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# ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

***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***

***RHONDA DAVIS, CFE***  
***SHERRIE GILL, CFE***  
***NATHAN ABBOTT, CISA, CFE***  
***State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Lincoln County, Tennessee  
For the Year Ended June 30, 2009

***Scope***

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2009.

***Results***

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

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

***Findings***

The following is a summary of the audit findings:

**OFFICE OF FINANCE DIRECTOR**

- ◆ Highway/Public Works Fund expenditures exceeded appropriations in the capital outlay major appropriation category (the legal level of control) by \$54,004.
- 

**OFFICE OF CIRCUIT COURT CLERK**

- ◆ The clerk did not properly post short-term investment activity to the accounting records.
- 

**OTHER FINDING**

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

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# INTRODUCTORY SECTION

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Lincoln County Officials  
June 30, 2009

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**Officials**

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

**Board of County Commissioners**

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

**Financial Management Committee**

Peggy Bevels, County Mayor, Chairperson	Anne Bankston
Matthew Ashby, Highway Superintendent	Doug Cunningham
Wanda Shelton, Director of Schools	Mark Monks
Becky Strobe	

**Board of Education**

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

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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**

February 18, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health System and the Lincoln County Board of Public Utilities, which comprise the primary government's entire business-type activities and are also major enterprise funds. In addition, we did not audit the financial statements of the Lincoln County Emergency Communications District, which represent 4.5 percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the financial statements insofar as they relate to the amounts included for the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the Lincoln County Emergency Communications District, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2009, 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 February 18, 2010, on our consideration of Lincoln County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

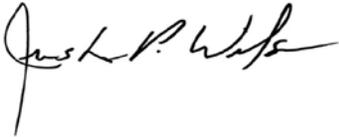
The management of Lincoln County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison, pension, and other postemployment benefits information on pages 99 through 105 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lincoln County, Tennessee  
Statement of Net Assets  
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 0	\$ 3,438,185	\$ 3,438,185	\$ 1,000	\$ 716,330
Equity in Pooled Cash and Investments	9,147,433	0	9,147,433	3,955,604	0
Accounts Receivable	30,957	8,833,408	8,864,365	24,211	12,591
Allowance for Uncollectibles	0	(3,631,075)	(3,631,075)	0	0
Due from Other Governments	1,862,170	0	1,862,170	1,287,352	47,193
Due from Primary Government	0	0	0	9,578	0
Property Taxes Receivable	4,894,317	0	4,894,317	3,969,702	0
Allowance for Uncollectible Property Taxes	(128,696)	0	(128,696)	(104,384)	0
Other Current Assets	0	128,890	128,890	0	0
Current Portion of Notes Receivable	0	20,833	20,833	0	0
Accrued Interest Receivable	0	0	0	0	1,625
Prepaid Items	0	210,065	210,065	674,765	8,172
Deferred Charges - Debt Issuance Costs	63,334	0	63,334	0	0
Notes Receivable - Long-term	0	95,239	95,239	0	0
Inventories	0	973,856	973,856	0	0
Restricted Assets:					
Restricted Cash	0	9,585,085	9,585,085	0	0
Deferred Charges	0	0	0	0	728
Other Assets	0	540,515	540,515	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	8,620,070	1,601,449	10,221,519	895,247	172,212
Construction in Progress	139,526	115,321	254,847	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	3,345,069	36,428,587	39,773,656	23,044,203	479,333
Ground Improvements	0	1,631,129	1,631,129	0	0
Other Capital Assets	2,881,946	4,797,536	7,679,482	1,940,915	227,111
Infrastructure	7,655,883	0	7,655,883	0	0
Total Assets	\$ 38,512,009	\$ 64,769,023	\$ 103,281,032	\$ 35,698,193	\$ 1,665,295
<u>LIABILITIES</u>					
Accounts Payable	\$ 253,669	\$ 1,211,088	\$ 1,464,757	\$ 51,451	\$ 4,421
Accrued Payroll	94,719	0	94,719	915,765	0
Accrued Liabilities	0	1,091,192	1,091,192	0	0
Due to Component Units	9,578	0	9,578	0	0
Due to State of Tennessee	8,461	0	8,461	0	0
Due to Cities	140,203	0	140,203	0	62,043
Due to Other Taxing Units	350	0	350	0	0
Accrued Interest Payable	191,622	119,795	311,417	0	455
Other Accrued Liabilities	0	893,316	893,316	0	0
Deferred Revenue - Current Property Taxes	4,647,213	0	4,647,213	3,769,280	0
Noncurrent Liabilities:					
Due Within One Year	1,628,720	1,574,045	3,202,765	36,616	35,000
Due in More Than One Year	15,943,757	23,960,350	39,904,107	278,537	80,000
Total Liabilities	\$ 22,918,292	\$ 28,849,786	\$ 51,768,078	\$ 5,051,649	\$ 181,919

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 21,139,069	\$ 19,471,180	\$ 40,610,249	\$ 0	\$ 763,656
Invested in Capital Assets	0	0	0	25,880,365	0
Restricted for:					
Debt Service	3,119,036	1,703,435	4,822,471	0	0
Highway	2,134,150	0	2,134,150	0	0
Solid Waste	990,737	0	990,737	0	0
Food Service	0	0	0	202,833	0
Drug Control	103,285	0	103,285	0	0
Extended School Program	0	0	0	94,799	0
Alcohol and Drug Treatment	65,302	0	65,302	0	0
District Attorney General	57,994	0	57,994	0	0
Courthouse and Jail Maintenance	52,213	0	52,213	0	0
Other Purposes	32,331	88,554	120,885	87,879	0
Unrestricted	(12,100,400)	14,656,068	2,555,668	4,380,668	719,720
Total Net Assets	<u>\$ 15,593,717</u>	<u>\$ 35,919,237</u>	<u>\$ 51,512,954</u>	<u>\$ 30,646,544</u>	<u>\$ 1,483,376</u>

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

Exhibit B

Lincoln County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Lincoln County School Department	Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 1,526,934	\$ 365,221	\$ 16,562	\$ 0	\$ (1,145,151)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	937,770	651,887	11,337	0	(274,546)	0	0	0	0	0
Administration of Justice	957,179	728,575	11,240	0	(217,364)	0	0	0	0	0
Public Safety	5,552,124	563,176	104,043	800,005	(4,084,900)	0	0	0	0	0
Public Health and Welfare	1,253,760	718,393	390,462	0	(144,905)	0	0	0	0	0
Social, Cultural, and Recreational Services	109,262	0	0	0	(109,262)	0	0	0	0	0
Agriculture and Natural Resources	169,473	0	18,748	0	(150,725)	0	0	0	0	0
Other Operations	306,237	0	257,351	0	(48,886)	0	0	0	0	0
Highways/Public Works	4,021,477	2,871	1,839,469	679,794	(1,499,343)	0	0	0	0	0
Interest on Long-term Debt	914,323	0	0	0	(914,323)	0	0	0	0	0
Other Debt Service	27,019	0	0	0	(27,019)	0	0	0	0	0
Total Governmental Activities	\$ 15,775,558	\$ 3,030,123	\$ 2,649,212	\$ 1,479,799	\$ (8,616,424)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:										
Lincoln County Health System	\$ 37,628,379	\$ 37,607,562	\$ 152,137	\$ 104,040	\$ 0	\$ 235,360	\$ 0	\$ 0	\$ 0	\$ 0
Lincoln County Board of Public Utilities	4,105,431	4,143,871	0	719,692	0	758,132	0	0	0	0
Total Business-type Activities	\$ 41,733,810	\$ 41,751,433	\$ 152,137	\$ 823,732	\$ 0	\$ 993,492	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 57,509,368	\$ 44,781,556	\$ 2,801,349	\$ 2,303,531	\$ (8,616,424)	\$ 993,492	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Lincoln County School Department	\$ 30,383,874	\$ 1,094,244	\$ 4,178,523	\$ 0	\$ 0	\$ 0	\$ (25,111,107)	\$ 0	\$ 0	\$ 0
Emergency Communications District	255,448	338,893	14,794	1,000	0	0	0	0	0	99,239
Total Component Units	\$ 30,639,322	\$ 1,433,137	\$ 4,193,317	\$ 1,000	\$ 0	\$ 0	\$ (25,111,107)	\$ 0	\$ 0	\$ 99,239

(Continued)

Exhibit B

Lincoln County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										
	Expenses	Program Revenues			Primary Government			Component Units			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lincoln County School Department	Emergency Communications District		
General Revenues:											
Taxes:											
Property Taxes Levied for General Purposes				\$ 3,788,066	\$ 0	\$ 3,788,066	\$ 3,807,301	\$ 0			
Property Taxes Levied for Debt Service				905,415	0	905,415	0	0			
Local Option Sales Tax				1,654,119	0	1,654,119	2,718,984	0			
Other Local Taxes:											
Wheel Tax				739,398	0	739,398	0	0			
Business Tax				272,582	0	272,582	0	0			
Wholesale Beer Tax				0	0	0	108,124	0			
Mineral Severance Tax				110,053	0	110,053	0	0			
Hotel/Motel Tax				61,449	0	61,449	0	0			
Litigation Tax - General				92,065	0	92,065	0	0			
Litigation Tax - Special Purpose				76,170	0	76,170	0	0			
Litigation Tax - Jail, Workhouse, or Courthouse				70,292	0	70,292	0	0			
Other Local Taxes				55,114	0	55,114	2,781	0			
Grants and Contributions Not Restricted to Specific Programs				1,265,654	0	1,265,654	18,426,499	0			
Unrestricted Investment Earnings				367,058	280,284	647,342	1,472	11,362			
Miscellaneous				27,236	0	27,236	47,717	0			
Gain on Disposal of Capital Assets				0	1,930	1,930	0	0			
Total General Revenues				\$ 9,484,671	\$ 282,214	\$ 9,766,885	\$ 25,112,878	\$ 11,362			
Change in Net Assets				\$ 868,247	\$ 1,275,706	\$ 2,143,953	\$ 1,771	\$ 110,601			
Net Assets, July 1, 2008				14,725,470	34,643,531	49,369,001	30,644,773	1,372,775			
Net Assets, June 30, 2009				\$ 15,593,717	\$ 35,919,237	\$ 51,512,954	\$ 30,646,544	\$ 1,483,376			

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

Exhibit C-1

Lincoln County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2009

	Major Funds			Nonmajor Funds	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 3,441,506	\$ 1,353,419	\$ 3,008,582	\$ 1,343,926	\$ 9,147,433
Accounts Receivable	30,581	0	0	376	30,957
Due from Other Governments	582,156	876,688	279,238	124,088	1,862,170
Due from Other Funds	3,435	0	0	51	3,486
Property Taxes Receivable	3,489,229	461,079	944,009	0	4,894,317
Allowance for Uncollectible Property Taxes	(91,749)	(12,124)	(24,823)	0	(128,696)
Total Assets	<u>\$ 7,455,158</u>	<u>\$ 2,679,062</u>	<u>\$ 4,207,006</u>	<u>\$ 1,468,441</u>	<u>\$ 15,809,667</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 132,744	\$ 78,804	\$ 0	\$ 42,121	\$ 253,669
Accrued Payroll	65,054	28,308	0	1,357	94,719
Due to Other Funds	51	0	0	3,435	3,486
Due to Component Units	9,578	0	0	0	9,578
Due to State of Tennessee	8,461	0	0	0	8,461
Due to Cities	140,203	0	0	0	140,203
Due to Other Taxing Units	350	0	0	0	350
Deferred Revenue - Current Property Taxes	3,313,065	437,800	896,348	0	4,647,213
Deferred Revenue - Delinquent Property Taxes	74,297	9,818	20,101	0	104,216
Other Deferred Revenues	274,087	583,378	144,392	121,677	1,123,534
Total Liabilities	<u>\$ 4,017,890</u>	<u>\$ 1,138,108</u>	<u>\$ 1,060,841</u>	<u>\$ 168,590</u>	<u>\$ 6,385,429</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 167,334	\$ 191,923	\$ 0	\$ 0	\$ 359,257
Reserved for Alcohol and Drug Treatment	65,302	0	0	0	65,302
Reserved for Sexual Offender Registration	8,274	0	0	0	8,274
Reserved for Courtroom Security	12,482	0	0	0	12,482
Reserved for Courthouse and Jail Maintenance	52,213	0	0	0	52,213
Reserved for Computer System - Register	11,575	0	0	0	11,575
Unreserved, Reported In:					
General Fund	3,120,088	0	0	0	3,120,088
Special Revenue Funds	0	1,349,031	0	1,299,851	2,648,882
Debt Service Funds	0	0	3,146,165	0	3,146,165
Total Fund Balances	<u>\$ 3,437,268</u>	<u>\$ 1,540,954</u>	<u>\$ 3,146,165</u>	<u>\$ 1,299,851</u>	<u>\$ 9,424,238</u>
Total Liabilities and Fund Balances	<u>\$ 7,455,158</u>	<u>\$ 2,679,062</u>	<u>\$ 4,207,006</u>	<u>\$ 1,468,441</u>	<u>\$ 15,809,667</u>

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

Exhibit C-2

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2009

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	9,424,238
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	8,620,070	
Add: construction in progress		139,526	
Add: infrastructure net of accumulated depreciation		7,655,883	
Add: buildings and improvements net of accumulated depreciation		3,345,069	
Add: other capital assets net of accumulated depreciation		<u>2,881,946</u>	22,642,494
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(17,105,000)	
Add: deferred charges - debt issuance costs		63,334	
Less: compensated absences payable		(156,355)	
Less: landfill closure/postclosure care costs		(269,512)	
Less: other postemployment benefits liability		(41,610)	
Less: accrued interest on bonds		<u>(191,622)</u>	(17,700,765)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,227,750</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>15,593,717</u></u>

