation of Non-Instructional Services	0	466,669	466,669
Total Expenditures	<u>\$ 381,008</u>	<u>\$ 466,669</u>	<u>\$ 847,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,537</u>	<u>\$ 1,942</u>	<u>\$ 7,479</u>
Net Change in Fund Balances	\$ 5,537	\$ 1,942	\$ 7,479
Fund Balance, July 1, 2007	12,322	32,339	44,661
Fund Balance, June 30, 2008	<u>\$ 17,859</u>	<u>\$ 34,281</u>	<u>\$ 52,140</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, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,207,210	\$ 0	\$ 2,207,210	\$ 2,013,408	\$ 2,151,039	\$ 56,171
Licenses and Permits	785	0	785	600	700	85
Charges for Current Services	23,745	0	23,745	29,475	20,644	3,101
Other Local Revenues	3,540	0	3,540	10,000	762	2,778
State of Tennessee	4,751,987	0	4,751,987	4,361,171	4,757,050	(5,063)
Total Revenues	\$ 6,987,267	\$ 0	\$ 6,987,267	\$ 6,414,654	\$ 6,930,195	\$ 57,072
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,170,012	\$ 0	\$ 3,170,012	\$ 3,099,478	\$ 3,185,708	\$ 15,696
Alternative Instruction Program	66,468	0	66,468	68,661	68,677	2,209
Special Education Program	471,462	0	471,462	410,935	474,280	2,818
Vocational Education Program	249,062	0	249,062	255,253	250,250	1,188
<u>Support Services</u>						
Attendance	4,496	0	4,496	4,127	4,497	1
Health Services	45,851	0	45,851	60,818	45,971	120
Other Student Support	300,930	0	300,930	226,713	301,412	482
Regular Instruction Program	332,634	0	332,634	353,856	340,788	8,154
Special Education Program	3,848	0	3,848	3,368	3,966	118
Vocational Education Program	29,360	0	29,360	31,406	29,369	9
Other Programs	11,253	0	11,253	0	11,253	0
Board of Education	160,086	0	160,086	160,252	160,684	598
Director of Schools	129,588	0	129,588	129,220	132,598	3,010
Office of the Principal	438,254	0	438,254	456,320	439,705	1,451
Fiscal Services	75,146	0	75,146	75,225	75,228	82
Operation of Plant	683,421	0	683,421	660,501	683,551	130

(Continued)

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)	Add: Encumbrances 6/30/2008	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	\$ 77,988	\$ 0	\$ 77,988	\$ 68,120	\$ 78,586	\$ 598
Transportation	366,251	0	366,251	415,636	369,178	2,927
<u>Operation of Non-Instructional Services</u>						
Community Services	17,347	0	17,347	26,021	18,631	1,284
Early Childhood Education	87,880	0	87,880	0	90,284	2,404
Capital Outlay	19,238	14,237	33,475	36,000	36,000	2,525
Regular Capital Outlay						
Total Expenditures	\$ 6,740,575	\$ 14,237	\$ 6,754,812	\$ 6,541,910	\$ 6,800,616	\$ 45,804
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 246,692	\$ (14,237)	\$ 232,455	\$ (127,256)	\$ 129,579	\$ 102,876
Net Change in Fund Balance	\$ 246,692	\$ (14,237)	\$ 232,455	\$ (127,256)	\$ 129,579	\$ 102,876
Fund Balance, July 1, 2007	398,670	0	398,670	308,788	308,788	89,882
Fund Balance, June 30, 2008	\$ 645,362	\$ (14,237)	\$ 631,125	\$ 181,532	\$ 438,367	\$ 192,758

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 386,545	\$ 256,108	\$ 431,501	\$ (44,956)
Total Revenues	\$ 386,545	\$ 256,108	\$ 431,501	\$ (44,956)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 59,513	\$ 11,158	\$ 80,552	\$ 21,039
Special Education Program	195,089	183,364	195,089	0
Vocational Education Program	38,326	38,365	38,665	339
<u>Support Services</u>				
Health Services	9,685	11,911	13,056	3,371
Other Student Support	5,726	4,035	9,001	3,275
Regular Instruction Program	62,705	4,932	83,200	20,495
Special Education Program	8,726	8,973	8,728	2
Vocational Education Program	1,238	1,200	1,238	0
Total Expenditures	\$ 381,008	\$ 263,938	\$ 429,529	\$ 48,521
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,537	\$ (7,830)	\$ 1,972	\$ 3,565
Net Change in Fund Balance	\$ 5,537	\$ (7,830)	\$ 1,972	\$ 3,565
Fund Balance, July 1, 2007	12,322	12,322	12,322	0
Fund Balance, June 30, 2008	\$ 17,859	\$ 4,492	\$ 14,294	\$ 3,565

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 256,265	\$ 262,000	\$ 277,000	\$ (20,735)
Other Local Revenues	381	650	650	(269)
State of Tennessee	5,769	5,600	5,600	169
Federal Government	206,196	180,000	200,000	6,196
Total Revenues	<u>\$ 468,611</u>	<u>\$ 448,250</u>	<u>\$ 483,250</u>	<u>\$ (14,639)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 466,669	\$ 452,838	\$ 487,838	\$ 21,169
Total Expenditures	<u>\$ 466,669</u>	<u>\$ 452,838</u>	<u>\$ 487,838</u>	<u>\$ 21,169</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,942	\$ (4,588)	\$ (4,588)	\$ 6,530
Net Change in Fund Balance	\$ 1,942	\$ (4,588)	\$ (4,588)	\$ 6,530
Fund Balance, July 1, 2007	32,339	19,413	19,413	12,926
Fund Balance, June 30, 2008	<u>\$ 34,281</u>	<u>\$ 14,825</u>	<u>\$ 14,825</u>	<u>\$ 19,456</u>

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MISCELLANEOUS SCHEDULES

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Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Changes in Long-term Notes and Other Loans
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Construction	\$ 1,265,281	3.349 %	10-26-1998	10-26-07	\$ 160,208	\$ 0	\$ 160,208	\$ 0
Ambulance	74,069	4.75	7-31-01	7-31-09	17,496	0	10,441	7,055
Health Department Building	70,000	4.75	12-14-01	12-14-10	22,524	0	8,415	14,109
Library Roof	33,000	1.96	3-2-05	2-15-08	11,186	0	11,186	0
Fire truck	200,000	3.94	1-27-06	1-23-14	176,777	0	23,204	153,573
Land	225,000	3.38	11-16-05	11-16-14	203,128	0	22,944	180,184
Garbage Truck	120,000	3.58	6-22-07	6-22-13	120,000	0	19,782	100,218
Fire truck	180,000	3.58	1-2-08	1-2-17	0	180,000	0	180,000
Park	300,000	4.015	6-23-08	6-23-20	0	300,000	0	300,000
Ambulance	100,000	2.83	6-25-08	6-25-14	0	100,000	0	100,000
Total Notes Payable					\$ 711,319	\$ 580,000	\$ 256,180	\$ 1,035,139
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Construction	(1)	Variable	7-17-07	5-25-17	\$ 0	\$ 1,936,567	\$ 0	\$ 1,936,567
School Construction/Public Water	(2)	Variable	6-9-08	5-25-17	0	320,253	0	320,253
Total Other Loans Payable					\$ 0	\$ 2,256,820	\$ 0	\$ 2,256,820

(1) Total amount approved was \$8,300,000 of which \$6,363,433 remains available for draws as of June 30, 2008.

(2) Total amount approved was \$3,000,000 of which \$2,679,747 remains available for draws as of June 30, 2008.