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

Exhibit C-3

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2009

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,536,232	\$ 921,149	\$ 2,928,637	\$ 0	\$ 8,386,018
Licenses and Permits	76,509	0	0	0	76,509
Fines, Forfeitures, and Penalties	207,643	0	0	54,209	261,852
Charges for Current Services	45,078	0	0	659,355	704,433
Other Local Revenues	503,855	2,879	3,418	7,633	517,785
Fees Received from County Officials	1,271,503	0	0	0	1,271,503
State of Tennessee	2,005,307	2,072,409	0	25,743	4,103,459
Federal Government	1,011,996	17,568	0	0	1,029,564
Other Governments and Citizens Groups	25	0	0	0	25
<b>Total Revenues</b>	<b>\$ 9,658,148</b>	<b>\$ 3,014,005</b>	<b>\$ 2,932,055</b>	<b>\$ 746,940</b>	<b>\$ 16,351,148</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,381,958	\$ 0	\$ 0	\$ 0	\$ 1,381,958
Finance	927,619	0	0	179	927,798
Administration of Justice	932,980	0	0	10,850	943,830
Public Safety	5,146,108	0	0	26,181	5,172,289
Public Health and Welfare	566,045	0	0	613,546	1,179,591
Social, Cultural, and Recreational Services	108,716	0	0	0	108,716
Agriculture and Natural Resources	139,758	0	0	0	139,758
Other Operations	684,147	0	0	0	684,147
Highways	0	3,327,556	0	0	3,327,556
Debt Service:					
Principal on Debt	0	0	1,805,000	0	1,805,000
Interest on Debt	0	0	893,648	0	893,648
Other Debt Service	0	0	22,189	0	22,189
<b>Total Expenditures</b>	<b>\$ 9,887,331</b>	<b>\$ 3,327,556</b>	<b>\$ 2,720,837</b>	<b>\$ 650,756</b>	<b>\$ 16,586,480</b>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (229,183)	\$ (313,551)	\$ 211,218	\$ 96,184	\$ (235,332)
Net Change in Fund Balances					
Fund Balance, July 1, 2008	\$ 3,666,451	\$ 1,854,505	\$ 2,934,947	\$ 1,203,667	\$ 9,659,570
Fund Balance, June 30, 2009	\$ 3,437,268	\$ 1,540,954	\$ 3,146,165	\$ 1,299,851	\$ 9,424,238

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

Exhibit C-4

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2009

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)		\$ (235,332)
(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	\$ 774,945	
Less: current year depreciation expense	<u>(1,719,413)</u>	(944,468)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.		(13,221)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 1,227,750	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(929,897)</u>	297,853
(4) The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: change in deferred debt issuance costs	\$ (4,830)	
Add: principal payments on bonds	<u>1,805,000</u>	1,800,170
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (20,675)	
Change in compensated absences payable	(16,533)	
Change in landfill closure/postclosure care costs	8,166	
Change in other postemployment benefits liability	<u>(7,713)</u>	<u>(36,755)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 868,247</u>

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

Exhibit D-1

Lincoln County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2009

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities		
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,780,023	\$ 600,210	\$ 3,380,233
Restricted Cash	57,952	0	57,952
Accounts Receivable	8,619,873	213,535	8,833,408
Allowance for Uncollectibles	(3,628,875)	(2,200)	(3,631,075)
Inventories	844,587	129,269	973,856
Prepaid Items	203,493	6,572	210,065
Current Portion of Note Receivable	0	20,833	20,833
Other Assets	128,890	0	128,890
Total Current Assets	\$ 9,005,943	\$ 968,219	\$ 9,974,162
Noncurrent Assets:			
Restricted Cash	\$ 0	\$ 632,256	\$ 632,256
Restricted Investments	8,952,829	0	8,952,829
Long-term Portion of Note Receivable	74,405	20,834	95,239
Other Assets	539,765	750	540,515
Capital Assets (Net of Accumulated Depreciation):			
Land	1,073,754	527,695	1,601,449
Construction in Progress	1,870	113,451	115,321
Ground Improvements	1,631,129	0	1,631,129
Buildings and Improvements	15,743,581	20,685,006	36,428,587
Machinery and Equipment	4,797,536	0	4,797,536
Total Noncurrent Assets	\$ 32,814,869	\$ 21,979,992	\$ 54,794,861
Total Assets	\$ 41,820,812	\$ 22,948,211	\$ 64,769,023
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 1,135,252	\$ 75,836	\$ 1,211,088
Accrued Liabilities	1,061,759	29,433	1,091,192
Advance Payments from Customers	0	39,800	39,800
Accrued Interest	109,407	10,388	119,795
Accrued Leave	840,396	13,120	853,516
Current Maturities of Long-term Debt	1,039,231	520,381	1,559,612
Payable from Restricted Assets-Customer Deposits	0	14,433	14,433
Total Current Liabilities	\$ 4,186,045	\$ 703,391	\$ 4,889,436

(Continued)

Exhibit D-1

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

	<u>Major Funds</u>		
	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>LIABILITIES (Cont.)</u>			
Noncurrent Liabilities:			
Long-term Debt	\$ 16,084,900	\$ 7,875,450	\$ 23,960,350
Total Noncurrent Liabilities	<u>\$ 16,084,900</u>	<u>\$ 7,875,450</u>	<u>\$ 23,960,350</u>
Total Liabilities	<u>\$ 20,270,945</u>	<u>\$ 8,578,841</u>	<u>\$ 28,849,786</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 6,540,859	\$ 12,930,321	\$ 19,471,180
Restricted for Debt Service	1,085,612	617,823	1,703,435
Restricted for Other Purposes	88,554	0	88,554
Unrestricted	13,834,842	821,226	14,656,068
Total Net Assets	<u>\$ 21,549,867</u>	<u>\$ 14,369,370</u>	<u>\$ 35,919,237</u>

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

Exhibit D-2

Lincoln County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2009

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities		
<u>Operating Revenues</u>			
Charges for Current Services	\$ 36,608,086	\$ 4,143,871	\$ 40,751,957
Other Local Revenues	999,476	0	999,476
Total Operating Revenues	<u>\$ 37,607,562</u>	<u>\$ 4,143,871</u>	<u>\$ 41,751,433</u>
<u>Operating Expenses</u>			
Public Health and Welfare	\$ 34,588,151	\$ 2,865,867	\$ 37,454,018
Depreciation Expense	2,242,004	860,935	3,102,939
Total Operating Expenses	<u>\$ 36,830,155</u>	<u>\$ 3,726,802</u>	<u>\$ 40,556,957</u>
Operating Income (Loss)	<u>\$ 777,407</u>	<u>\$ 417,069</u>	<u>\$ 1,194,476</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 249,090	\$ 31,194	\$ 280,284
Interest Expense	(749,203)	(378,629)	(1,127,832)
Amortization	(49,021)	0	(49,021)
Noncapital Grants and Contributions	152,137	0	152,137
Gain on Disposal of Capital Assets	1,930	0	1,930
Total Nonoperating Revenues (Expenses)	<u>\$ (395,067)</u>	<u>\$ (347,435)</u>	<u>\$ (742,502)</u>
Income before Contributions	\$ 382,340	\$ 69,634	\$ 451,974
Customer Contributions	0	386,687	386,687
Capital Contributions	104,040	0	104,040
Capital Grants	0	333,005	333,005
Change in Net Assets	<u>\$ 486,380</u>	<u>\$ 789,326</u>	<u>\$ 1,275,706</u>
Net Assets, July 1, 2008	<u>21,063,487</u>	<u>13,580,044</u>	<u>34,643,531</u>
Nets Assets, June 30, 2009	<u>\$ 21,549,867</u>	<u>\$ 14,369,370</u>	<u>\$ 35,919,237</u>

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

## Exhibit D-3

Lincoln County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2009

	Major Funds		
	Business-type Activities		
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 37,611,205	\$ 4,067,374	\$ 41,678,579
Payments to Employees	(20,653,109)	(1,108,378)	(21,761,487)
Payments to Suppliers	(14,471,716)	(1,782,714)	(16,254,430)
Received from Operating Portions of Tap Fees	0	103,010	103,010
Customer Deposits Returned	0	(389)	(389)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,486,380</u>	<u>\$ 1,278,903</u>	<u>\$ 3,765,283</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition/Construction of Capital Assets	\$ (385,929)	\$ (1,235,098)	\$ (1,621,027)
Proceeds from Disposal of Capital Assets	4,500	2,000	6,500
Principal Payments on Long-term Debt	(1,008,070)	(645,785)	(1,653,855)
Interest Payments on Long-term Debt	(753,934)	(392,760)	(1,146,694)
Capital Contributions	104,040	0	104,040
Capital Grants Received	0	396,713	396,713
Customer Contributions	0	102,515	102,515
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (2,039,393)</u>	<u>\$ (1,772,415)</u>	<u>\$ (3,811,808)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Noncapital Grants	\$ 38,684	\$ 0	\$ 38,684
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 38,684</u>	<u>\$ 0</u>	<u>\$ 38,684</u>
<u>Cash Flows from Investing Activities</u>			
Principal Received on Note Receivable	\$ 0	\$ 20,833	\$ 20,833
Investment Income	289,214	33,194	322,408
Decrease in Certificates of Deposits	0	590,000	590,000
Increase in Restricted Investments	(914,414)	0	(914,414)
Net Cash Provided By (Used In) Investing Activities	<u>\$ (625,200)</u>	<u>\$ 644,027</u>	<u>\$ 18,827</u>
Net Increase (Decrease) in Cash	\$ (139,529)	\$ 150,515	\$ 10,986
Cash, July 1, 2008	2,919,552	1,081,951	4,001,503
Cash, June 30, 2009	<u>\$ 2,780,023</u>	<u>\$ 1,232,466</u>	<u>\$ 4,012,489</u>

(Continued)

Exhibit D-3

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

	<u>Major Funds</u>		
	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Reconciliation of Net Operating Income (Loss)</u>			
<u>to Net Cash Provided By (Used In) Operating Activities</u>			
Operating Income	\$ 777,407	\$ 417,069	\$ 1,194,476
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:			
Depreciation Expense	2,242,004	860,935	3,102,939
Provision for Bad Debts	4,074,703	0	4,074,703
Payments Received on Note Receivable Arrangements	47,885	0	47,885
Provision for Note Receivable Arrangements	134,479	0	134,479
Investment in Insurance Funds, Net	3,163	0	3,163
(Increase) Decrease in Accounts Receivable	(5,208,249)	26,513	(5,181,736)
(Increase) Decrease in Other Receivables	(54,053)	0	(54,053)
(Increase) Decrease in Inventories	(133,294)	(38,354)	(171,648)
(Increase) Decrease in Prepaid Items	58,542	(2,474)	56,068
(Increase) Decrease in Other Assets	114,207	0	114,207
Increase (Decrease) in Accounts Payable	91,447	31,350	122,797
Increase (Decrease) in Customer Deposits	0	(389)	(389)
Increase (Decrease) in Accrued Leave	0	1,840	1,840
Increase (Decrease) in Accrued Liabilities	338,139	(17,587)	320,552
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,486,380</u>	<u>\$ 1,278,903</u>	<u>\$ 3,765,283</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>			
Cash per Net Assets	\$ 2,780,023	\$ 600,210	\$ 3,380,233
Restricted Cash per Net Assets	0	632,256	632,256
Cash, June 30, 2009	<u>\$ 2,780,023</u>	<u>\$ 1,232,466</u>	<u>\$ 4,012,489</u>
<u>Noncash Investing, Capital, and Financing Activities</u>			
Capitalized Depreciation on Equipment	\$ 0	\$ 12,285	\$ 12,285
Distribution Lines Transferred to the Board by Developers	0	221,472	221,472
Capital Lease Obligation Issued to Purchase Assets	159,340	0	159,340
Note Payable Issued to Purchase Assets	1,165,000	0	1,165,000

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

Exhibit E

Lincoln County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,890,366
Equity in Pooled Cash and Investments	251,420
Accounts Receivable	1,323
Due from Other Governments	448,006
Property Taxes Receivable	924,615
Allowance for Uncollectible Property Taxes	<u>(24,313)</u>
Total Assets	<u>\$ 3,491,417</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,128
Accrued Payroll	542
Due to Other Taxing Units	1,397,355
Due to Litigants, Heirs, and Others	1,890,001
Due to Joint Ventures	<u>199,391</u>
Total Liabilities	<u>\$ 3,491,417</u>

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

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

Administrative Office:

Lincoln County Emergency Communications District  
607 Moyers Avenue  
Fayetteville, TN 37334

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

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Lincoln County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Lincoln County issues all debt for the discretely presented Lincoln County School Department. No debt was contributed by the county to the School Department during the year ended June 30, 2009.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise 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 and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

Lincoln County reports the following major governmental funds:

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

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

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

Lincoln County reports the following major proprietary funds:

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

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

Additionally, Lincoln County reports the following fund type:

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

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

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

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

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

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

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

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

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; the county's own legally issued bonds or notes.

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

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

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as either due to/from other funds.

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

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

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

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

**3. Prepaid Items**

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

**4. Capital Assets**

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

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

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

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

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

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

**5. Compensated Absences**

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

**6. Long-term Obligations**

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

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

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

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

## **7. Net Assets and Fund Equity**

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

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

As of June 30, 2009, Lincoln County had \$15,578,585 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for

appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2009, the General Fund had \$16,237 designated for Health Department construction.

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

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets**

#### **Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

#### **Discretely Presented Lincoln County School Department**

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

### **B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

#### **Primary Government**

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

#### **Discretely Presented Lincoln County School Department**

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

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

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District

Attorney General and the Constitutional Officers - Fees funds (special revenue funds), which are not budgeted. All annual appropriations lapse at fiscal year end.

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

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

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$54,004. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

## Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

## Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 county had no pooled and nonpooled investments as of June 30, 2009.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2009, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 8,580,241	\$ 39,829	\$ 0	\$ 8,620,070
Construction in Progress	173,518	157,788	(191,780)	139,526
Total Capital Assets Not Depreciated	<u>\$ 8,753,759</u>	<u>\$ 197,617</u>	<u>\$ (191,780)</u>	<u>\$ 8,759,596</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 8,381,905	\$ 385,980	\$ 0	\$ 8,767,885
Infrastructure	20,696,826	184,980	0	20,881,806
Other Capital Assets	6,764,514	198,148	(106,525)	6,856,137
Total Capital Assets Depreciated	<u>\$ 35,843,245</u>	<u>\$ 769,108</u>	<u>\$ (106,525)</u>	<u>\$ 36,505,828</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,078,788	\$ 344,028	\$ 0	\$ 5,422,816
Infrastructure	12,331,375	894,548	0	13,225,923
Other Capital Assets	3,586,658	480,837	(93,304)	3,974,191
Total Accumulated Depreciation	<u>\$ 20,996,821</u>	<u>\$ 1,719,413</u>	<u>\$ (93,304)</u>	<u>\$ 22,622,930</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,846,424</u>	<u>\$ (950,305)</u>	<u>\$ (13,221)</u>	<u>\$ 13,882,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,600,183</u>	<u>\$ (752,688)</u>	<u>\$ (205,001)</u>	<u>\$ 22,642,494</u>

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

**Governmental Activities:**

General Government	\$ 83,324
Finance	1,611
Administration of Justice	7,917
Public Safety	457,820
Public Health and Welfare	95,368
Agriculture and Natural Resources	19,377
Highways/Public Works	<u>1,053,996</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 1,719,413</u>

**Discretely Presented Lincoln County School Department**

**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 835,690	\$ 59,557	\$ 0	\$ 895,247
Construction in Progress	204,039	38,461	(242,500)	0
Total Capital Assets Not Depreciated	<u>\$ 1,039,729</u>	<u>\$ 98,018</u>	<u>\$ (242,500)</u>	<u>\$ 895,247</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 39,995,709	\$ 338,639	\$ 0	\$ 40,334,348
Other Capital Assets	4,325,886	290,060	(94,494)	4,521,452
Total Capital Assets Depreciated	<u>\$ 44,321,595</u>	<u>\$ 628,699</u>	<u>\$ (94,494)</u>	<u>\$ 44,855,800</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 16,083,637	\$ 1,206,508	\$ 0	\$ 17,290,145
Other Capital Assets	2,383,053	289,938	(92,454)	2,580,537
Total Accumulated Depreciation	<u>\$ 18,466,690</u>	<u>\$ 1,496,446</u>	<u>\$ (92,454)</u>	<u>\$ 19,870,682</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,854,905</u>	<u>\$ (867,747)</u>	<u>\$ (2,040)</u>	<u>\$ 24,985,118</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,894,634</u>	<u>\$ (769,729)</u>	<u>\$ (244,540)</u>	<u>\$ 25,880,365</u>

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

**Governmental Activities:**

Support Services	\$ 292,856
Operation of Non-Instructional Services	<u>1,203,590</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,496,446</u>

**C. Construction Commitments**

At June 30, 2009, the county had uncompleted construction contracts of approximately \$191,923 for bridge construction. Funding for these future expenditures has been received.

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2009, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 3,435
Nonmajor governmental	General	51
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	2,491

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

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
General Purpose School	Primary Government: General	\$ 9,578

**E. Long-term Debt**

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

General Obligation Bonds

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund.

General obligation bonds outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds - Refunding	3.9 to 5.25 %	\$ 21,235,000	\$ 17,105,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2009, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 1,480,000	\$ 821,574	\$ 2,301,574
2011	960,000	761,493	1,721,493
2012	1,040,000	721,156	1,761,156
2013	1,120,000	676,835	1,796,835
2014	1,110,000	621,665	1,731,665
2015-2019	9,120,000	1,908,450	11,028,450
2020-2021	2,275,000	150,724	2,425,724
Total	\$ 17,105,000	\$ 5,661,897	\$ 22,766,897

There is \$3,146,165 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$546, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Lincoln County Health System and the Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Bonds	Other Postemployment Benefits
Balance, July 1, 2008	\$ 18,910,000	\$ 33,897
Additions	0	19,822
Deductions	(1,805,000)	(12,109)
Balance, June 30, 2009	<u>\$ 17,105,000</u>	<u>\$ 41,610</u>
Balance Due Within One Year	<u>\$ 1,480,000</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2008	\$ 139,822	\$ 277,678
Additions	142,439	5,687
Deductions	(125,906)	(13,853)
Balance, June 30, 2009	<u>\$ 156,355</u>	<u>\$ 269,512</u>
Balance Due Within One Year	<u>\$ 140,720</u>	<u>\$ 8,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 17,572,477
Less: Balances Due Within One Year	<u>(1,628,720)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,943,757</u>

Compensated absences will be paid from the employing funds, primarily the General Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**Discretely Presented Lincoln County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lincoln County School Department for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	\$ 38,039	\$ 136,979
Additions	37,494	251,719
Deductions	(38,917)	(110,161)
Balance, June 30, 2009	<u>\$ 36,616</u>	<u>\$ 278,537</u>
Balance Due Within One Year	<u>\$ 36,616</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 315,153
Less: Balances Due Within One Year	<u>(36,616)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 278,537</u>

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

**F. On-Behalf Payment – Discretely Presented Lincoln County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lincoln County 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, 2009, were \$60,307 and \$26,151, respectively. The School

Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

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

The county decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. Lincoln County joined the Local Government Workers' Compensation Fund (LGWCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The creation of the LGWCF provides for it to be self-sustaining through member premiums.

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

**Discretely Presented Lincoln County School Department**

The discretely presented Lincoln County School Department 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 School

Department 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 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, 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. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Lincoln County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Lincoln County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Lincoln County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Lincoln County could have endowment investments in subsequent years.

## **C. Contingent Liabilities**

The county is involved in several pending lawsuits. The county 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 county's financial statements.

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

Lincoln County and the City of Fayetteville have an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county and city have provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Lincoln County and the City of Fayetteville closed their sanitary landfill in 1995. Lincoln County and the City of Fayetteville each agreed to pay 50 percent of the postclosure costs. The \$269,512 reported as postclosure care liability at June 30, 2009, represents the county's 50 percent of the amounts based on what it would cost to perform all postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Ventures**

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$61,366 to the operations of the library during the year ended June 30, 2009.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$18,359 to the operations of the airport during the year ended June 30, 2009.

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

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Giles, Franklin, and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2009.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$95,000 to the operations of the Industrial Development Board during the year ended June 30, 2009.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2009.

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

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

Administrative Offices:

Fayetteville-Lincoln County Public Library  
306 North Elk Avenue  
Fayetteville, TN 37334

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

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

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

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

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

**F. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Lincoln County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years

of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Lincoln County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 5.58 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2009, Lincoln County's annual pension cost of \$921,228 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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. Lincoln County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was nine 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
6-30-09	\$921,228	100%	\$0
6-30-08	861,388	100	0
6-30-07	813,677	100	0

### Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 95.03 percent funded. The actuarial accrued liability for benefits was \$30.42 million, and the actuarial value of assets was \$28.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.52 million. The covered payroll (annual payroll of active employees covered by the plan) was \$15.33 million, and the ratio of the UAAL to the covered payroll was 9.86 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

Lincoln County contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are

available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Lincoln County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$922,807, \$900,684, and \$826,415, respectively, equal to the required contributions for each year.

## **G. Other Postemployment Benefits (OPEB)**

### **Plan Description**

Lincoln County and the School Department participate in the state-administered Local Government Group Insurance Plan and Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-207, TCA, for local governments. Prior to reaching age 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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are 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 employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$384 to \$1,479 per month. During the year ended June 30, 2009, Lincoln County and the discretely presented Lincoln County School Department contributed \$12,109 and \$110,161 respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 251,554	\$ 19,781
Interest on the NPO	6,164	1,525
Adjustment to the ARC	(5,999)	(1,484)
Annual OPEB cost	\$ 251,719	\$ 19,822
Less: Amount of contribution	(110,161)	(12,109)
Increase/decrease in NPO	\$ 141,558	\$ 7,713
Net OPEB obligation, 7-1-08	136,979	33,897
Net OPEB obligation, 6-30-09	<u>\$ 278,537</u>	<u>\$ 41,610</u>

Fiscal Year Ended*	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 263,640	48%	\$ 136,979
6-30-09	"	251,719	44	278,537
6-30-08	Local Government Group	61,816	45	33,897
6-30-09	"	19,822	61	41,610

\*Data only available for two years.

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	\$ 1,978,794	\$ 131,164
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,978,794	\$ 131,164
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,931,108	\$ 4,794,869
UAAL as a % of covered payroll	11%	3%

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 multiyear 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 July 1, 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.

**H. Office of Central Accounting, Budgeting, and Purchasing**

**Office of Director of Finance**

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

**I. Purchasing Law**

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

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

**A. Summary of Significant Accounting Policies**

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

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

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

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 beds and ten Geropsych beds. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, and personal care services. The Patrick Rehab-Wellness Center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The Lincoln Care Center and Donalson Care Center provide long-term health care services. They are licensed for 145 intermediate-level and 125 skilled-level care beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center's financial statements include Lincoln Medical Center Auxiliary Gift Shop (auxiliary). The auxiliary is not a separate legal entity, and it is subject to financial accountability to the committee. As of and for the year ended June 30, 2009, the auxiliary's total assets, current assets, and net assets totaled \$88,554 that are reported as restricted for other purposes in the balance sheet. Their excess of revenues over expenses for the year ended 2009 totaled \$12,280. The auxiliary made noncapital contributions totaling \$8,988 to the medical center during 2009.

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

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

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

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

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2009.

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

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

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

Compensated Absences – The health system’s employees earn paid time off (PTO) benefits for vacation, sick, and holiday leave at varying rates depending on years of service. In the event of termination, an eligible employee is paid for accumulated PTO benefits. The estimated amount of

PTO payable is accrued when earned and reported as a current liability in the accompanying financial statements.

Deferred Financing Costs – Financing costs incurred for issuance of bonds are amortized over the term of the respective bond issue using the straight-line method. Amortization expense was \$49,021 for the year ended June 30, 2009.

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

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

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

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

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

Patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Settlements under reimbursement agreements with third-party payors are

estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as years are no longer subject to audit, review, or investigation. Laws governing the third-party programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

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

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

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

**B. Designated Net Assets**

Unrestricted net assets include designated net assets by the health system totaling \$7,788,870 as of June 30, 2009, for specific purposes such as future capital improvements, insurance, and debt service. The designated funds remain under the control of the health system, which may at its discretion, later use the funds for other purposes.

**C. Charity Care**

Charges foregone for services and supplies furnished under the health system's charity care policy totaled \$272,126 for the year ended June 30, 2009.

**D. Net Patient Service Revenue**

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

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

Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

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

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2007.

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

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

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

For the year ended June 30, 2009, the medical center received \$19,379 for patient care from an endowment fund that is included in net patient service revenue.

**E. Deposits and Investments**

The health system's carrying amount of deposits was \$2,780,023, and the bank balance was \$2,850,429 as of June 30, 2009. The health system's carrying amount for restricted cash and investments, excluding amount held

under indenture agreement, was \$7,925,169, and the bank balance was \$7,882,341 as of June 30, 2009. Bank balances totaling \$10,732,770 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool. The balances are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the Series 1998 bonds. The reserve fund consists of a money market fund that normally invests at least 80 percent of its assets in U.S. Treasury securities and repurchase agreements for those securities. As of June 30, 2009, its value was \$1,085,612. Generally, these investments maintain a dollar weighted average at 60 days or less. These investments are exposed to declines in fair values due to interest rate changes. The health system’s exposure is mitigated through the limited maturities of the investments.

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

Restricted investments are held as follows as of June 30, 2009:

Internally designated for capital improvements, insurance, and debt service	\$ 7,788,870
Restricted by contributors	78,347
Held under an indenture agreement	1,085,612
Held under patient trust fund arrangements - cash	57,952
Less: amounts reclassified to meet current liabilities	<u>(57,952)</u>
Total	<u>\$ 8,952,829</u>

**F. Notes Receivable Arrangements**

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash payment or continuation of the physicians’ medical practices for a certain period based upon the terms of these arrangements. Net repayments from physicians totaled \$47,885 for the year ended June 30, 2009. The health system provided provisions for continuation of the medical practices under these arrangements totaling \$134,479 for 2009. As of June 30, 2009, net advances totaling \$74,405 were due under these arrangements. As of June 30, 2009, no commitments for advances remain outstanding.

**G. Capital Assets**

Capital assets activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Additions	Retirements	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 1,073,754	\$ 0	\$ 0	\$ 1,073,754
Construction in Progress	0	1,870	0	1,870
Total Capital Assets Not Depreciated	<u>\$ 1,073,754</u>	<u>\$ 1,870</u>	<u>\$ 0</u>	<u>\$ 1,075,624</u>
Capital Assets Depreciated:				
Ground Improvements	\$ 2,258,292	\$ 0	\$ 0	\$ 2,258,292
Buildings and Improvements	26,838,669	93,597	0	26,932,266
Equipment	12,238,150	1,614,802	(64,440)	13,788,512
Total Capital Assets Depreciated	<u>\$ 41,335,111</u>	<u>\$ 1,708,399</u>	<u>\$ (64,440)</u>	<u>\$ 42,979,070</u>
Less Accumulated Depreciation For:				
Ground Improvements	\$ (545,457)	\$ (81,706)	\$ 0	\$ (627,163)
Buildings and Improvements	(10,205,566)	(983,119)	0	(11,188,685)
Equipment	(7,875,667)	(1,177,179)	61,870	(8,990,976)
Total Accumulated Depreciation	<u>\$ (18,626,690)</u>	<u>\$ (2,242,004)</u>	<u>\$ 61,870</u>	<u>\$ (20,806,824)</u>
Capital Assets, Net	<u>\$ 23,782,175</u>	<u>\$ (531,735)</u>	<u>\$ (2,570)</u>	<u>\$ 23,247,870</u>

The general depreciation rates based on the useful lives for depreciable capital assets are five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment. Depreciation expense for the year ended June 30, 2009, totaled \$2,242,004.