Exhibit K-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 134,621	\$ 38,339	\$ 172,960
2010	127,818	33,178	160,996
2011	127,195	28,542	155,737
2012	131,725	24,011	155,736
2013	134,960	19,270	154,230
2014	116,751	14,343	131,094
2015	74,636	10,072	84,708
2016	48,404	7,345	55,749
2017	50,263	5,485	55,748
2018	28,433	3,564	31,997
2019	29,575	2,422	31,997
2020	30,758	1,237	31,995
Total	\$ 1,035,139	\$ 187,808	\$ 1,222,947

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Fees	Other Loans Requirements
2009	\$ 295,000	\$ 31,498	\$ 14,465	\$ 340,963
2010	305,000	27,359	14,023	346,382
2011	316,000	23,080	13,565	352,645
2012	238,253	18,646	13,091	269,990
2013	225,000	15,326	9,314	249,640
2014	232,000	12,198	8,976	253,174
2015	240,000	8,973	8,628	257,601
2016	247,000	5,637	8,268	260,905
2017	158,567	2,204	7,898	168,669
Total	\$ 2,256,820	144,921	98,228	\$ 2,499,969

Exhibit K-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	<u>\$ 9,740</u>
Total Transfers			<u><u>\$ 9,740</u></u>

Exhibit K-4

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, 2008

Official	Authorization for Salary	\$	\$	Salary Paid During Period	Bond	Surety
Metropolitan Executive Highway Superintendent	Section 8-24-102, <u>TCA</u> Section 8-24-102, <u>TCA</u> and Metropolitan Council		57,025	57,025	25,000	RLI Insurance Company
Director of Schools	State Board of Education and Metropolitan Board of Education			57,025	100,000	Western Surety Company
Trustee				72,467	50,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>			49,372	306,000	RLI Insurance Company
Metropolitan Clerk	Section 8-24-102, <u>TCA</u>			49,372	10,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>			49,372	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>			49,372	25,000	"
Register	Section 8-24-102, <u>TCA</u>			49,372	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>			54,910 (1)	25,000	"
<u>Employee Bonds</u>						
Metropolitan Employees					150,000	Tennessee Risk Management Trust
School Department Employees					150,000	"

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

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Total
	General	Urban Services	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,443,779	\$ 10,239	\$ 120,314	\$ 0	\$ 0	\$ 25,793	\$ 214,843	\$ 1,814,968
Trustee's Collections - Prior Year	25,921	373	1,543	0	0	542	771	29,150
Circuit/Clerk & Master Collections - Prior Years	5,085	45	386	0	0	0	584	6,100
Interest and Penalty	5,197	91	337	0	0	90	291	6,006
Payments in-Lieu-of Taxes - T.V.A.	6,877	0	0	0	0	0	0	6,877
<u>County Local Option Taxes</u>								
Local Option Sales Tax	149,498	0	0	0	0	0	149,498	298,996
Hotel/Motel Tax	6,987	0	0	0	0	0	0	6,987
Litigation Tax - General	18,042	0	0	0	0	0	0	18,042
Litigation Tax - Jail, Workhouse, or Courthouse	5,434	0	0	0	0	0	0	5,434
Business Tax	33,786	0	0	0	0	0	0	33,786
Mineral Severance Tax	0	0	0	0	0	25,309	0	25,309
<u>Statutory Local Taxes</u>								
Bank Excise Tax	13,990	0	0	0	0	0	0	13,990
Wholesale Beer Tax	55,194	0	0	0	0	0	0	55,194
Interstate Telecommunications Tax	768	0	0	0	0	0	0	768
Other Statutory Local Taxes	0	0	0	0	0	0	191,362	191,362
Total Local Taxes	\$ 1,770,558	\$ 10,748	\$ 122,580	\$ 0	\$ 0	\$ 51,734	\$ 557,349	\$ 2,512,969
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	6,588	2,334	0	0	0	0	0	8,922
Permits	6,025	0	0	0	0	0	0	6,025
Building Permits	12,613	2,334	0	0	0	0	0	14,947
Total Licenses and Permits	\$ 24,226	\$ 2,334	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,226
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	432	0	0	0	0	0	0	432
Officers Costs	402	0	0	0	0	0	0	402
Drug Control Fines	0	0	0	850	0	0	0	850
Drug Court Fees	24	0	0	0	0	0	0	24

(Continued)

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

	Special Revenue Funds							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>								
Jail Fees	\$ 85	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	85
Data Entry Fee - Circuit Court	126	0	0	0	0	0	0	126
Courtroom Security Fee	184	0	0	0	0	0	0	184
<u>General Sessions Court</u>								
Fines	5,599	0	0	0	0	0	0	5,599
Officers Costs	7,412	0	0	0	0	0	0	7,412
Game and Fish Fines	257	0	0	0	0	0	0	257
Drug Control Fines	0	0	0	1,188	0	0	0	1,188
Drug Court Fees	505	0	0	0	0	0	0	505
Jail Fees	2,532	0	0	0	0	0	0	2,532
DUI Treatment Fines	3,496	0	0	0	0	0	0	3,496
Data Entry Fee - General Sessions Court	1,035	0	0	0	0	0	0	1,035
<u>Chancery Court</u>								
Officers Costs	415	0	0	0	0	0	0	415
Data Entry Fee - Chancery Court	104	0	0	0	0	0	0	104
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	93,140	0	0	0	93,140
Other Fines, Forfeitures, and Penalties	12,300	0	0	0	0	0	0	12,300
Total Fines, Forfeitures, and Penalties	\$ 34,908	\$ 0	\$ 0	\$ 95,178	\$ 0	\$ 0	\$ 0	\$ 130,086
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 184,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 184,592
Patient Charges	120,362	0	0	0	0	0	0	120,362
Other General Service Charges	200	0	0	0	0	0	0	200
<u>Fees</u>								
Recreation Fees	5,745	0	0	0	0	0	0	5,745
Copy Fees	74	0	0	0	0	0	0	74
Library Fees	1,090	0	0	0	0	0	0	1,090
Vending Machine Collections	79	0	0	0	0	0	0	79
Constitutional Officers' Fees and Commissions	0	0	0	0	100	0	0	100
Data Processing Fee - Register	2,425	0	0	0	0	0	0	2,425

(Continued)

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

	Special Revenue Funds							Total
	General	Urban Services	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	Debt Service Fund	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Data Processing Fee - Sheriff	\$ 774	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 774
Sexual Offender Registration Fees - Sheriff	400	0	0	0	0	0	0	400
Total Charges for Current Services	\$ 131,149	\$ 0	\$ 184,592	\$ 0	\$ 100	\$ 0	\$ 0	\$ 315,841
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 85,620	\$ 107	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,727
Lease/Rentals	9,986	0	0	0	0	0	0	9,986
Sale of Materials and Supplies	0	0	25	0	0	0	0	25
Commissary Sales	3,680	0	0	0	0	0	0	3,680
Sale of Recycled Materials	0	0	21,045	0	0	0	0	21,045
Miscellaneous Refunds	3,341	0	630	0	0	5,463	0	9,434
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	250	0	0	0	0	250
Damages Recovered from Individuals	1,514	0	0	0	0	0	0	1,514
Contributions and Gifts	30,036	0	0	0	0	0	0	30,036
Total Other Local Revenues	\$ 134,177	\$ 107	\$ 21,950	\$ 0	\$ 0	\$ 5,463	\$ 0	\$ 161,697
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 44,231	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,231
Circuit Court Clerk	15,543	0	0	0	0	0	0	15,543
General Sessions Court Clerk	29,153	0	0	0	0	0	0	29,153
Clerk and Master	14,479	0	0	0	0	0	0	14,479
Juvenile Court Clerk	1,765	0	0	0	0	0	0	1,765
Register	33,454	0	0	0	0	0	0	33,454
Sheriff	3,061	0	0	0	0	0	0	3,061
Trustee	116,044	0	0	0	0	0	0	116,044
Total Fees Received from County Officials	\$ 257,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 257,730

(Continued)