#### H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2009:

	Balance 7-1-08	Additions	Reductions	Balance 6-30-09	Due Within One Year
Series 1998, due in installments of \$410,000 to \$495,000 through May 2013, at interest rates ranging from 5% to 5.125%	\$ 2,260,000	\$ 0	\$ (410,000)	\$ 1,850,000	\$ 430,000
Series 2001, due in installments of \$130,000 to \$140,000 through May 2011, at interest rates ranging from 4.1% to 4.45%	405,000	0	(130,000)	275,000	135,000
Series 2004, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$40,000 to \$800,000 through May 2023, at an interest rate of 3.875%	7,005,000	0	(40,000)	6,965,000	40,000
Note Payable, General Electric Capital Corporation, due in monthly installments of \$13,560 through October 2010, at an interest rate of 4.28%	348,453	0	(150,741)	197,712	157,320
Series 2007, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$10,000 to \$1,040,000 through May 2028, at an interest rate of 4.2%	4,935,000	0	(10,000)	4,925,000	10,000
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$10,000 to \$220,000 through May 2021, at an interest rate of 3.93%	1,890,000	0	(10,000)	1,880,000	10,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	275,412	0	(22,852)	252,560	24,626
Capital Lease Obligation, due in monthly installments of \$13,597 through July 2009, at an interest rate of 4.4%	0	159,340	(145,793)	13,547	13,547
General Obligation Capital Outlay Note, due in monthly installments of \$21,403 through January 2014, at an interest rate of 3.9%	0	1,165,000	(88,684)	1,076,316	218,738
<b>Total long-term debt</b>	<b>\$ 17,118,865</b>	<b>\$ 1,324,340</b>	<b>\$ (1,008,070)</b>	<b>\$ 17,435,135</b>	<b>\$ 1,039,231</b>
Less current maturities of long-term debt	(773,593)			(1,039,231)	
Less Series 2004 deferred refunding costs	(263,505)			(245,840)	
Less Series 2007 deferred refunding costs	(109,521)			(102,464)	
Add unamortized bond premium	39,170			37,300	
<b>Total noncurrent liabilities</b>	<b>\$ 16,011,416</b>			<b>\$ 16,084,900</b>	

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2009, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2010	\$ 1,039,231	\$ 718,094
2011	944,352	672,601
2012	950,050	630,129
2013	986,659	585,924
2014	926,073	540,646
2015-2019	4,288,770	2,200,443
2020-2024	4,395,000	1,334,526
2025-2028	3,905,000	418,740
Total	<u>\$ 17,435,135</u>	<u>\$ 7,101,103</u>

Series 1998 – The Series 1998 Hospital Facility Lease Revenue and Tax Bonds were issued for \$15,000,000 to construct and purchase equipment for the new medical center built in 2001. The bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 1998 bond agreement contains various covenants, including the establishment of a Debt Service Reserve Fund for repayment of the bonds and maintenance of a certain debt service coverage ratio. For the year ended June 30, 2009, the medical center complied with the restrictive covenants, including the required debt service covenant ratio.

The bonds maturing May 1, 2009, through May 1, 2013, are not subject to optional redemption. The bonds maturing on or after May 1, 2014, have been redeemed by advance refunding. See Series 2004 and Series 2007 bonds below for description of the Series 1998 bond advance refunded in August 2004 and June 2007, respectively.

Series 2001 – The Series 2001 General Obligation Refunding and Public Improvement Bonds were issued for \$4,060,000 to purchase furniture and equipment for the medical center and to refund \$1,010,000 of the existing wellness and care centers' debt. The bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2009, through May 1, 2011, will mature without the option of prior redemption. Bonds maturing on or after May 1, 2012, have been redeemed by advance refunding. See Series 2007 bonds below for description of the Series 2001 bonds advance refunded in June 2007.

Series 2004 – In the prior year, the health system defeased a portion of the Series 1998 bonds by issuance of \$7,115,000 Series 2004 Hospital Facility Lease Revenue and Tax Refunding Bonds and placed the proceeds of the

bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2009, \$6,625,000 of the bonds outstanding are considered defeased.

The Series 2004 bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2009, through May 1, 2013, are not subject to redemption prior to maturity. The bonds maturing May 1, 2014, and thereafter are subject to redemption on or after May 1, 2013, and thereafter, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date. The Series 2004 bond agreement contains various covenants, including the maintenance of a certain debt service coverage ratio. For the year ended June 30, 2009, the medical center did comply with the debt service coverage ratio.

Series 2007 – In 2007, the health system defeased \$4,835,000 of the Series 1998 bonds and \$1,820,000 of the Series 2001 bonds by issuance of \$4,960,000 Series 2007 Hospital Facility Lease Revenue and Tax Refunding Bonds and \$1,905,000 Series 2007 General Obligation Refunding Bonds and placed the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2009, \$6,655,000 of the bonds outstanding are considered defeased.

Both Series 2007 bonds are the ultimate obligation of Lincoln County, Tennessee. Both Series 2007 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2017. The Series 2007 bonds contain various covenants, including the maintenance of a certain debt service coverage ratio. The unrefunded Series 1998 and Series 2004 bonds are on a parity lien with the Series 2007 bonds. For the year ended June 30, 2009, the medical center did comply with the debt service coverage ratio.

Other Debt – The note payable and capital lease obligations are secured by the related property and equipment, respectively. The gross amount of assets recorded under capital leases and the accumulated amortization/depreciation is recorded in the balance sheet and described in Note G. The future minimum lease payments and the net present value of these minimum lease payments are included above in the annual requirements to amortize outstanding long-term debt.

The capital outlay note is a general obligation of Lincoln County, Tennessee.

## I. Pension Plan

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

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

#### **Plan Description**

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

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

#### **Funding Policy**

Lincoln County requires employees to contribute five percent of earnable compensation. Plan members are required to contribute at an actuarially determined rate. The current rate is 5.58 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The health system contributions for participating departments for the years ended June 30, 2009, 2008, and 2007, were \$462,425, \$441,309, and \$437,319, respectively, equal to the required contributions for each year.

## Care Centers

The care centers adopted a defined contribution pension plan effective October 1, 2002, under sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. Participants become fully vested after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution up to the first three percent of gross pay. Employer contributions under this plan totaled \$30,204 for the year ended June 30, 2009.

## **J. Risk Management**

The health system contracts with Blue Cross of Tennessee to provide a self-insured group health insurance plan to eligible employees and their eligible dependents, as defined in the contract. The health system has also purchased reinsurance for claims paid in any one-contract year, in excess of \$90,000 per member, which includes employees and their eligible dependents. Claims are paid on a monthly basis by Blue Cross with a settlement at the end of each quarter for the excess or deficit of premiums paid by the health system over or under claims paid by Blue Cross.

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

As of June 30, 2009, the health system accrued \$158,277 for an estimated claims lag. Changes in the reported liability for 2009 resulted from the following:

	<u>2009</u>
Balance, Beginning of Year	\$ 144,674
Current-year claims and settlements	1,581,376
Claim payments	<u>(1,567,773)</u>
Balance, Ending of Year	<u>\$ 158,277</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2009, this internally designated cash, including interest earned, totaled \$162,663.

**K. Concentrations of Credit Risk**

The health system grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2009:

Medicare	36 %
Medicaid	13
Other third-party payors	22
Patients	<u>29</u>
Total	<u><u>100 %</u></u>

**L. Management Agreement**

The health system has an agreement with Quorum Health Resources, LLC, to provide management services and certain key personnel for a five-year period ending June 30, 2010. Management fees are subject to annual adjustment by an inflation factor as defined in the agreement. Management fees paid for 2009 were \$645,898. Total payments to Quorum for 2009 were \$665,334, which includes reimbursement for travel, dues, and key personnel who provide services to the health system.

**M. Contingencies and Commitments**

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

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The health system leases various equipment and property under operating leases that can be canceled under terms less than one year. The following is a schedule by year of future minimum noncancellable lease payments as of June 30, 2009:

Year Ending June 30	Amount
2010	\$ 19,356
2011	17,560
2012	15,000
2013	15,000
2014	15,000
Later years	<u>75,000</u>
Total	<u>\$ 156,916</u>

Rental expense under all operating leases for 2009 totaled \$299,790.

The health system leases office space in its medical office building to physicians primarily under three-year lease terms and also leases office space at Lincoln Care Center. The following is a schedule by year of future minimum rentals under noncancellable leases that expire under existing terms through 2013:

Year Ending June 30	Amount
2010	\$ 131,462
2011	95,841
2012	91,574
2013	<u>23,006</u>
Total	<u>\$ 341,883</u>

Rental income received for 2009 totaled \$209,288. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment as follows:

Cost	\$ 3,499,649
Construction in progress	1,870
Accumulated depreciation	<u>(742,535)</u>
Net book value	<u>\$ 2,758,984</u>

**N. Lincoln County Health System Foundation**

The Lincoln County Health System Foundation (foundation) is a legally separate, tax-exempt supporting organization to the health system. The health system does not control the timing or amount of receipts from the foundation. Accordingly, the net assets of the foundation are not reported by

the health system. However, for informational purposes only, a summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows as of June 30, 2009:

Assets, cash and cash equivalents	<u>\$ 68,175</u>
Liabilities	<u>\$ 0</u>
Unrestricted net assets	<u>\$ 68,175</u>
Support and revenue	\$ 35,229
Expenses	(29,738)
Excess of support and revenue over expenses	\$ 5,491
Unrestricted net assets, July 1, 2008	<u>62,684</u>
Unrestricted net assets, June 30, 2009	<u>\$ 68,175</u>

**O. Pledged Revenues**

The health system has pledged revenues to secure certain revenue bonds as described in Note VI.H. The current year revenues, debt service, and future pledge commitment are as follows:

Operating Revenues	Current Year Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Future Pledge Commitment	Commitment Period through Fiscal Year
\$ 37,607,562	\$ 1,052,926	2.8%	\$ 20,060,461	2028

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

**A. Summary of Significant Accounting Policies**

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

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

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

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

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

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

Water Plant and Equipment, Depreciation, and Maintenance – Water plant and equipment are depreciated on the group straight-line basis over its estimated useful life. Under the group depreciation method, gains and losses on asset dispositions are applied against accumulated depreciation and are not reflected as gains or losses in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

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

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

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

Revenues – Revenues from water sales are recognized based on meter reading dates. No asset is recorded for water delivered between the last meter reading in the period and the end of the period. Revenues from connection fees and developer charges are recognized when service is activated.

Construction Period Interest – Interest on construction financing directly related to plant construction, net of interest earned on temporary investment of financing proceeds, is capitalized until such plant is substantially complete and placed into service. Interest capitalized in the year ended June 30, 2009, was \$13,000.

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

Allowance for Doubtful Accounts – The board charges doubtful accounts arising from water sales receivable to bad debts when it is probable that the account will be uncollectible. Bad debts offset against water sales revenues in 2009 were \$28,113.

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

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

used or lost if not taken by each employee's employment anniversary date. The amount of accrued leave was \$13,120 at June 30, 2009, all of which was considered a current liability.

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

**B. Net Assets**

Net assets are classified as follows:

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

**C. Long-term Debt**

Bonds and notes are payable from revenues of the board and also secured by Lincoln County property taxes for the Series 2002, 2004, 2007, and 2008 issues. All debt may be prepaid except for the Series 2002 Refunding bonds. Parity bonds may be issued if net revenues of the board are at least 120 percent of scheduled bond payments. The board's net revenues exceeded this requirement in the year ended June 30, 2009.

The board had the following bonds and notes outstanding at June 30, 2009:

Water Revenue and Tax Bonds, Series 2007, issued April 23, 2008, due monthly to USDA in annual principal and interest amounts of \$90,360 through 2046 at 4.125%	\$ 1,708,420
Water Revenue and Tax Capital Outlay Note, Series 2008, issued May 14, 2008, due in annual principal installments of \$30,000 to \$45,000 through 2020 with interest at 3.98%	395,000
Water Revenue and Tax Bonds, Series 2004, issued September 22, 2005, due monthly to USDA in annual principal and interest amounts of \$73,308 through 2043 at 4.25%	1,319,221
Waterworks Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual principal and interest amounts of \$21,384 through 2041 at 4.75%	349,124
Water Revenue and Tax Refunding Bonds, Series 2002, issued November 1, 2002, with a face value of \$2,590,000, final annual payment due on January 1, 2010 at 4%	350,000
Waterworks Revenue Bond, Series 2000, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	1,018,888
Waterworks Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	665,380
Waterworks Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	<u>2,558,542</u>
Total	<u>\$ 8,364,575</u>

Changes in principal balances during the year ended June 30, 2009, are summarized as follows:

Beginning balance	\$ 8,995,683
Principal paid	(627,308)
Amortization of bond premium	<u>(3,800)</u>
Total	<u>\$ 8,364,575</u>

Selected principal and interest payments on bonds and notes outstanding at June 30, 2009, are summarized as follows:

Fiscal Year	Payable Monthly to USDA	Bonds Payable Annually	Capital Notes	Total Principal
2010	\$ 120,969	\$ 350,000	\$ 30,000	\$ 500,969
2011	126,621	0	30,000	156,621
2012	131,774	0	30,000	161,774
2013	138,694	0	35,000	173,694
2014	145,175	0	35,000	180,175
2015-19	833,470	0	190,000	1,023,470
2020-24	1,047,140	0	45,000	1,092,140
2025-29	1,317,326	0	0	1,317,326
2030-34	1,656,688	0	0	1,656,688
2035-39	1,246,684	0	0	1,246,684
2040-44	699,070	0	0	699,070
2045-46	155,964	0	0	155,964
<b>Total</b>	<b>\$ 7,619,575</b>	<b>\$ 350,000</b>	<b>\$ 395,000</b>	<b>\$ 8,364,575</b>

Fiscal Year	Total Interest	Debt Service Total
2010	\$ 364,328	\$ 865,297
2011	350,482	507,103
2012	344,135	505,909
2013	336,021	509,715
2014	328,147	508,322
2015-19	1,511,648	2,535,118
2020-24	1,267,531	2,359,671
2025-29	995,554	2,312,880
2030-34	656,192	2,312,880
2035-39	301,948	1,548,632
2040-44	100,081	799,151
2045-46	6,120	162,084
<b>Total</b>	<b>\$ 6,562,187</b>	<b>\$ 14,926,762</b>