Exhibit K-5

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

	Special Revenue Funds							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	2,902	0	0	0	0	0	0	2,902
Solid Waste Grants	0	0	2,609	0	0	0	0	2,609
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	6,600	0	0	0	0	0	0	6,600
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	8,071	0	8,071
Litter Program	0	0	24,782	0	0	0	0	24,782
<u>Other State Revenues</u>								
Income Tax	9,601	0	0	0	0	0	0	9,601
Beer Tax	19,584	0	0	0	0	0	0	19,584
Alcoholic Beverage Tax	10,926	0	0	0	0	0	0	10,926
State Revenue Sharing - T.V.A.	166,891	0	0	0	0	0	0	166,891
Contracted Prisoner Boarding	143,850	0	0	0	0	0	0	143,850
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,214,172	0	1,214,172
Petroleum Special Tax	0	0	0	0	0	4,610	0	4,610
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
State Shared Sales Tax - Cities	35,830	0	0	0	0	0	0	35,830
Other State Grants	174,373	0	0	0	0	0	0	174,373
Other State Revenues	18,849	0	0	0	0	0	0	18,849
Total State of Tennessee	\$ 614,786	\$ 0	\$ 27,391	\$ 0	\$ 0	\$ 1,226,853	\$ 0	\$ 1,869,030
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 131,839	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 131,839
Other Federal through State	6,906	0	0	0	0	0	0	6,906
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	91,082	0	0	0	0	0	0	91,082
Total Federal Government	\$ 229,827	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 229,827
<u>Total</u>	\$ 3,185,748	\$ 13,189	\$ 356,513	\$ 95,178	\$ 100	\$ 1,284,050	\$ 557,349	\$ 5,492,127

Exhibit K-6

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, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,856,286	\$ 0	\$ 0	\$ 0	\$ 1,856,286
Trustee's Collections - Prior Year	33,636	0	0	0	33,636
Circuit/Clerk & Master Collections - Prior Years	6,564	0	0	0	6,564
Interest and Penalty	6,731	0	0	0	6,731
<u>County Local Option Taxes</u>					
Local Option Sales Tax	303,352	0	0	0	303,352
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	641	0	0	0	641
Total Local Taxes	\$ 2,207,210	\$ 0	\$ 0	\$ 0	\$ 2,207,210
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 785	\$ 0	\$ 0	\$ 0	\$ 785
Total Licenses and Permits	\$ 785	\$ 0	\$ 0	\$ 0	\$ 785
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 4,200	\$ 0	\$ 0	\$ 0	\$ 4,200
Lunch Payments - Children	0	0	160,302	0	160,302
Lunch Payments - Adults	0	0	12,627	0	12,627
Income from Breakfast	0	0	18,938	0	18,938
A la carte Sales	0	0	64,398	0	64,398
Receipts from Individual Schools	2,660	0	0	0	2,660
Community Service Fees - Children	14,581	0	0	0	14,581
TBI Criminal Background Fees	2,304	0	0	0	2,304
Total Charges for Current Services	\$ 23,745	\$ 0	\$ 256,265	\$ 0	\$ 280,010
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 381	\$ 0	\$ 381
Miscellaneous Refunds	3,447	0	0	0	3,447
<u>Other Local Revenues</u>					
Other Local Revenues	93	0	0	0	93
Total Other Local Revenues	\$ 3,540	\$ 0	\$ 381	\$ 0	\$ 3,921
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 11,253	\$ 0	\$ 0	\$ 0	\$ 11,253
<u>State Education Funds</u>					
Basic Education Program	4,419,000	0	0	0	4,419,000
Early Childhood Education	87,880	0	0	0	87,880
School Food Service	0	0	5,769	0	5,769
Driver Education	4,550	0	0	0	4,550
Other State Education Funds	98,952	0	0	0	98,952
Career Ladder Program	49,705	0	0	0	49,705
Career Ladder - Extended Contract	14,425	0	0	0	14,425
<u>Other State Revenues</u>					
Alcoholic Beverage Tax	46,385	0	0	0	46,385

(Continued)

Exhibit K-6

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	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Grants	\$ 15,789	\$ 0	\$ 0	\$ 0	\$ 15,789
Other State Revenues	4,048	0	0	0	4,048
Total State of Tennessee	\$ 4,751,987	\$ 0	\$ 5,769	\$ 0	\$ 4,757,756
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 157,966	\$ 0	\$ 157,966
Breakfast	0	0	48,230	0	48,230
Vocational Education - Basic Grants to States	0	39,563	0	0	39,563
Title I Grants to Local Education Agencies	0	92,249	0	0	92,249
Innovative Education Program Strategies	0	1,397	0	0	1,397
Special Education - Grants to States	0	205,575	0	0	205,575
Special Education Preschool Grants	0	12,172	0	0	12,172
Safe and Drug-Free Schools - State Grants	0	3,205	0	0	3,205
Eisenhower Professional Development State Grants	0	32,384	0	0	32,384
Total Federal Government	\$ 0	\$ 386,545	\$ 206,196	\$ 0	\$ 592,741
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 2,256,820	\$ 2,256,820
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 2,256,820	\$ 2,256,820
Total	\$ 6,987,267	\$ 386,545	\$ 468,611	\$ 2,256,820	\$ 10,099,243

Exhibit K-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,280	
Audit Services		1,324	
Dues and Memberships		1,000	
Operating Lease Payments		3,200	
Liability Insurance		56,522	
Trustee's Commission		38,337	
Workers' Compensation Insurance		18,178	
Total County Commission			\$ 121,841

County Mayor/Executive

County Official/Administrative Officer	\$	57,025	
Accountants/Bookkeepers		28,000	
Communication		1,962	
Data Processing Services		4,694	
Dues and Memberships		4,504	
Legal Notices, Recording, and Court Costs		1,326	
Postal Charges		1,223	
Other Charges		5,025	
Office Equipment		782	
Total County Mayor/Executive			104,541

County Attorney

County Official/Administrative Officer	\$	6,000	
Total County Attorney			6,000

Election Commission

County Official/Administrative Officer	\$	39,498	
Other Salaries and Wages		1,700	
Election Commission		500	
Election Workers		2,300	
In-Service Training		450	
Communication		672	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		1,350	
Maintenance and Repair Services - Office Equipment		1,250	
Postal Charges		306	
Printing, Stationery, and Forms		378	
Travel		2,165	
Other Contracted Services		7,097	
Office Supplies		305	

(Continued)

Exhibit K-7

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 Equipment	\$ 1,922	
Total Election Commission		\$ 59,993

Register of Deeds

County Official/Administrative Officer	\$ 49,372	
Part-time Personnel	4,768	
Communication	454	
Dues and Memberships	380	
Maintenance Agreements	3,341	
Postal Charges	393	
Printing, Stationery, and Forms	960	
Office Equipment	1,984	
Total Register of Deeds		61,652

Planning

County Official/Administrative Officer	\$ 4,313	
Communication	345	
Contracts with Government Agencies	7,750	
Legal Notices, Recording, and Court Costs	408	
Other Charges	76	
Total Planning		12,892

County Buildings

Custodial Personnel	\$ 15,600	
Maintenance and Repair Services - Buildings	46,436	
Pest Control	480	
Custodial Supplies	2,793	
Electricity	11,138	
Natural Gas	5,278	
Office Supplies	4,447	
Water and Sewer	2,355	
Total County Buildings		88,527

Preservation of Records

Part-time Personnel	\$ 2,496	
Communication	546	
Data Processing Services	150	
Maintenance Agreements	301	
Office Supplies	2,170	
Office Equipment	10,000	
Total Preservation of Records		15,663

(Continued)

Exhibit K-7

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	\$	49,372	
Part-time Personnel		10,000	
Other Per Diem and Fees		170	
Communication		395	
Data Processing Services		2,840	
Legal Notices, Recording, and Court Costs		37	
Postal Charges		164	
Printing, Stationery, and Forms		52	
Travel		686	
Other Contracted Services		1,275	
Office Equipment		90	
Total Property Assessor's Office			\$ 65,081

County Trustee's Office

County Official/Administrative Officer	\$	49,372	
Part-time Personnel		1,241	
In-Service Training		149	
Communication		402	
Data Processing Services		4,172	
Dues and Memberships		85	
Legal Notices, Recording, and Court Costs		234	
Postal Charges		1,310	
Printing, Stationery, and Forms		397	
Travel		448	
Office Supplies		275	
Office Equipment		2,206	
Total County Trustee's Office			60,291

County Clerk's Office

County Official/Administrative Officer	\$	49,372	
Part-time Personnel		7,020	
Communication		413	
Dues and Memberships		285	
Postal Charges		900	
Printing, Stationery, and Forms		1,051	
Office Equipment		165	
Total County Clerk's Office			59,206

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	49,372	
Part-time Personnel		5,548	
Jury and Witness Fees		980	
Communication		367	
Data Processing Services		3,299	
Dues and Memberships		630	
Legal Notices, Recording, and Court Costs		77	
Postal Charges		453	
Printing, Stationery, and Forms		364	
Other Contracted Services		297	
Office Equipment		8,603	
Total Circuit Court			\$ 69,990

General Sessions Court

Judge(s)	\$	58,286	
Travel		901	
Office Supplies		906	
Office Equipment		690	
Total General Sessions Court			60,783

Chancery Court

County Official/Administrative Officer	\$	49,372	
Part-time Personnel		1,240	
Communication		461	
Dues and Memberships		345	
Postal Charges		258	
Printing, Stationery, and Forms		490	
Travel		140	
Periodicals		403	
Office Equipment		296	
Total Chancery Court			53,005

Juvenile Court

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

Judicial Commissioners

County Official/Administrative Officer	\$	6,887	
Communication		606	
Total Judicial Commissioners			7,493

(Continued)

Exhibit K-7

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	\$	54,310	
Supervisor/Director		33,820	
Deputy(ies)		208,618	
Investigator(s)		32,000	
Sergeant(s)		31,131	
Foremen		23,789	
Dispatchers/Radio Operators		98,013	
Longevity Pay		21,000	
Overtime Pay		155	
Other Salaries and Wages		20,126	
In-Service Training		9,873	
Communication		5,741	
Contracts with Private Agencies		1,625	
Dues and Memberships		65	
Maintenance and Repair Services - Equipment		512	
Maintenance and Repair Services - Vehicles		9,813	
Medical and Dental Services		246	
Postal Charges		714	
Printing, Stationery, and Forms		2,939	
Travel		2,533	
Other Contracted Services		3,700	
Drugs and Medical Supplies		12	
Gasoline		32,325	
Office Supplies		2,830	
Uniforms		2,151	
Other Charges		490	
Data Processing Equipment		2,592	
Law Enforcement Equipment		12,370	
Motor Vehicles		23,808	
Total Sheriff's Department			\$ 637,301

Traffic Control

Part-time Personnel	\$	2,220	
Other Charges		369	
Total Traffic Control			2,589

Administration of the Sexual Offender Registry

Office Supplies	\$	24	
Total Administration of the Sexual Offender Registry			24

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	99,830	
Secretary(ies)		22,214	
Longevity Pay		1,000	
Contracts with Government Agencies		345	
Maintenance and Repair Services - Buildings		815	
Maintenance and Repair Services - Equipment		19,991	
Medical and Dental Services		10,598	
Pest Control		240	
Custodial Supplies		2,405	
Drugs and Medical Supplies		7,882	
Electricity		12,195	
Food Preparation Supplies		408	
Food Supplies		21,682	
Natural Gas		3,142	
Prisoners Clothing		844	
Uniforms		1,201	
Water and Sewer		10,625	
Total Jail			\$ 215,417

Commissary

Postal Charges	\$	41	
Printing, Stationery, and Forms		126	
Food Supplies		52	
Total Commissary			219

Fire Prevention and Control

Part-time Personnel	\$	11,051	
In-Service Training		2,537	
Communication		1,741	
Maintenance Agreements		5,850	
Maintenance and Repair Services - Buildings		9,593	
Maintenance and Repair Services - Vehicles		11,997	
Pest Control		240	
Electricity		2,671	
Gasoline		3,680	
Natural Gas		4,046	
Office Supplies		199	
Water and Sewer		1,138	
Excess Risk Insurance		1,469	
Motor Vehicles		178,667	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Equipment	\$ 20,674	
Total Fire Prevention and Control		\$ 255,553

Other Emergency Management

Other Supplies and Materials	\$ 181,028	
Total Other Emergency Management		181,028

Public Health and Welfare

Local Health Center

Communication	\$ 2,363	
Contracts with Government Agencies	14,100	
Contracts with Private Agencies	6,533	
Maintenance and Repair Services - Buildings	36	
Pest Control	240	
Postal Charges	40	
Other Contracted Services	114	
Custodial Supplies	43	
Office Supplies	20	
Utilities	6,147	
Other Supplies and Materials	50	
Total Local Health Center		29,686

Rabies and Animal Control

Other Supplies and Materials	\$ 1,295	
Total Rabies and Animal Control		1,295

Ambulance/Emergency Medical Services

Paraprofessionals	\$ 158,230	
Part-time Personnel	23,059	
Longevity Pay	6,000	
Overtime Pay	31,711	
In-Service Training	636	
Communication	3,102	
Data Processing Services	3,598	
Dues and Memberships	745	
Maintenance and Repair Services - Buildings	868	
Maintenance and Repair Services - Equipment	986	
Maintenance and Repair Services - Vehicles	5,737	
Pest Control	240	
Postal Charges	219	

(Continued)

Exhibit K-7

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.)

Travel	\$	415	
Drugs and Medical Supplies		3,461	
Electricity		2,316	
Gasoline		4,954	
Natural Gas		2,109	
Office Supplies		304	
Uniforms		1,452	
Water and Sewer		1,530	
Other Supplies and Materials		751	
Refunds		1,046	
Total Ambulance/Emergency Medical Services			\$ 253,469

Alcohol and Drug Programs

Drug Treatment	\$	625	
Other Supplies and Materials		934	
Total Alcohol and Drug Programs			1,559

Regional Mental Health Center

Contracts with Other Public Agencies	\$	2,500	
Total Regional Mental Health Center			2,500

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Supervisor/Director	\$	20,646	
Part-time Personnel		17,710	
Longevity Pay		2,000	
In-Service Training		38	
Communication		1,829	
Data Processing Services		1,221	
Dues and Memberships		345	
Maintenance and Repair Services - Buildings		855	
Pest Control		240	
Postal Charges		800	
Printing, Stationery, and Forms		206	
Travel		296	
Custodial Supplies		349	

(Continued)

Exhibit K-7

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.)

Libraries (Cont.)

Electricity	\$	4,024	
Instructional Supplies and Materials		287	
Library Books/Media		5,127	
Natural Gas		2,651	
Office Supplies		1,532	
Periodicals		87	
Water and Sewer		825	
Office Equipment		995	
Total Libraries			\$ 62,063

Parks and Fair Boards

Assistant(s)	\$	2,757	
Supervisor/Director		8,698	
Attendants		5,865	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		1,262	
Maintenance and Repair Services - Equipment		4,141	
Rentals		620	
Electricity		6,727	
General Construction Materials		295,177	
Water and Sewer		2,309	
Chemicals		2,841	
Other Charges		29,696	
Other Equipment		7,865	
Total Parks and Fair Boards			368,298

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	31,054	
Part-time Personnel		4,582	
Longevity Pay		601	
Communication		1,026	
Data Processing Services		1,559	
Travel		4,599	
Other Charges		112	
Total Agriculture Extension Service			43,533

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Communication	\$	560	
Matching Share		5,125	
Total Soil Conservation			\$ 5,685

Other Operations

Tourism

Dues and Memberships	\$	2,000	
Maintenance and Repair Services - Buildings		725	
Custodial Supplies		297	
Electricity		1,028	
Natural Gas		710	
Water and Sewer		920	
Other Charges		165	
Total Tourism			5,845