**D. Capital Leases**

The board has previously purchased construction equipment by financing a total of \$91,097 through two capital leases. The leased equipment has been capitalized and depreciated along with the board's other equipment. The leases bear interest at the rates of 5.76 percent and 4.375 percent and require 60 monthly payments of \$750 and \$973, respectively. Scheduled future payments on the leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 18,492	\$ 1,210	\$ 19,702
2011	10,535	412	10,947
2012	2,229	21	2,250
<b>Total</b>	<b>\$ 31,256</b>	<b>\$ 1,643</b>	<b>\$ 32,899</b>

**E. Capital Assets**

Major classes of utility plant are as follows:

	<u>Balance</u>		<u>Disposals</u>		<u>Balance</u>
	<u>7-1-08</u>	<u>Additions</u>	<u>and</u>	<u>Transfers</u>	<u>6-30-09</u>
			<u>Adjustments</u>		
Non-depreciable:					
Land	\$ 318,195	\$ 202,000	\$ 0	\$ 7,500	\$ 527,695
Construction in progress	659,978	825,839	0	(1,372,366)	113,451
<b>Total Non-depreciable assets</b>	<b>\$ 978,173</b>	<b>\$ 1,027,839</b>	<b>\$ 0</b>	<b>\$ (1,364,866)</b>	<b>\$ 641,146</b>
Depreciable:					
Distribution lines and tanks	\$ 24,220,649	\$ 221,472	\$ 0	\$ 892,707	\$ 25,334,828
Wells and treatment plant	4,116,625	2,103	0	472,159	4,590,887
Buildings and equipment	2,381,027	40,616	(70,624)	0	2,351,019
<b>Total depreciable assets</b>	<b>\$ 30,718,301</b>	<b>\$ 264,191</b>	<b>\$ (70,624)</b>	<b>\$ 1,364,866</b>	<b>\$ 32,276,734</b>
<b>Total Capital Assets</b>	<b>\$ 31,696,474</b>	<b>\$ 1,292,030</b>	<b>\$ (70,624)</b>	<b>\$ 0</b>	<b>\$ 32,917,880</b>

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

	<u>Balance</u>		<u>Disposals</u>		<u>Balance</u>
	<u>7-1-08</u>	<u>Additions</u>	<u>and</u>	<u>Adjustments</u>	<u>6-30-09</u>
			<u>Adjustments</u>		
Distribution and tanks	\$ 8,207,330	\$ 628,170	\$ 0	\$ 8,835,500	
Wells and treatment plant	899,190	102,460	0	1,001,650	
Buildings and equipment	1,680,612	142,590	(68,624)	1,754,578	
<b>Total depreciation</b>	<b>\$ 10,787,132</b>	<b>\$ 873,220</b>	<b>\$ (68,624)</b>	<b>\$ 11,591,728</b>	

**F. Restricted Assets**

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

revenue bonds, and by agreement with Lincoln County for the refunding bond. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits. Balances in the restricted funds at June 30, 2009, were:

Sinking fund reserve fund - 1996 Bond	\$ 173,880
Sinking fund reserve fund - 1998 Bond	40,262
Sinking fund reserve fund - 2001 Bond	46,681
Sinking fund reserve fund - Refunding Bond	357,000
Customer deposits	<u>14,433</u>
 Total	 <u><u>\$ 632,256</u></u>

**G. Deposits and Investments**

State law and bond covenants in general restrict the board’s investments to either United States Treasury or agency obligations or to certificates of deposit insured or collateralized by direct United States Treasury obligations. In 2009, the board invested only in certificates of deposit with maturities of one year or less, which are carried at cost.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency’s deposits may not be returned to it. The laws of the State of Tennessee require that collateral be pledged at 105 percent of the value of uninsured deposits. The board does not have a policy regarding custodial credit risks. Collateral requirements are not applicable for banks that participate in the state’s collateral pool. At June 30, 2009, all of the board’s deposits were insured by the FDIC or on deposit with a bank that participates in the state collateral pool. However, during the period of July 1, 2008, to October 3, 2008, up to approximately \$72,500 of the board’s bank balances were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution’s agent but not in the board’s name.

**H. Pension Plan**

**Plan Description**

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

members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after five years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lincoln County Board of Public Utilities participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Lincoln County Board of Public Utilities requires employees to contribute five percent of earnable compensation. The board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2009, was 10.97 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the board is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2009, the board's annual pension cost of \$123,042 to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increases in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 14 years. An actuarial valuation was performed as of July 1, 2007, which established a contribution rate of 10.97 percent effective July 1, 2008.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	\$ 123,042	100%	\$ 0
6-30-08	105,875	100	0
6-30-07	95,585	100	0

As of July 1, 2007, the most recent actuarial valuation date, the plan was 77.86 percent funded. The actuarial accrued liability for benefits was \$1,057,000 and the actuarial value of the assets was \$823,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$234,000. The covered payroll (annual payroll of active employees covered by the plan) was \$899,000, and the ratio of the UAAL to the covered payroll was 26.03 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 had 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.

**I. Water Sources**

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

**J. Risk Management and Liability**

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2009, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual

premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$2,500 per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$2,500. The plan liability at year end is determined based on subsequent payments. The changes in the liability for medical benefits for the year ended June 30, 2009, is as follows:

Balance, June 30, 2008	\$	0
Payments made		(13,637)
Incurred claims		<u>17,559</u>
Balance, June 30, 2009	<u>\$</u>	<u>3,922</u>

The board continues to carry commercial insurance for other risks of loss, including employee bonds and employee health and accident losses above the \$2,500 level. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 20,833	\$ 1,667	\$ 22,500
2011	<u>20,834</u>	<u>833</u>	<u>21,667</u>
Total	<u>\$ 41,667</u>	<u>\$ 2,500</u>	<u>\$ 44,167</u>

**L. Current and Planned Projects**

A portion of water system additions and improvements in 2009 were constructed by the board's employees with the amounts capitalized including employee labor and benefit costs as well as materials and equipment expense.

During the year ended June 30, 2009, the board completed a development project at the Taft well field. Total project expenditures of \$466,160 were funded by a capital outlay note of \$425,000 issued in the prior year.

The State of Tennessee is improving Highway 64 East, which has required the relocation of waterlines owned by the board. The board has paid \$69,570 for inspection costs and a deposit with the state for the board's share of the

waterline cost. The state will transfer the relocated lines to the board at project completion. The board does not anticipate significant future costs on this project.

During the year ended June 30, 2009, the board completed the Phase IV Project, which included various line extensions, the Taft treatment plant upgrade, and new storage tanks on the Boonshill-Petersburg Road and Crystal Ridge. The project cost of \$2,233,000 was funded by a Rural Utilities Service loan of \$1,731,000 and grant funds of \$502,000.

The board is seeking permission from the State of Tennessee to construct a water treatment plant on the Elk River. The plant would enhance the water available from the board's current wells that are the primary source of water to approximately 91 percent of the board's customers. At June 30, 2009, the board had incurred costs of \$208,540 related to site acquisition. Roadway and other site development costs of approximately \$75,000 are anticipated to be incurred in the near term while actual plant construction is not expected to begin until after the next four years.

The board plans to seek approval from the Lincoln County Commission to proceed with plans for the Phase V and VI projects, which will consist of the replacement of approximately 22 miles of waterline in various locations. The projects will require Rural Utilities Service bond and grant financing of approximately \$6,500,000 with project timing dependent on availability of funding. No significant costs related to this project are anticipated until the 2011 fiscal year.

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

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

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

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

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

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

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

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

Accounts Receivable – Accounts receivable represent fees collected by certain service providers that are due to the district as of year end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2009, in the opinion of management, there were no uncollectible accounts receivable.

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

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the year ended June 30, 2009.

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

Deposits and Investments – Statutes authorize the district to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. In 2009, the district invested only in certificates of deposit with maturities of one year or less, which are carried at cost.

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

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

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

## **B. Operations**

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

The district also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25 percent of the wireless

E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

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

The City of Fayetteville, Tennessee, and Lincoln County, Tennessee, provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payments for dispatch salaries, benefits, maintenance agreements for certain dispatch equipment, and utilities on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$549,641 for the year ended June 30, 2009. These payments include salaries, taxes, and related benefits for the year ended June 30, 2009.

**D. Property and Equipment**

Capital assets activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Increases	Balance 6-30-09
Land	\$ 116,984	\$ 55,228	\$ 172,212
Building	596,568	3,199	599,767
Communication Equipment	614,877	29,234	644,111
Vehicle	23,242	5,002	28,244
Total	<u>\$ 1,351,671</u>	<u>\$ 92,663</u>	<u>\$ 1,444,334</u>

The related activity for accumulated depreciation for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Increases	Balance 6-30-09
Building	\$ 105,759	\$ 14,675	\$ 120,434
Communication Equipment	373,283	58,618	431,901
Vehicle	9,102	4,241	13,343
Total	<u>\$ 488,144</u>	<u>\$ 77,534</u>	<u>\$ 565,678</u>

Depreciation for the year ended June 30, 2009, totaled \$77,534.

**E. Cash**

All of the district's deposits were covered by federal depository insurance or by the bank collateral pool, which is administered by the treasurer of the State of Tennessee, as of June 30, 2009.

**F. Long-term Debt**

Long-term debt activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Retirements	Balance 6-30-09	Due Within One Year
Capital Outlay Note Series 2000A, due in annual installments of \$30,000 to \$40,000 through December 2011, at interest of 4.91%	\$ 150,000	\$ (35,000)	\$ 115,000	\$ 35,000
Total	\$ 150,000	\$ (35,000)	\$ 115,000	\$ 35,000
Less: Current Maturities	(35,000)		(35,000)	
Total Long-term Debt	<u>\$ 115,000</u>		<u>\$ 80,000</u>	

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

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 35,000	\$ 4,787	\$ 39,787
2011	40,000	2,946	42,946
2012	40,000	982	40,982
Total	<u>\$ 115,000</u>	<u>\$ 8,715</u>	<u>\$ 123,715</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Lincoln County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 General Fund  
 For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 4,536,232	\$ 0	\$ 0	\$ 4,536,232	\$ 4,134,016	\$ 4,179,016	\$ 357,216
Licenses and Permits	76,509	0	0	76,509	62,000	62,000	14,509
Fines, Forfeitures, and Penalties	207,643	0	0	207,643	173,127	178,127	29,516
Charges for Current Services	45,078	0	0	45,078	32,400	32,400	12,678
Other Local Revenues	503,855	0	0	503,855	528,500	528,500	(24,645)
Fees Received from County Officials	1,271,503	0	0	1,271,503	1,164,500	1,164,500	107,003
State of Tennessee	2,005,307	0	0	2,005,307	1,501,369	2,728,772	(723,465)
Federal Government	1,011,996	0	0	1,011,996	30,856	1,356,036	(344,040)
Other Governments and Citizens Groups	25	0	0	25	0	0	25
<b>Total Revenues</b>	<b>\$ 9,658,148</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,658,148</b>	<b>\$ 7,626,768</b>	<b>\$ 10,229,351</b>	<b>\$ (571,203)</b>
<b>Expenditures</b>							
<b>General Government</b>							
County Commission	\$ 141,052	\$ 0	\$ 0	\$ 141,052	\$ 137,933	\$ 142,933	\$ 1,881
County Mayor/Executive	146,034	(138)	54	145,950	153,630	157,305	11,355
County Attorney	28,291	0	0	28,291	78,111	78,111	49,820
Election Commission	247,774	(9,134)	0	238,640	287,348	287,348	48,708
Register of Deeds	181,117	0	188	181,305	193,908	194,408	13,103
Planning	18,525	0	0	18,525	17,250	23,250	4,725
County Buildings	590,717	(10,258)	10,933	591,392	894,435	973,410	382,018
Preservation of Records	28,448	(96)	68	28,420	28,829	28,829	409
<b>Finance</b>							
Accounting and Budgeting	269,971	0	736	270,707	296,938	286,763	16,056
Property Assessor's Office	172,471	(337)	65	172,199	186,751	188,751	16,552
Reappraisal Program	82,568	0	0	82,568	83,196	83,196	628

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
	\$ 182,692	\$ 0	\$ 0	\$ 182,692	\$ 199,184	\$ 16,492	
	219,917	(584)	0	219,333	226,670	7,337	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	393,642	(721)	1,223	394,144	409,480	15,336	
County Clerk's Office	140,938	0	0	140,938	144,572	3,634	
<u>Administration of Justice</u>							
Circuit Court	214,562	(1,047)	88	213,603	219,337	8,234	
Chancery Court	151,206	0	0	151,206	145,201	9,595	
Juvenile Court	32,632	0	0	32,632	33,871	1,339	
<u>Judicial Commissioners</u>							
<u>Public Safety</u>							
Sheriff's Department	1,727,931	(3,330)	2,472	1,727,073	1,799,122	104,712	
Jail	1,774,477	(1,565)	6,481	1,779,393	1,881,572	97,679	
Fire Prevention and Control	156,769	(5,009)	750	152,510	164,960	14,700	
Civil Defense	1,486,931	(1,555,091)	143,201	75,041	157,254	2,280,899	
<u>Public Health and Welfare</u>							
Local Health Center	430,065	(1,949)	620	428,736	559,241	130,505	
Maternal and Child Health Services	20,000	0	0	20,000	20,000	0	
Other Local Health Services	7,500	0	0	7,500	7,500	0	
Regional Mental Health Center	3,500	0	0	3,500	3,500	0	
Other Local Welfare Services	8,803	0	0	8,803	8,803	0	
Sanitation Management	70,427	0	350	70,777	75,476	4,799	
Other Public Health and Welfare	25,750	0	0	25,750	25,750	0	
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	15,350	0	0	15,350	15,350	0	
Libraries	61,366	0	0	61,366	61,366	0	