Other Economic and Community Development

General Construction Materials	\$	727	
Total Other Economic and Community Development			727

Veterans' Services

County Official/Administrative Officer	\$	1,500	
Total Veterans' Services			1,500

Employee Benefits

Social Security	\$	110,390	
State Retirement		41,773	
Employee and Dependent Insurance		265,508	
Unemployment Compensation		1,501	
Local Retirement		12,977	
Total Employee Benefits			432,149

Capital Projects

Public Utility Projects

Contributions	\$	32,836	
Total Public Utility Projects			32,836

Total General Fund \$ 3,396,584

(Continued)

Exhibit K-7

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

Urban Services Fund

General Government

Other General Administration

Electricity	\$	14,360	
Trustee's Commission		243	
Total Other General Administration			\$ 14,603

Total Urban Services Fund \$ 14,603

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,500	
Laborers		9,805	
Social Security		939	
Unemployment Compensation		35	
Maintenance and Repair Services - Vehicles		341	
Gasoline		900	
Instructional Supplies and Materials		6,655	
Other Supplies and Materials		443	
Motor Vehicles		3,217	
Total Waste Pickup			\$ 24,835

Recycling Center

County Official/Administrative Officer	\$	12,171	
Assistant(s)		2,544	
Laborers		89,298	
Longevity Pay		3,000	
Overtime Pay		11	
Other Salaries and Wages		3,574	
Social Security		8,272	
Medical Insurance		30,686	
Unemployment Compensation		134	
Local Retirement		541	
Advertising		73	
Communication		1,303	
Contracts with Private Agencies		67,573	
Maintenance and Repair Services - Vehicles		27,255	
Postal Charges		82	
Other Contracted Services		12,208	
Diesel Fuel		31,025	
Office Supplies		77	
Tires and Tubes		4,711	

(Continued)

Exhibit K-7

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.)

Utilities	\$	1,044	
Trustee's Commission		4,294	
Vehicle and Equipment Insurance		10,174	
Workers' Compensation Insurance		4,407	
Solid Waste Equipment		3,388	
Total Recycling Center			\$ 317,845

Total Solid Waste/Sanitation Fund \$ 342,680

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	475	
Communication		4,941	
Gasoline		3,000	
Law Enforcement Supplies		505	
Uniforms		294	
Other Charges		535	
Other Equipment		10,355	
Total Drug Enforcement			\$ 20,105

Total Drug Control Fund 20,105

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,025	
Assistant(s)		39,446	
Legal Notices, Recording, and Court Costs		613	
Pest Control		176	
Postal Charges		245	
Printing, Stationery, and Forms		19	
Office Supplies		1,665	
Other Charges		3,103	
Total Administration			\$ 102,292

Highway and Bridge Maintenance

Foremen	\$	14,976	
Equipment Operators		131,397	
Truck Drivers		125,772	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	85,093	
Contracts with Private Agencies		14,227	
Dues and Memberships		1,630	
Asphalt - Hot Mix		106,762	
Crushed Stone		13,315	
Pipe		9,724	
Road Signs		6,826	
Other Charges		4,533	
Total Highway and Bridge Maintenance			\$ 514,255

Operation and Maintenance of Equipment

Mechanic(s)	\$	95,675	
Diesel Fuel		31,555	
Equipment and Machinery Parts		36,372	
Garage Supplies		9,557	
Gasoline		17,208	
Lubricants		2,519	
Tires and Tubes		5,593	
Other Charges		3,899	
Total Operation and Maintenance of Equipment			202,378

Other Charges

Communication	\$	2,470	
Electricity		2,386	
Water and Sewer		231	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		12,994	
Other Charges		120	
Total Other Charges			18,551

Employee Benefits

Social Security	\$	42,031	
State Retirement		11,405	
Employee and Dependent Insurance		136,264	
Unemployment Compensation		7,420	
Workers' Compensation Insurance		59,216	
Total Employee Benefits			256,336

Capital Outlay

Contracts with Private Agencies	\$	41,156	
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(Continued)

Exhibit K-7

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Highways (Cont.)</u>		
<u>Capital Outlay (Cont.)</u>		
Engineering Services	\$ 14,911	
Total Capital Outlay		\$ 56,067
Total Highway/Public Works Fund		\$ 1,149,879
<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 95,971	
Total General Government		\$ 95,971
<u>Education</u>		
Principal on Notes	\$ 160,209	
Total Education		160,209
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 18,044	
Total General Government		18,044
<u>Education</u>		
Interest on Notes	\$ 5,483	
Interest on Other Loans	11,187	
Other Debt Service	8,706	
Total Education		25,376
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,794	
Total General Government		7,794
Total General Debt Service Fund		307,394
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 2,256,820	
Total Education Capital Projects		\$ 2,256,820
Total Education Capital Projects Fund		2,256,820
Total Governmental Funds - Primary Government		<u>\$ 7,488,065</u>

Exhibit K-8

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, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,138,499	
Career Ladder Program	27,702	
Career Ladder Extended Contracts	12,570	
Educational Assistants	81,933	
Other Salaries and Wages	2,574	
Certified Substitute Teachers	2,587	
Non-certified Substitute Teachers	40,882	
Social Security	135,479	
State Retirement	140,622	
Medical Insurance	402,216	
Unemployment Compensation	2,412	
Employer Medicare	31,829	
Maintenance and Repair Services - Equipment	880	
Instructional Supplies and Materials	55,042	
Textbooks	64,537	
Other Supplies and Materials	8,675	
Other Charges	6,439	
Regular Instruction Equipment	15,134	
Total Regular Instruction Program		\$ 3,170,012

Alternative Instruction Program

Teachers	\$ 44,795	
Educational Assistants	13,507	
Social Security	3,615	
State Retirement	3,637	
Unemployment Compensation	69	
Employer Medicare	845	
Total Alternative Instruction Program		66,468

Special Education Program

Teachers	\$ 271,991
Career Ladder Program	5,000
Homebound Teachers	13,684
Educational Assistants	56,980
Social Security	20,315
State Retirement	21,539
Medical Insurance	69,446
Unemployment Compensation	411
Employer Medicare	4,751

(Continued)

Exhibit K-8

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.)

Contracts with Private Agencies	\$	3,963	
Instructional Supplies and Materials		<u>3,382</u>	
Total Special Education Program	\$		471,462

Vocational Education Program

Teachers	\$	195,815	
Career Ladder Program		2,300	
Social Security		11,516	
State Retirement		11,970	
Medical Insurance		22,051	
Unemployment Compensation		143	
Employer Medicare		2,693	
Instructional Supplies and Materials		1,852	
Other Charges		<u>722</u>	
Total Vocational Education Program			249,062

Support Services

Attendance

Supervisor/Director	\$	3,370	
Social Security		197	
State Retirement		210	
Medical Insurance		670	
Unemployment Compensation		3	
Employer Medicare		<u>46</u>	
Total Attendance			4,496

Health Services

Medical Personnel	\$	38,278	
Social Security		2,373	
State Retirement		2,389	
Unemployment Compensation		75	
Employer Medicare		555	
Other Supplies and Materials		505	
Other Charges		<u>1,676</u>	
Total Health Services			45,851

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		124,757	

(Continued)

Exhibit K-8

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.)

Clerical Personnel	\$	2,000	
Other Salaries and Wages		46,421	
Social Security		10,416	
State Retirement		10,868	
Medical Insurance		20,876	
Unemployment Compensation		137	
Employer Medicare		2,436	
Communication		556	
Contracts with Government Agencies		33,866	
Evaluation and Testing		4,244	
Postal Charges		41	
Other Contracted Services		16,000	
Other Supplies and Materials		20,072	
In Service/Staff Development		3,814	
Other Charges		34	
Other Equipment		3,392	
Total Other Student Support			\$ 300,930

Regular Instruction Program

Supervisor/Director	\$	128,545	
Career Ladder Program		2,550	
Librarians		89,527	
Educational Assistants		13,933	
Other Salaries and Wages		15,156	
Social Security		11,625	
State Retirement		15,528	
Medical Insurance		40,621	
Unemployment Compensation		259	
Employer Medicare		2,719	
Maintenance and Repair Services - Equipment		130	
Travel		1,441	
Library Books/Media		5,634	
Other Supplies and Materials		779	
In Service/Staff Development		4,187	
Total Regular Instruction Program			332,634

Special Education Program

Clerical Personnel	\$	2,000
Social Security		122

(Continued)

Exhibit K-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
State Retirement	\$	125
Medical Insurance		88
Employer Medicare		29
Travel		1,484
Total Special Education Program	\$	3,848
<u>Vocational Education Program</u>		
Supervisor/Director	\$	28,088
Career Ladder Program		600
Social Security		222
Unemployment Compensation		34
Employer Medicare		416
Total Vocational Education Program		29,360
<u>Other Programs</u>		
On-Behalf Payments to OPEB	\$	11,253
Total Other Programs		11,253
<u>Board of Education</u>		
Board and Committee Members Fees	\$	1,525
Social Security		95
Medical Insurance		9,398
Employer Medicare		22
Audit Services		3,100
Dues and Memberships		5,534
Travel		27
Liability Insurance		9,724
Premiums on Corporate Surety Bonds		175
Trustee's Commission		52,381
Workers' Compensation Insurance		65,399
In Service/Staff Development		3,717
Criminal Investigation of Applicants - TBI		2,760
Refund to Applicant for Criminal Investigation		96
Other Charges		6,133
Total Board of Education		160,086
<u>Director of Schools</u>		
County Official/Administrative Officer	\$	72,467
Social Security		4,493

(Continued)

Exhibit K-8

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.)

Director of Schools (Cont.)

State Retirement	\$	4,522	
Medical Insurance		12,284	
Dental Insurance		260	
Employer Medicare		1,051	
Communication		14,267	
Travel		1,930	
Office Supplies		6,116	
Other Charges		6,988	
Administration Equipment		5,210	
Total Director of Schools			\$ 129,588

Office of the Principal

Principals	\$	115,143	
Career Ladder Program		3,000	
Assistant Principals		96,598	
Secretary(ies)		74,084	
Clerical Personnel		40,541	
Social Security		19,358	
State Retirement		20,543	
Medical Insurance		63,399	
Unemployment Compensation		353	
Employer Medicare		4,527	
Communication		708	
Total Office of the Principal			438,254

Fiscal Services

Supervisor/Director	\$	34,688	
Accountants/Bookkeepers		27,737	
Social Security		3,760	
State Retirement		3,889	
Medical Insurance		4,124	
Unemployment Compensation		69	
Employer Medicare		879	
Total Fiscal Services			75,146

Operation of Plant

Custodial Personnel	\$	216,515	
Social Security		12,744	
State Retirement		12,304	

(Continued)

Exhibit K-8

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.)

Operation of Plant (Cont.)

Medical Insurance	\$	41,105	
Unemployment Compensation		478	
Employer Medicare		2,981	
Janitorial Services		3,930	
Electricity		222,342	
Natural Gas		49,211	
Water and Sewer		47,303	
Other Supplies and Materials		42,384	
Building and Contents Insurance		32,124	
Total Operation of Plant			\$ 683,421

Maintenance of Plant

Maintenance and Repair Services - Buildings	\$	6,320	
Maintenance and Repair Services - Equipment		31,361	
Other Contracted Services		4,236	
Other Supplies and Materials		29,967	
Other Charges		5,674	
Maintenance Equipment		430	
Total Maintenance of Plant			77,988

Transportation

Mechanic(s)	\$	38,485	
Bus Drivers		171,586	
Social Security		12,837	
State Retirement		12,476	
Medical Insurance		4,360	
Unemployment Compensation		497	
Employer Medicare		3,022	
Communication		526	
Medical and Dental Services		1,650	
Diesel Fuel		66,591	
Tires and Tubes		12,742	
Vehicle Parts		22,387	
Other Supplies and Materials		1,461	
Vehicle and Equipment Insurance		10,728	
Other Charges		6,903	
Total Transportation			366,251

(Continued)

Exhibit K-8

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.)

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	11,243	
Social Security		661	
State Retirement		649	
Medical Insurance		1,981	
Unemployment Compensation		26	
Employer Medicare		155	
Other Supplies and Materials		<u>2,632</u>	
Total Community Services	\$		17,347

Early Childhood Education

Teachers	\$	35,337	
Educational Assistants		14,191	
Social Security		2,917	
State Retirement		3,089	
Medical Insurance		9,923	
Unemployment Compensation		69	
Employer Medicare		682	
Instructional Supplies and Materials		11,260	
In Service/Staff Development		457	
Other Equipment		<u>9,955</u>	
Total Early Childhood Education			87,880

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	<u>19,238</u>	
Total Regular Capital Outlay			<u>19,238</u>

Total General Purpose School Fund \$ 6,740,575

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	45,739	
Certified Substitute Teachers		60	
Non-certified Substitute Teachers		205	
Social Security		2,852	
State Retirement		2,854	
Unemployment Compensation		35	
Employer Medicare		667	

(Continued)

Exhibit K-8

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.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	6,349	
Regular Instruction Equipment		752	
Total Regular Instruction Program			\$ 59,513

Special Education Program

Teachers	\$	43,987	
Educational Assistants		97,429	
Certified Substitute Teachers		675	
Non-certified Substitute Teachers		910	
Social Security		8,533	
State Retirement		8,417	
Medical Insurance		16,890	
Unemployment Compensation		274	
Employer Medicare		1,996	
Contracts with Private Agencies		4,987	
Instructional Supplies and Materials		7,826	
Other Charges		2,195	
Special Education Equipment		970	
Total Special Education Program			195,089

Vocational Education Program

Travel	\$	1,608	
Instructional Supplies and Materials		11,720	
Vocational Instruction Equipment		24,998	
Total Vocational Education Program			38,326

Support Services

Health Services

Medical Personnel	\$	8,504	
Social Security		527	
State Retirement		531	
Employer Medicare		123	
Total Health Services			9,685

Other Student Support

Evaluation and Testing	\$	3,584	
Travel		41	
In Service/Staff Development		1,250	
Other Charges		851	
Total Other Student Support			5,726

(Continued)

Exhibit K-8

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.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	29,320	
Social Security		1,745	
State Retirement		1,830	
Medical Insurance		3,030	
Employer Medicare		408	
Travel		3,444	
Library Books/Media		5,874	
In Service/Staff Development		17,054	
Total Regular Instruction Program			\$ 62,705

Special Education Program

Supervisor/Director	\$	5,000	
Clerical Personnel		2,000	
Social Security		433	
State Retirement		437	
Employer Medicare		101	
Travel		755	
Total Special Education Program			8,726

Vocational Education Program

Travel	\$	1,238	
Total Vocational Education Program			1,238

Total School Federal Projects Fund \$ 381,008

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	169,415	
Social Security		9,409	
State Retirement		9,913	
Medical Insurance		58,752	
Unemployment Compensation		416	
Employer Medicare		2,200	
Maintenance and Repair Services - Equipment		8,207	
Transportation - Other than Students		3,208	
Travel		3,369	
Food Supplies		183,112	
Office Supplies		1,192	

(Continued)

Exhibit K-8

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 (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$ 12,484	
Other Charges	4,992	
Total Food Service		<u>\$ 466,669</u>

Total Central Cafeteria Fund \$ 466,669

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 425,181	
Engineering Services	232,597	
Building Construction	1,060,645	
Building Improvements	387,972	
Total Education Capital Projects		<u>\$ 2,106,395</u>

Total Education Capital Projects Fund 2,106,395

Total Governmental Funds - Metropolitan School Department \$ 9,694,647

SINGLE AUDIT SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

January 20, 2009

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, 2008, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated January 20, 2009. 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 (enterprise fund) and the discretely presented Moore County Emergency Communications District, as described in our report on the metropolitan government'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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the metropolitan government'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: 08.01, 08.02, 08.03, 08.05, 08.06, 08.07, 08.08, 08.09, 08.11, and 08.15.