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Parks and Fair Boards	\$ 32,000	\$ 0	\$ 0	\$ 32,000	\$ 32,000	\$ 32,000	\$ 0
<u>Agriculture and Natural Resources</u>	84,498	0	0	84,498	96,296	96,296	11,798
Agriculture Extension Service	10,371	0	0	10,371	2,000	10,412	41
Forest Service	44,889	0	20	44,909	51,309	52,209	7,300
Soil Conservation							
<u>Other Operations</u>	95,000	0	0	95,000	95,000	95,000	0
Industrial Development	269,878	0	0	269,878	22,500	422,500	152,622
Other Economic and Community Development	18,359	0	0	18,359	18,359	18,359	0
Airport	18,103	0	0	18,103	16,246	20,161	2,058
Veterans' Services	4,900	0	0	4,900	4,900	4,900	0
Contributions to Other Agencies	277,907	0	85	277,992	294,375	299,375	21,383
Miscellaneous							
Total Expenditures	\$ 9,887,331	\$ (1,589,259)	\$ 167,334	\$ 8,465,406	\$ 9,149,523	\$ 11,826,083	\$ 3,360,677
Excess (Deficiency) of Revenues Over Expenditures	\$ (229,183)	\$ 1,589,259	\$ (167,334)	\$ 1,192,742	\$ (1,523,755)	\$ (1,596,732)	\$ 2,789,474
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ (229,183)	\$ 1,589,259	\$ (167,334)	\$ 1,192,742	\$ (1,523,755)	\$ (1,596,732)	\$ 2,789,474
	3,666,451	(1,589,259)	0	2,077,192	3,413,897	3,413,897	(1,336,705)
Fund Balance, June 30, 2009	\$ 3,437,268	\$ 0	\$ (167,334)	\$ 3,269,934	\$ 1,891,142	\$ 1,817,165	\$ 1,452,769

Exhibit F-2

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original		
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 921,149	\$ 0	\$ 0	\$ 921,149	\$ 852,516	\$ 852,516	\$ 68,633
Other Local Revenues	2,879	0	0	2,879	2,500	2,500	379
State of Tennessee	2,072,409	0	0	2,072,409	1,913,000	2,069,270	3,139
Federal Government	17,568	0	0	17,568	0	428,060	(410,492)
<b>Total Revenues</b>	<b>\$ 3,014,005</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,014,005</b>	<b>\$ 2,768,016</b>	<b>\$ 3,352,346</b>	<b>\$ (338,341)</b>
<b>Expenditures</b>							
<b>Highways</b>							
Administration	\$ 203,285	\$ (420)	\$ 0	\$ 202,865	\$ 217,124	\$ 219,124	\$ 16,259
Highway and Bridge Maintenance	1,429,393	(33,852)	0	1,395,541	1,659,503	1,557,151	161,610
Operation and Maintenance of Equipment	369,978	(10,282)	0	359,696	858,919	758,919	399,223
Quarry Operations	222,565	0	0	222,565	257,943	265,943	43,378
Other Charges	97,949	0	0	97,949	124,400	124,400	26,451
Employee Benefits	69,507	0	0	69,507	79,500	79,500	9,993
Capital Outlay	934,879	(1,916)	191,923	1,124,886	294,200	1,070,882	(54,004)
<b>Total Expenditures</b>	<b>\$ 3,327,556</b>	<b>\$ (46,470)</b>	<b>\$ 191,923</b>	<b>\$ 3,473,009</b>	<b>\$ 3,491,589</b>	<b>\$ 4,075,919</b>	<b>\$ 602,910</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (313,551)</b>	<b>\$ 46,470</b>	<b>\$ (191,923)</b>	<b>\$ (459,004)</b>	<b>\$ (723,573)</b>	<b>\$ (723,573)</b>	<b>\$ 264,569</b>
<b>Net Change in Fund Balance Fund Balance, July 1, 2008</b>	<b>\$ (313,551)</b>	<b>\$ 46,470</b>	<b>\$ (191,923)</b>	<b>\$ (459,004)</b>	<b>\$ (723,573)</b>	<b>\$ (723,573)</b>	<b>\$ 264,569</b>
	<b>1,854,505</b>	<b>(46,470)</b>	<b>0</b>	<b>1,808,035</b>	<b>1,474,700</b>	<b>1,474,700</b>	<b>333,335</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,540,954</b>	<b>\$ 0</b>	<b>\$ (191,923)</b>	<b>\$ 1,349,031</b>	<b>\$ 751,127</b>	<b>\$ 751,127</b>	<b>\$ 597,904</b>

Exhibit F-3

Lincoln County, Tennessee  
Schedule of Funding Progress – Pension Plans  
Primary Government, Discretely Presented Lincoln County School Department, and Lincoln County Board of Public Utilities  
June 30, 2009

(Dollar amounts in thousands)

Plans	Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Primary Government and School Department	6-30-09	7-1-07	\$ 28,908	\$ 30,421	\$ 1,513	95.03 %	\$ 15,339	9.86 %
"	6-30-08	7-1-07	28,908	30,421	1,513	95.03	15,339	9.86
Public Utility Employees	6-30-09	7-1-07	823	1,057	234	77.86	899	26.03
"	6-30-08	7-1-07	823	1,057	234	77.86	899	26.03

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 2007-08 year; therefore, data is only presented for two years.

Exhibit F-4

Lincoln County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Lincoln County School Department  
June 30, 2009

(Dollar amounts in thousands)

Plans	Fiscal Year Ended*	Actuarial Valuation Date	Actuarial			Unfunded AAL (UAAL) <sub>1</sub> (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Accrued Liability (AAL) (b)				
<u>PRIMARY GOVERNMENT</u>									
Local Government Group	6-30-08	7-1-07	\$ 0	\$ 465	\$ 465	0 %	\$ 4,103	11 %	
"	6-30-09	7-1-07	0	131	131	0	4,795	3	
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>									
Local Education Group	6-30-08	7-1-07	0	2,296	2,296	0	18,191	13	
"	6-30-09	7-1-07	0	1,979	1,979	0	17,931	11	

\*Data only available for two years.

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2009**

**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 Lincoln County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$54,004. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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Exhibit G-1

Lincoln County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Solid Waste / Sanitation</u>	<u>Drug Control</u>	<u>District Attorney General</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,178,840	\$ 107,092	\$ 57,994	\$ 1,343,926
Accounts Receivable	376	0	0	376
Due from Other Governments	124,088	0	0	124,088
Due from Other Funds	51	0	0	51
Total Assets	<u>\$ 1,303,355</u>	<u>\$ 107,092</u>	<u>\$ 57,994</u>	<u>\$ 1,468,441</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 41,749	\$ 372	\$ 0	\$ 42,121
Accrued Payroll	1,357	0	0	1,357
Due to Other Funds	0	3,435	0	3,435
Other Deferred Revenues	121,677	0	0	121,677
Total Liabilities	<u>\$ 164,783</u>	<u>\$ 3,807</u>	<u>\$ 0</u>	<u>\$ 168,590</u>
<u>Fund Balances</u>				
Unreserved	\$ 1,138,572	\$ 103,285	\$ 57,994	\$ 1,299,851
Total Fund Balances	<u>\$ 1,138,572</u>	<u>\$ 103,285</u>	<u>\$ 57,994</u>	<u>\$ 1,299,851</u>
Total Liabilities and Fund Balances	<u>\$ 1,303,355</u>	<u>\$ 107,092</u>	<u>\$ 57,994</u>	<u>\$ 1,468,441</u>

Exhibit G-2

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2009

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 40,830	\$ 13,379	\$ 0	\$ 0	\$ 54,209
Charges for Current Services	656,621	0	0	2,734	0	659,355
Other Local Revenues	7,633	0	0	0	0	7,633
State of Tennessee	25,743	0	0	0	0	25,743
Total Revenues	\$ 689,997	\$ 40,830	\$ 13,379	\$ 2,734	\$ 0	\$ 746,940
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 179	\$ 0	\$ 179
Administration of Justice	0	0	8,295	2,555	0	10,850
Public Safety	0	26,181	0	0	0	26,181
Public Health and Welfare	613,546	0	0	0	0	613,546
Total Expenditures	\$ 613,546	\$ 26,181	\$ 8,295	\$ 2,734	\$ 0	\$ 650,756
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,451	\$ 14,649	\$ 5,084	\$ 0	\$ 0	\$ 96,184
Net Change in Fund Balances	\$ 76,451	\$ 14,649	\$ 5,084	\$ 0	\$ 0	\$ 96,184
Fund Balance, July 1, 2008	1,062,121	88,636	52,910	0	0	1,203,667
Fund Balance, June 30, 2009	\$ 1,138,572	\$ 103,285	\$ 57,994	\$ 0	\$ 0	\$ 1,299,851

Exhibit G-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 656,621	\$ 0	\$ 656,621	\$ 706,000	\$ 706,000	\$ (49,379)
Other Local Revenues	7,633	0	7,633	3,600	3,600	4,033
State of Tennessee	25,743	0	25,743	32,900	32,900	(7,157)
Total Revenues	\$ 689,997	\$ 0	\$ 689,997	\$ 742,500	\$ 742,500	\$ (52,503)
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 20,000	\$ 0	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Convenience Centers	130,381	0	130,381	238,768	238,768	108,387
Other Waste Disposal	433,849	0	433,849	475,628	475,628	41,779
Postclosure Care Costs	29,316	(20,000)	9,316	50,000	50,000	40,684
Total Expenditures	\$ 613,546	\$ (20,000)	\$ 593,546	\$ 784,396	\$ 784,396	\$ 190,850
Excess (Deficiency) of Revenues Over Expenditures	\$ 76,451	\$ 20,000	\$ 96,451	\$ (41,896)	\$ (41,896)	\$ 138,347
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 76,451	\$ 20,000	\$ 96,451	\$ (41,896)	\$ (41,896)	\$ 138,347
	1,062,121	(20,000)	1,042,121	1,034,340	1,034,340	7,781
Fund Balance, June 30, 2009	\$ 1,138,572	\$ 0	\$ 1,138,572	\$ 992,444	\$ 992,444	\$ 146,128

Exhibit G-4

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 40,830	\$ 14,200	\$ 14,200	\$ 26,630
Total Revenues	\$ 40,830	\$ 14,200	\$ 14,200	\$ 26,630
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 26,181	\$ 34,550	\$ 34,550	\$ 8,369
Total Expenditures	\$ 26,181	\$ 34,550	\$ 34,550	\$ 8,369
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,649	\$ (20,350)	\$ (20,350)	\$ 34,999
Net Change in Fund Balance	\$ 14,649	\$ (20,350)	\$ (20,350)	\$ 34,999
Fund Balance, July 1, 2008	88,636	67,196	67,196	21,440
Fund Balance, June 30, 2009	\$ 103,285	\$ 46,846	\$ 46,846	\$ 56,439

# **Major Governmental Fund**

## **General Debt Service Fund**

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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

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,928,637	\$ 2,864,780	\$ 2,864,780	\$ 63,857
Other Local Revenues	3,418	4,800	4,800	(1,382)
Total Revenues	<u>\$ 2,932,055</u>	<u>\$ 2,869,580</u>	<u>\$ 2,869,580</u>	<u>\$ 62,475</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 412,005	\$ 0	\$ 412,005	\$ 0
Education	1,392,995	1,805,000	1,392,995	0
<u>Interest on Debt</u>				
General Government	76,180	0	76,180	0
Education	817,468	893,650	817,470	2
<u>Other Debt Service</u>				
General Government	21,568	25,000	25,000	3,432
Education	621	0	1,000	379
Total Expenditures	<u>\$ 2,720,837</u>	<u>\$ 2,723,650</u>	<u>\$ 2,724,650</u>	<u>\$ 3,813</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 211,218</u>	<u>\$ 145,930</u>	<u>\$ 144,930</u>	<u>\$ 66,288</u>
Net Change in Fund Balance	\$ 211,218	\$ 145,930	\$ 144,930	\$ 66,288
Fund Balance, July 1, 2008	<u>2,934,947</u>	<u>2,918,677</u>	<u>2,918,677</u>	<u>16,270</u>
Fund Balance, June 30, 2009	<u>\$ 3,146,165</u>	<u>\$ 3,064,607</u>	<u>\$ 3,063,607</u>	<u>\$ 82,558</u>

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# Fiduciary Funds

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

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

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

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

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

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Exhibit I-1

Lincoln County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	Agency Funds					Total
	Cities - Sales Tax	School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,688	\$ 1,888,678	\$ 1,890,366	
Equity in Pooled Cash and Investments	0	64,780	186,640	0	251,420	
Accounts Receivable	0	0	0	1,323	1,323	
Due from Other Governments	285,180	147,093	15,733	0	448,006	
Property Taxes Receivable	0	924,615	0	0	924,615	
Allowance for Uncollectible Property Taxes	0	(24,313)	0	0	(24,313)	
Total Assets	\$ 285,180	\$ 1,112,175	\$ 204,061	\$ 1,890,001	\$ 3,491,417	
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 4,128	\$ 0	\$ 4,128	
Accrued Payroll	0	0	542	0	542	
Due to Other Taxing Units	285,180	1,112,175	0	0	1,397,355	
Due to Litigants, Heirs, and Others	0	0	0	1,890,001	1,890,001	
Due to Joint Ventures	0	0	199,391	0	199,391	
Total Liabilities	\$ 285,180	\$ 1,112,175	\$ 204,061	\$ 1,890,001	\$ 3,491,417	

Exhibit I-2

Lincoln County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,698,640	\$ 1,698,640	\$ 0
Due from Other Governments	295,168	285,180	295,168	285,180
Total Assets	\$ 295,168	\$ 1,983,820	\$ 1,993,808	\$ 285,180
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 295,168	\$ 1,983,820	\$ 1,993,808	\$ 285,180
Total Liabilities	\$ 295,168	\$ 1,983,820	\$ 1,993,808	\$ 285,180
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Cash	\$ 5,296	\$ 0	\$ 5,296	\$ 0
Equity in Pooled Cash and Investments	62,417	1,570,521	1,568,158	64,780
Due from Other Governments	146,731	147,093	146,731	147,093
Property Taxes Receivable	889,668	924,615	889,668	924,615
Allowance for Uncollectible Property Taxes	(20,961)	(24,313)	(20,961)	(24,313)
Total Assets	\$ 1,083,151	\$ 2,617,916	\$ 2,588,892	\$ 1,112,175
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,015,573	\$ 2,617,916	\$ 2,521,314	\$ 1,112,175
Other Deferred Revenue	67,578	0	67,578	0
Total Liabilities	\$ 1,083,151	\$ 2,617,916	\$ 2,588,892	\$ 1,112,175
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 791	\$ 1,688	\$ 791	\$ 1,688
Equity in Pooled Cash and Investments	276,213	202,293	291,866	186,640
Accounts Receivable	2,000	0	2,000	0
Due from Other Governments	12,026	15,733	12,026	15,733
Total Assets	\$ 291,030	\$ 219,714	\$ 306,683	\$ 204,061
<u>Liabilities</u>				
Accounts Payable	\$ 11,036	\$ 4,128	\$ 11,036	\$ 4,128
Accrued Payroll	0	542	0	542
Due to Joint Ventures	279,994	215,044	295,647	199,391
Total Liabilities	\$ 291,030	\$ 219,714	\$ 306,683	\$ 204,061

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,120,609	\$ 8,242,296	\$ 8,474,227	\$ 1,888,678
Accounts Receivable	988	1,323	988	1,323
Total Assets	<u>\$ 2,121,597</u>	<u>\$ 8,243,619</u>	<u>\$ 8,475,215</u>	<u>\$ 1,890,001</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 2,121,597</u>	<u>\$ 8,243,619</u>	<u>\$ 8,475,215</u>	<u>\$ 1,890,001</u>
Total Liabilities	<u>\$ 2,121,597</u>	<u>\$ 8,243,619</u>	<u>\$ 8,475,215</u>	<u>\$ 1,890,001</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,126,696	\$ 8,243,984	\$ 8,480,314	\$ 1,890,366
Equity in Pooled Cash and Investments	338,630	3,471,454	3,558,664	251,420
Account Receivable	2,988	1,323	2,988	1,323
Due from Other Governments	453,925	448,006	453,925	448,006
Property Taxes Receivable	889,668	924,615	889,668	924,615
Allowance for Uncollectible Property Taxes	(20,961)	(24,313)	(20,961)	(24,313)
Total Assets	<u>\$ 3,790,946</u>	<u>\$ 13,065,069</u>	<u>\$ 13,364,598</u>	<u>\$ 3,491,417</u>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 11,036	\$ 4,128	\$ 11,036	\$ 4,128
Accrued Payroll	0	542	0	542
Due to Other Taxing Units	1,310,741	4,601,736	4,515,122	1,397,355
Due to Litigants, Heirs, and Others	2,121,597	8,243,619	8,475,215	1,890,001
Due to Joint Ventures	279,994	215,044	295,647	199,391
Other Deferred Revenue	67,578	0	67,578	0
Total Liabilities	<u>\$ 3,790,946</u>	<u>\$ 13,065,069</u>	<u>\$ 13,364,598</u>	<u>\$ 3,491,417</u>

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# Lincoln County School Department

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

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

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

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

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

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Exhibit J-1

Lincoln County, Tennessee  
Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 17,529,449	\$ 0	\$ 2,047,702	\$ (15,481,747)
Support Services	8,110,231	37,228	492,265	(7,580,738)
Operation of Non-Instructional Services	4,744,194	1,057,016	1,638,556	(2,048,622)
Total Governmental Activities	\$ 30,383,874	\$ 1,094,244	\$ 4,178,523	\$ (25,111,107)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$	3,807,301
Local Option Sales Tax				2,718,984
Wholesale Beer Tax				108,124
Other Local Taxes				2,781
Grants and Contributions Not Restricted to Specific Programs				18,426,499
Unrestricted Investment Earnings				1,472
Miscellaneous				47,717
Total General Revenues				\$ 25,112,878
Change in Net Assets				\$ 1,771
Net Assets, July 1, 2008				30,644,773
Net Assets, June 30, 2009				\$ 30,646,544

Exhibit J-2

Lincoln County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2009

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,000	\$ 1,000
Equity in Pooled Cash and Investments	3,540,691	414,913	3,955,604
Accounts Receivable	9,335	14,876	24,211
Due from Other Governments	1,286,457	895	1,287,352
Due from Other Funds	2,491	0	2,491
Due from Primary Government	9,578	0	9,578
Property Taxes Receivable	3,969,702	0	3,969,702
Allowance for Uncollectible Property Taxes	(104,384)	0	(104,384)
Prepaid Items	674,765	0	674,765
Total Assets	<u>\$ 9,388,635</u>	<u>\$ 431,684</u>	<u>\$ 9,820,319</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 35,580	\$ 15,871	\$ 51,451
Accrued Payroll	811,524	104,241	915,765
Due to Other Funds	0	2,491	2,491
Deferred Revenue - Current Property Taxes	3,769,280	0	3,769,280
Deferred Revenue - Delinquent Property Taxes	84,528	0	84,528
Other Deferred Revenues	630,668	0	630,668
Total Liabilities	<u>\$ 5,331,580</u>	<u>\$ 122,603</u>	<u>\$ 5,454,183</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 253,156	\$ 6,799	\$ 259,955
Reserved for Unemployment Compensation	23,951	0	23,951
Reserved for Driver Education	42,439	0	42,439
Reserved for Career Ladder - Extended Contract	1,893	0	1,893
Reserved for Career Ladder Program	8,147	0	8,147
Reserved for Title I Grants to Local Education Agencies	0	2,798	2,798
Reserved for Innovative Education Program Strategies	0	2	2
Reserved for Special Education - Grants to States	0	6,542	6,542
Other Federal Reserves	0	2,107	2,107
Unreserved, Reported In:			
General Fund	3,727,469	0	3,727,469
Special Revenue Funds	0	290,833	290,833
Total Fund Balances	<u>\$ 4,057,055</u>	<u>\$ 309,081</u>	<u>\$ 4,366,136</u>
Total Liabilities and Fund Balances	<u>\$ 9,388,635</u>	<u>\$ 431,684</u>	<u>\$ 9,820,319</u>

Exhibit J-3

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Lincoln County School Department  
June 30, 2009

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)		\$	4,366,136
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	895,247	
Add: building and improvements net of accumulated depreciation		23,044,203	
Add: other capital assets net of accumulated depreciation		<u>1,940,915</u>	25,880,365
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability	\$	(278,537)	
Less: compensated absences payable		<u>(36,616)</u>	(315,153)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>715,196</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>30,646,544</u></u>

Exhibit J-4

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 6,629,043	\$ 0	\$ 6,629,043
Licenses and Permits	2,466	0	2,466
Charges for Current Services	58,371	1,035,873	1,094,244
Other Local Revenues	145,104	216,493	361,597
State of Tennessee	19,287,870	0	19,287,870
Federal Government	264,677	2,877,902	3,142,579
Other Governments and Citizens Groups	9,578	0	9,578
Total Revenues	<u>\$ 26,397,109</u>	<u>\$ 4,130,268</u>	<u>\$ 30,527,377</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 15,859,113	\$ 1,224,230	\$ 17,083,343
Support Services	7,821,504	577,834	8,399,338
Operation of Non-Instructional Services	1,200,362	2,107,795	3,308,157
Capital Outlay	287,734	0	287,734
Total Expenditures	<u>\$ 25,168,713</u>	<u>\$ 3,909,859</u>	<u>\$ 29,078,572</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,228,396</u>	<u>\$ 220,409</u>	<u>\$ 1,448,805</u>
Net Change in Fund Balances	\$ 1,228,396	\$ 220,409	\$ 1,448,805
Fund Balance, July 1, 2008	2,828,659	88,672	2,917,331
Fund Balance, June 30, 2009	<u>\$ 4,057,055</u>	<u>\$ 309,081</u>	<u>\$ 4,366,136</u>

Exhibit J-5

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

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)		\$ 1,448,805
(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	\$ 484,217	
Less: current year depreciation expense	<u>(1,496,446)</u>	(1,012,229)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.		(2,040)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 715,196	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(1,007,826)</u>	(292,630)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ 1,423	
Change in other postemployment benefits liability	<u>(141,558)</u>	<u>(140,135)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,771</u>

Exhibit J-6

Lincoln County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,000	\$ 0	\$ 1,000
Equity in Pooled Cash and Investments	83,324	240,759	90,830	414,913
Accounts Receivable	1,718	1,301	11,857	14,876
Due from Other Governments	0	895	0	895
<b>Total Assets</b>	<b>\$ 85,042</b>	<b>\$ 243,955</b>	<b>\$ 102,687</b>	<b>\$ 431,684</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 5,857	\$ 2,126	\$ 7,888	\$ 15,871
Accrued Payroll	65,245	38,996	0	104,241
Due to Other Funds	2,491	0	0	2,491
<b>Total Liabilities</b>	<b>\$ 73,593</b>	<b>\$ 41,122</b>	<b>\$ 7,888</b>	<b>\$ 122,603</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 5,924	\$ 875	\$ 6,799
Reserved for Title I Grants to Local Education Agencies	2,798	0	0	2,798
Reserved for Innovative Education Program Strategies	2	0	0	2
Reserved for Special Education - Grants to States	6,542	0	0	6,542
Other Federal Reserves	2,107	0	0	2,107
Unreserved	0	196,909	93,924	290,833
<b>Total Fund Balances</b>	<b>\$ 11,449</b>	<b>\$ 202,833</b>	<b>\$ 94,799</b>	<b>\$ 309,081</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 85,042</b>	<b>\$ 243,955</b>	<b>\$ 102,687</b>	<b>\$ 431,684</b>

Exhibit J-7

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 908,505	\$ 127,368	\$ 1,035,873
Other Local Revenues	0	216,493	0	216,493
Federal Government	1,807,401	1,070,501	0	2,877,902
<b>Total Revenues</b>	<b>\$ 1,807,401</b>	<b>\$ 2,195,499</b>	<b>\$ 127,368</b>	<b>\$ 4,130,268</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 1,224,230	\$ 0	\$ 0	\$ 1,224,230
Support Services	577,834	0	0	577,834
Operation of Non-Instructional Services	0	1,992,666	115,129	2,107,795
<b>Total Expenditures</b>	<b>\$ 1,802,064</b>	<b>\$ 1,992,666</b>	<b>\$ 115,129</b>	<b>\$ 3,909,859</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,337	\$ 202,833	\$ 12,239	\$ 220,409
Net Change in Fund Balances	\$ 5,337	\$ 202,833	\$ 12,239	\$ 220,409
Fund Balance, July 1, 2008	6,112	0	82,560	88,672
<b>Fund Balance, June 30, 2009</b>	<b>\$ 11,449</b>	<b>\$ 202,833</b>	<b>\$ 94,799</b>	<b>\$ 309,081</b>

Exhibit J-8

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,629,043	\$ 0	\$ 0	\$ 6,629,043	\$ 6,410,178	\$ 6,410,178	\$ 218,865
Licenses and Permits	2,466	0	0	2,466	2,125	2,125	341
Charges for Current Services	58,371	0	0	58,371	100,338	100,338	(41,967)
Other Local Revenues	145,104	0	0	145,104	1,000	109,000	36,104
State of Tennessee	19,287,870	0	0	19,287,870	17,373,653	18,812,719	475,151
Federal Government	264,677	0	0	264,677	0	355,828	(91,151)
Other Governments and Citizens Groups	9,578	0	0	9,578	10,000	10,000	(422)
Total Revenues	\$ 26,397,109	\$ 0	\$ 0	\$ 26,397,109	\$ 23,897,294	\$ 25,800,188	\$ 596,921
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,432,834	(129,457)	167,325	\$ 12,470,702	\$ 12,506,147	\$ 12,909,254	\$ 438,552
Alternative Instruction Program	193,666	0	0	193,666	200,029	200,029	6,363
Special Education Program	2,117,951	(1,315)	0	2,116,636	2,221,090	2,221,090	104,454
Vocational Education Program	1,068,265	(378)	0	1,067,887	1,077,672	1,093,749	25,862
Student Body Education Program	46,397	0	0	46,397	101,338	101,338	54,941
<u>Support Services</u>							
Attendance	119,560	0	0	119,560	117,972	121,972	2,412
Health Services	225,011	0	0	225,011	230,136	230,136	5,125
Other Student Support	1,002,308	(41,986)	4,068	964,390	604,919	1,032,279	67,889
Regular Instruction Program	735,959	(200)	0	735,759	798,673	798,773	63,014
Special Education Program	79,494	(902)	0	78,592	82,271	82,271	3,679
Vocational Education Program	97,455	0	0	97,455	98,318	98,318	863
Other Programs	86,458	0	0	86,458	0	86,458	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 581,581	\$ (1,742)	\$ 0	\$ 579,839	\$ 622,591	\$ 622,591	\$ 42,752
Director of Schools	217,523	(239)	0	217,284	237,981	237,981	20,697
Office of the Principal	1,077,914	0	0	1,077,914	1,084,541	1,093,541	15,627
Operation of Plant	1,773,768	(710)	810	1,773,868	2,060,428	2,116,514	342,646
Maintenance of Plant	500,107	(4,591)	22,133	517,649	549,837	549,937	32,288
Transportation	1,324,366	(395)	12,399	1,336,370	1,586,314	1,536,728	200,358
<u>Operation of Non-Instructional Services</u>							
Food Service	95,131	(69)	0	95,062	96,100	96,100	1,038
Community Services	478,535	(38,436)	1,563	441,662	10,000	476,900	35,238
Early Childhood Education	626,696	(21,701)	333	605,328	0	646,764	41,436
<u>Capital Outlay</u>							
Regular Capital Outlay	287,734	(126,417)	44,525	205,842	150,000	208,500	2,658
Total Expenditures	\$ 25,168,713	\$ (368,538)	\$ 253,156	\$ 25,053,331	\$ 24,436,357	\$ 26,561,223	\$ 1,507,892
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,228,396	\$ 368,538	\$ (253,156)	\$ 1,343,778	\$ (539,063)	\$ (761,035)	\$ 2,104,813
Net Change in Fund Balance	\$ 1,228,396	\$ 368,538	\$ (253,156)	\$ 1,343,778	\$ (539,063)	\$ (761,035)	\$ 2,104,813
Fund Balance, July 1, 2008	2,828,659	(368,538)	0	2,460,121	1,700,371	1,700,371	759,750
Fund Balance, June 30, 2009	\$ 4,057,055	\$ 0	\$ (253,156)	\$ 3,803,899	\$ 1,161,308	\$ 939,336	\$ 2,864,563