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'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 items 08.01 and 8.02 to be material weaknesses.

Compliance and Other Matters

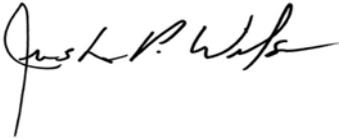
As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 are described in the accompanying Schedule of Findings and Questioned Costs as items 08.04, 08.10, 08.12, and 08.13.

We consider item 08.14 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 in separate communications.

The metropolitan government'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'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, 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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

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

January 20, 2009

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, 2008. Other auditors have audited the compliance of the metropolitan government with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) for the year ended June 30, 2008. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the metropolitan government's management. Our responsibility is to express an opinion on the metropolitan government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and

Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the metropolitan government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the metropolitan government's compliance with those requirements.

In our opinion, based on our audit and the report of the other auditors, the metropolitan government 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, 2008.

Internal Control Over Compliance

The management of the metropolitan government 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'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'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 did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

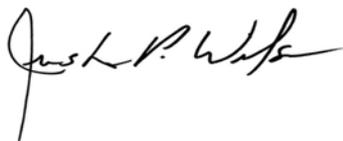
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the metropolitan government as of and for the year ended June 30, 2008, and have issued our report thereon dated January 20, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the metropolitan government'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'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'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, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

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	\$ 649,619
Rural Business Enterprise Grant	10.769	N/A	1,500
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	24,545 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	48,230
National School Lunch Program	10.555	(2)	157,966 (3)
Total U.S. Department of Agriculture			<u>\$ 881,860</u>
U.S. Department of Interior:			
Direct Program:			
Save America's Treasures Grant Program	15.929	N/A	\$ 4,320
Total U.S. Department of Interior			<u>\$ 4,320</u>
U.S. Department of Labor:			
Passed-through State Department of Education:			
Incentive Grants - WIA Section 503	17.267	(2)	\$ 25,000
Total U.S. Department of Labor			<u>\$ 25,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction Grant	20.205	STP-EN-6400(8)	\$ 4,995
Total U.S. Department of Transportation			<u>\$ 4,995</u>
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Three Star Energy Education Grant	81.061	GG-08-23738-00	\$ 1,911
Total U.S. Department of Energy			<u>\$ 1,911</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 90,485
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	204,156
Special Education - Preschool Grants	84.173	N/A	12,662
Vocational Education - Basic Grants to States	84.048	N/A	14,565
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	1,588
State Grants for Innovative Programs	84.298	N/A	12,333
Education Technology State Grants	84.318	N/A	752
Improving Teacher Quality State Grants	84.367	N/A	19,467
Total U.S. Department of Education			<u>\$ 356,008</u>
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 85,262
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	131,839
Total U.S. Department of Homeland Security			<u>\$ 217,101</u>
Total Expenditures of Federal Grants			<u>\$ 1,491,195</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)	\$ 2,902
Archives Grant - State Library and Archives	N/A	(2)	3,500
Archives Grant - State Library and Archives	N/A	(2)	1,000
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	23,500
Courtroom Security Grant - State Administrative Office of the Courts	N/A	(2)	7,664
Early Childhood Education	N/A	(2)	87,880
"Healthy for Life" Coordinated School Health Program - State Department of Health	N/A	GZ8-AAX-9	93,552
Litter Program - State Department of Transportation	N/A	Z-08-210029-00	24,782
Park Grant - State Department of Environment and Conservation	N/A	(2)	147,500
Technology Grants - Tennessee Secretary of State	N/A	Z-08-212230-00	600
Tobacco Cessation Grant - State Department of Health	N/A	GG-08-23194-00	15,789
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-020253-00	2,609
Safe Schools Act - State Department of Education	N/A	(2)	5,400
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-08-022793-00	9,000
Total State Grants			<u>\$ 425,678</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total CFDA No. 10.555, \$182,511.
- (4) Z-05-025193-00: \$95,209; GG-07-20621-00: \$36,630.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

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, 2007, which have not been corrected.

OFFICE OF METROPOLITAN EXECUTIVE

Finding Number	Page Number	Subject
07.01	152	Expenditures exceeded appropriations in the Solid Waste/Sanitation Fund.
07.02	152	The Solid Waste/Sanitation Fund had a cash overdraft.

OFFICE OF HIGHWAY SUPERINTENDENT

Finding Number	Page Number	Subject
07.03	153	Purchase orders were not always issued and invoices were paid without documentation that goods had been received or services had been rendered. Also, some vendors were overpaid.

OTHER FINDINGS

Finding Number	Page Number	Subject
07.07	155	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
07.08	156	A central system of accounting and budgeting had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

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 disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of the metropolitan government.
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 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) 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 did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the metropolitan executive and the current highway superintendent (Milton Ferrell) 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.

METROPOLITAN MOORE COUNTY AND METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT

FINDING 08.01 **METROPOLITAN MOORE COUNTY AND THE METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Metropolitan Moore County's and the Metropolitan Moore County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that Moore County and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist Moore County and the School Department in preparing their financial statements and notes as a matter of convenience as long as Moore County and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills necessary to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Metropolitan Moore County and the Metropolitan Moore County School Department should develop the ability to produce financial statements and notes that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare Moore County's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare Moore County's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT’S RESPONSE – METROPOLITAN EXECUTIVE

Even though we have no accountant to prepare the mentioned financial statements, we feel that we have a sound financial reporting system in place. Every effort is made to pay all bills in the correct fiscal year and to receipt all revenues. The preparation of financial statements by an accountant is no assurance that all is well with a government or institution as evidenced by the current bailout of banking institutions. All information needed by the auditors to prepare our financial statements was given in a timely manner.

MANAGEMENT’S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

Due to insufficient funds, this cannot be corrected at this time.

AUDITOR’S REBUTTAL

The preparation of the financial statements and notes to the financial statements and/or having the knowledge to determine the completeness of the financial statements and notes prepared by external auditors has always been management’s responsibility. Government standard setting bodies are now placing more emphasis on this issue to encourage management to accept responsibility for their financial reports. We are not recommending hiring outside personnel or even additional personnel; however, we are recommending that at least one staff member be trained to have sufficient accounting expertise to prepare the required statements and disclosures.

FINDING 08.02 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2008, certain general ledger account balances of various funds of Metropolitan Moore County and the Metropolitan Moore County School Department were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Moore County and the School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because Moore County’s and the School Department’s financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if Moore County and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Metropolitan Moore County and the Metropolitan Moore County School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE

This finding is relative to the previous one. Audit adjustments are sometimes necessary to correct miscoding revenues and payments. We strive to be correct in all our transactions; however, we sometimes make mistakes, and audit adjustments are necessary.

MANAGEMENT'S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

Due to insufficient funds, this cannot be corrected at this time.

AUDITOR'S REBUTTAL

We are recommending that at least the current accounting staff receive adequate training to have sufficient technical skills and accounting expertise to accurately maintain the general ledgers.

OFFICE OF METROPOLITAN EXECUTIVE

FINDING 08.03 **THE SOLID WASTE/SANITATION FUND HAD A CASH OVERDRAFT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste/Sanitation Fund had a cash overdraft of \$11,529 at June 30, 2008. Sound business practices dictate that expenditures be held within available funds. This overdraft resulted from the issuance of warrants exceeding cash on deposit with the metropolitan trustee and the failure of management to correct the finding noted in the prior audit report. The cash overdraft was liquidated subsequent to June 30, 2008.

RECOMMENDATION

The office should monitor the financial activity of the Solid Waste/Sanitation Fund to ensure that adequate funding is timely provided to prevent the recurrence of a cash overdraft.

MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE

The cash overdraft was caused because all accounts payable were paid in June but receipts were not received and posted until July.

FINDING 08.04 EXPENDITURES EXCEEDED APPROPRIATIONS
 (Material Noncompliance Under Government Auditing Standards)

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Other Emergency Management	\$ 181,028
Other Economic and Community Development	727
Solid Waste/Sanitation:	
Recycling Center	14,744

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 to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to hold spending to the limit authorized by the Metropolitan Council, which resulted in unauthorized expenditures. Solid Waste/Sanitation Fund expenditures also exceeded appropriations in 2006-07.

RECOMMENDATION

Expenditures should be held within appropriations approved by the Metropolitan Council as required by state statute.

MANAGEMENT'S RESPONSE – METROPOLITAN EXECUTIVE

We had an increase in landfill charges and major expenses in maintenance of vehicles. When making budget amendments, I failed to include the solid waste amendments. Every effort will be made to prevent this in the future.

FINDING 08.05 THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION SYSTEM RESOURCES
 (Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business

practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

RECOMMENDATION

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

FINDING 08.06 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that system backups be stored off-site. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures are now in place.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 08.07 **AN EMPLOYEE WAS PAID FOR SICK LEAVE THAT HE DID NOT EARN**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

As of December 31, 2008, an employee of the Highway Department had been paid for sick leave that he had not earned. As of July 1, 2007, the employee had an accumulated balance of 45 hours of sick leave. This employee earns eight hours of sick leave for each month worked. Therefore, the employee earned 144 hours of sick leave for the 18-month period July 1, 2007, through December 31, 2008, and should have had an available balance of 189 hours (45 plus 144) of sick leave to use during the period. However, during the period July 1, 2007, through June 30, 2008, the Highway Department credited this employee with 212.25 hours more of sick leave than he actually earned. During the period July 1, 2007, through December 31, 2008, this employee took 322 sick leave hours, which is 133 hours more than he actually earned (322 minus 189 equals 133). For the period under examination, this employee was compensated at the rate of \$14.98 an hour, which means he was overpaid \$1,992.34 (\$14.98 times 133). On January 2, 2009, the current highway superintendent and the employee agreed to an adjustment of the employee's sick leave balance of 60 hours to correct the error made by the previous administration. However, this adjustment to his accumulated sick leave balance does not correct the fact that the employee has been overpaid 133 hours of sick leave. The following table presents the employee's sick leave hours earned and used for the period July 1, 2007, through December 31, 2008.

Sick leave hours	<u>Per Audit</u>	<u>Per Client</u>
Balance, 7-1-07	45.00	45.00
Should earn during the year	96.00	96.00
Unearned hours credited	0.00	212.25
Hours used	<u>(215.25)</u>	<u>(215.25)</u>
Balance, 6-30-08	(74.25)	138.00
Hour earned July-December 2008	48.00	48.00
Hours used July-December 2008	<u>(106.75)</u>	<u>(106.75)</u>
Balance, 12-31-08	(133.00)	79.25
Adjustment to hours earned	<u>0.00</u>	<u>(60.00)</u>
Balance, 1-2-09	<u><u>(133.00)</u></u>	<u><u>19.25</u></u>

We have discussed this finding with the county executive and the district attorney general.

RECOMMENDATION

The office should correct the employee's sick leave records to reflect actual hours earned and taken. In addition, the office should take steps to collect this overpayment in sick leave. The office could collect the overpayment from the employee or adjust his accumulated sick leave balance to reflect the actual negative balance and discontinue paying the employee when he is sick until his sick leave balance becomes positive.

FINDING 08.08 **PAYROLL DEDUCTIONS AND TAXES WERE NOT REPORTED TIMELY**
 (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of payroll deductions and taxes noted the following deficiencies. These deficiencies can be attributed to a lack of management oversight and the failure to reconcile general ledger payroll liability accounts with payroll reports and payments currently.

- A. Employee payroll deductions withheld in November 2007 for Blue Cross health insurance were not remitted until January 16, 2008.

- B. Employee payroll deductions withheld in November and December 2007 for AFLAC health insurance were not remitted until February 4, 2008.
- C. Garnishments withheld from an employee's paycheck from October 2007 through February 2008 were not remitted until March 2008.
- D. Employee payroll deductions from October 5, 2007, through February 22, 2008, totaling \$8,959.61 for a 457 Deferred Compensation Plan were not remitted to ICMA Retirement Corporation until February 28, 2008.
- E. Quarterly payroll tax returns were not properly prepared or filed timely with the Internal Revenue Service (IRS) for the quarters ended March 31, 2007, June 30, 2007, and September 30, 2007.
- F. Payroll taxes were not deposited with the IRS timely for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007, December 31, 2007, and March 31, 2008. As a result, the Highway Department was required to pay interest and penalty totaling \$8,581.58. IRS Circular – Employer's Tax Guide requires employers to deposit employee payroll taxes in a U.S. Treasury bank account within three days of each payroll period.
- G. State unemployment tax returns were not filed timely for the quarters ended September 30, 2007, and December 31, 2007. As a result, the office was required to pay interest and penalty totaling \$30.44.

RECOMMENDATION

All payroll deductions and taxes should be reported and paid on a timely basis, in compliance with state and IRS regulations, and to avoid the payment of interest and penalty. General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

MANAGEMENT'S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

New management has transferred all accounting records to new accounting software for better accuracy. Under new administration, all quarterly state and federal payroll tax reports and deposits of payroll taxes will be made in a timely manner.

FINDING 08.09 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies can be attributed to the failure of management to adequately monitor and review purchasing procedures.

- A. Our examination disclosed that purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the Highway Department and to document purchasing commitments.
- 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.
- C. In several instances, the office paid invoices without canceling or marking them paid. We noted a few instances where disbursements were made twice for the same purchase. The Highway Department has taken steps to recover these overpayments.
- D. In several instances, invoices were paid after the due date resulting in late charges.

RECOMMENDATION:

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid. All invoices should be cancelled when paid and should be paid in a timely manner to avoid paying late charges.

MANAGEMENT’S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

The requirement of purchase orders for all purchases has been put into effect by new management.

OFFICE OF TRUSTEE

FINDING 08.10 **THE TRUSTEE DID NOT REQUIRE ONE DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS
(Material Noncompliance Under Government Auditing Standards)**

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$686,704. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds. The failure to adequately collateralize funds could result in a loss for the county.

RECOMMENDATION

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

FINDING 08.11 **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Since this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Because they were not aware of its importance, management did not begin reviewing this log until several months into the fiscal year. Procedures for reviewing this log are currently in place.

OFFICE OF SHERIFF

FINDING 08.12 **THE SHERIFF DID NOT PREPARE AN ANNUAL FINANCIAL REPORT**
(Noncompliance Under Government Auditing Standards)

The sheriff did not prepare an annual financial report. Section 5-8-505, Tennessee Code Annotated, states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”

RECOMMENDATION

The office should prepare an annual financial report as required by state statute.

FINDING 08.13 **COMMISSARY FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under Government Auditing Standards)

Commissary funds were not always deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires that county officials deposit all funds within three days of collection. This deficiency is the result of a lack of management oversight and is a deficiency in internal controls that increases the risk of theft.

RECOMMENDATION

All funds should be deposited to the office bank account within three days of collection as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.14 **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. Sound business practices indicate that establishing a central system would significantly improve internal controls over the accounting and budgeting processes. The absence of a central system of accounting and budgeting has been a management decision by the Metropolitan Council resulting in decentralization and some duplication of effort.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

Due to insufficient funds, this cannot be corrected at this time.

FINDING 08.15 **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. The officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to

provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CURRENT HIGHWAY SUPERINTENDENT – MILTON FERRELL

Due to insufficient funds, this cannot be corrected at this time.

AUDITOR'S REBUTTAL

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, as noted above, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal programs.

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**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

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