Exhibit J-9

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,807,401	0	\$ 1,807,401	\$ 2,125,288	\$ 2,116,031	\$ (308,630)
Total Revenues	\$ 1,807,401	0	\$ 1,807,401	\$ 2,125,288	\$ 2,116,031	\$ (308,630)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 545,842	0	\$ 545,842	\$ 677,376	\$ 697,643	\$ 151,801
Alternative Instruction Program	25,471	0	25,471	31,450	31,450	5,979
Special Education Program	587,061	0	587,061	663,499	659,083	72,022
Vocational Education Program	65,856	0	65,856	65,856	65,856	0
<u>Support Services</u>						
Health Services	31,445	0	31,445	33,674	36,719	5,274
Other Student Support	176,786	0	176,786	203,787	202,040	25,254
Regular Instruction Program	173,876	(130)	173,746	236,608	213,429	39,683
Special Education Program	103,456	0	103,456	119,053	127,638	24,182
Vocational Education Program	1,864	0	1,864	2,000	2,000	136
Maintenance of Plant	0	0	0	4,795	0	0
Transportation	90,407	0	90,407	93,068	101,283	10,876
Total Expenditures	\$ 1,802,064	(130)	\$ 1,801,934	\$ 2,131,166	\$ 2,137,141	\$ 335,207
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,337	130	\$ 5,467	\$ (5,878)	\$ (21,110)	\$ 26,577
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	0	\$ 0	\$ 167,898	\$ 152,263	\$ (152,263)

(Continued)

Exhibit J-9

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ 0 \$	0 \$	0 \$	(167,998) \$	(152,263) \$	152,263
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	(100) \$	0 \$	0
Net Change in Fund Balance	\$ 5,337 \$	130 \$	5,467 \$	(5,978) \$	(21,110) \$	26,577
Fund Balance, July 1, 2008	6,112	(130)	5,982	5,978	21,110	(15,128)
Fund Balance, June 30, 2009	\$ 11,449 \$	0 \$	11,449 \$	0 \$	0 \$	11,449

Exhibit J-10

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 908,505	0	\$ 908,505	\$ 1,042,676	\$ 1,042,676	\$ (134,171)
Other Local Revenues	216,493	0	216,493	17,337	17,337	199,156
Federal Government	1,070,501	0	1,070,501	1,009,951	1,009,951	60,550
Total Revenues	\$ 2,195,499	\$ 0	\$ 2,195,499	\$ 2,069,964	\$ 2,069,964	\$ 125,535
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,992,666	5,924	\$ 1,998,590	\$ 2,144,912	\$ 2,167,105	\$ 168,515
Total Expenditures	\$ 1,992,666	5,924	\$ 1,998,590	\$ 2,144,912	\$ 2,167,105	\$ 168,515
<u>Excess (Deficiency) of Revenues Over Expenditures</u>						
	\$ 202,833	(5,924)	\$ 196,909	\$ (74,948)	\$ (97,141)	\$ 294,050
<u>Net Change in Fund Balance</u>						
Fund Balance, July 1, 2008	\$ 202,833	(5,924)	\$ 196,909	\$ (74,948)	\$ (97,141)	\$ 294,050
	0	0	0	296,328	296,328	(296,328)
Fund Balance, June 30, 2009	\$ 202,833	(5,924)	\$ 196,909	\$ 221,380	\$ 199,187	\$ (2,278)

Exhibit J-11

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
Extended School Program Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 127,368 \$	0 \$	127,368 \$	112,340 \$	157,340 \$	(29,972)
Total Revenues	\$ 127,368 \$	0 \$	127,368 \$	112,340 \$	157,340 \$	(29,972)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Community Services	\$ 115,129 \$	875 \$	116,004 \$	112,340 \$	157,340 \$	41,336
Total Expenditures	\$ 115,129 \$	875 \$	116,004 \$	112,340 \$	157,340 \$	41,336
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,239 \$	(875) \$	11,364 \$	0 \$	0 \$	11,364
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 12,239 \$ 82,560	(875) \$ 0	11,364 \$ 82,560	0 \$ 44,013	0 \$ 44,013	11,364 38,547
Fund Balance, June 30, 2009	\$ 94,799 \$	(875) \$	93,924 \$	44,013 \$	44,013 \$	49,911

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Lincoln County, Tennessee  
Schedule of Changes in Long-term Bonds  
For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Paid and/or Matured During Period	Outstanding 6-30-09
<b>BONDS PAYABLE</b>							
<u>Payable through General Debt Service Fund</u>							
General Obligation School Refunding	\$ 14,765,000	4 to 5.25 %	8-1-01	4-1-21	\$ 13,570,000	\$ 670,000	\$ 12,900,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	5,340,000	1,135,000	4,205,000
Total Bonds Payable					\$ 18,910,000	\$ 1,805,000	\$ 17,105,000

Exhibit K-2

Lincoln County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 1,480,000	\$ 821,574	\$ 2,301,574
2011	960,000	761,493	1,721,493
2012	1,040,000	721,156	1,761,156
2013	1,120,000	676,835	1,796,835
2014	1,110,000	621,665	1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017	1,965,000	383,645	2,348,645
2018	1,775,000	284,706	2,059,706
2019	1,730,000	195,941	1,925,941
2020	1,400,000	109,736	1,509,736
2021	875,000	40,988	915,988
Total	\$ 17,105,000	\$ 5,661,897	\$ 22,766,897

Exhibit K-3

Lincoln County, Tennessee  
Schedule of Notes Receivable  
June 30, 2009

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance
<u>Lincoln County Health System Fund</u>						
Advances to Physicians	Physicians	\$ Varies	Varies	Varies	Varies	\$ 74,405
<u>Lincoln County Board of Public Utilities</u>						
Sale of Water Lines	Metropolitan Lynchburg/Moore County	125,000	7-27-04	7-27-11	4 %	<u>41,667</u>
Total Notes Receivable						<u>\$ 116,072</u>

Exhibit K-4

Lincoln County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	67,927	100,000	"
Director of Schools	State Board of Education and Local Board of Education	95,918 (1)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	61,751	1,750,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Judge	61,751 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	61,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (3)	25,000	"
Director of Finance	County Commission	61,751	50,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - School Departments			150,000	Tennessee Risk Management Trust

- (1) Includes chief executive officer training supplement of \$1,000. Does not include a travel allowance of \$400 per month and a one time bonus of \$450 for certified employees.
- (2) Does not include special commissioner fees of \$2,555.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit K-5

Lincoln County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2009

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works		
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 3,182,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 420,383	\$ 860,788	\$ 4,464,074
Trustee's Collections - Prior Year	84,707	0	0	0	0	11,249	23,166	119,122
Trustee's Collections - Bankruptcy	2,894	0	0	0	0	382	782	4,058
Circuit/Clerk & Master Collections - Prior Years	50,521	0	0	0	0	6,673	13,663	70,857
Interest and Penalty	20,043	0	0	0	0	2,710	5,678	28,431
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0	0	2,733
Payments in-Lieu-of Taxes - Local Utilities	174,716	0	0	0	0	0	0	174,716
Payments in-Lieu-of Taxes - Other	275,703	0	0	0	0	0	0	275,703
<u>County Local Option Taxes</u>								
Local Option Sales Tax	0	0	0	0	0	0	1,651,960	1,651,960
Hotel/Motel Tax	61,449	0	0	0	0	0	0	61,449
Wheel Tax	0	0	0	0	0	369,699	369,699	739,398
Litigation Tax - General	92,065	0	0	0	0	0	92,065	92,065
Litigation Tax - Special Purpose	76,170	0	0	0	0	0	0	76,170
Litigation Tax - Jail, Workhouse, or Courthouse	70,292	0	0	0	0	0	0	70,292
Litigation Tax - Courtroom Security	52,213	0	0	0	0	0	0	52,213
Business Tax	272,582	0	0	0	0	0	0	272,582
Mineral Severance Tax	0	0	0	0	0	110,053	0	110,053
<u>Statutory Local Taxes</u>								
Bank Excise Tax	117,241	0	0	0	0	0	0	117,241
Interstate Telecommunications Tax	0	0	0	0	0	0	2,901	2,901
<u>Total Local Taxes</u>	\$ 4,536,232	\$ 0	\$ 0	\$ 0	\$ 0	\$ 921,149	\$ 2,928,637	\$ 8,386,018
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 73,074	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,074
<u>Permits</u>								
Other Permits	3,435	0	0	0	0	0	0	3,435
<u>Total Licenses and Permits</u>	\$ 76,509	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,509

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 549	
Officers Costs	3,829	0	0	0	0	0	0	3,829	
Drug Control Fines	3,699	0	3,575	0	0	0	0	7,274	
Jail Fees	2,863	0	0	0	0	0	0	2,863	
District Attorney General Fees	0	0	0	7,287	0	0	0	7,287	
DUI Treatment Fines	380	0	0	0	0	0	0	380	
Data Entry Fee - Circuit Court	625	0	0	0	0	0	0	625	
Courtroom Security Fee	477	0	0	0	0	0	0	477	
<u>General Sessions Court</u>									
Fines	25,090	0	0	0	0	0	0	25,090	
Officers Costs	55,485	0	0	0	0	0	0	55,485	
Game and Fish Fines	2,504	0	0	0	0	0	0	2,504	
Drug Control Fines	4,785	0	28,873	0	0	0	0	33,658	
Jail Fees	47,713	0	0	0	0	0	0	47,713	
Judicial Commissioner Fees	4,227	0	0	0	0	0	0	4,227	
DUI Treatment Fines	9,082	0	0	0	0	0	0	9,082	
Data Entry Fee - General Sessions Court	8,023	0	0	0	0	0	0	8,023	
Courtroom Security Fee	5,467	0	0	0	0	0	0	5,467	
<u>Juvenile Court</u>									
Fines	150	0	0	0	0	0	0	150	
Officers Costs	62	0	0	0	0	0	0	62	
<u>Chancery Court</u>									
Officers Costs	2,894	0	0	0	0	0	0	2,894	
Data Entry Fee - Chancery Court	1,849	0	0	0	0	0	0	1,849	
Courtroom Security Fee	32	0	0	0	0	0	0	32	
<u>Other Courts - In-county</u>									
Fines	27,858	0	0	0	0	0	0	27,858	
<u>Courts in Other District Counties</u>									
District Attorney General Fees	0	0	0	6,092	0	0	0	6,092	

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	\$ 0	\$ 0	\$ 8,382	\$ 0	\$ 0	\$ 0	\$ 8,382	
Total Fines, Forfeitures, and Penalties	\$ 207,643	\$ 0	\$ 40,830	\$ 13,379	\$ 0	\$ 0	\$ 261,852	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 17,243	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,243	
Residential Waste Collection Charge	0	639,378	0	0	0	0	639,378	
Patient Charges	3,241	0	0	0	0	0	3,241	
<u>Fees</u>								
Copy Fees	632	0	0	0	0	0	632	
Telephone Commissions	16,097	0	0	0	0	0	16,097	
Vending Machine Collections	74	0	0	0	0	0	74	
Constitutional Officers' Fees and Commissions	0	0	0	0	179	0	179	
Special Commissioner Fees/Special Master Fees	0	0	0	0	2,555	0	2,555	
Data Processing Fee - Register	12,568	0	0	0	0	0	12,568	
Data Processing Fee - Sheriff	5,659	0	0	0	0	0	5,659	
Sexual Offender Registration Fees - Sheriff	2,500	0	0	0	0	0	2,500	
Data Processing Fee - County Clerk	2,544	0	0	0	0	0	2,544	
<u>Other Charges for Services</u>								
Other Charges for Services	1,763	0	0	0	0	0	1,763	
Total Charges for Current Services	\$ 45,078	\$ 656,621	\$ 0	\$ 2,734	\$ 0	\$ 0	\$ 704,433	
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 367,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 367,058	
Lease/Rentals	116,148	0	0	0	0	3,418	119,566	
Sale of Materials and Supplies	0	948	0	0	2,871	0	3,819	
Commissary Sales	1,615	0	0	0	0	0	1,615	
Miscellaneous Refunds	15,293	6,685	0	0	8	0	21,986	

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Other Local Revenues (Cont.)</u>									
<u>Nonrecurring Items</u>									
Sale of Equipment	33	0	0	0	0	0	0	0	33
Sale of Property	3,708	0	0	0	0	0	0	0	3,708
Total Other Local Revenues	\$ 503,855	\$ 7,633	\$ 0	\$ 0	\$ 0	\$ 2,879	\$ 3,418	\$ 0	\$ 517,785
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	355,338	0	0	0	0	0	0	0	355,338
Circuit Court Clerk	103,858	0	0	0	0	0	0	0	103,858
General Sessions Court Clerk	241,888	0	0	0	0	0	0	0	241,888
Clerk and Master	118,422	0	0	0	0	0	0	0	118,422
Register	150,867	0	0	0	0	0	0	0	150,867
Sheriff	7,125	0	0	0	0	0	0	0	7,125
Trustee	294,005	0	0	0	0	0	0	0	294,005
Total Fees Received from County Officials	\$ 1,271,503	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,271,503
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	11,250	0	0	0	0	0	0	0	11,250
State Reappraisal Grant	11,337	0	0	0	0	0	0	0	11,337
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	13,800	0	0	0	0	0	0	0	13,800
Health and Welfare Grants	334,970	0	0	0	0	0	0	0	334,970
<u>Health Department Programs</u>									
Public Works Grants	0	0	0	0	0	238,243	0	0	238,243
Bridge Program	28,063	0	0	0	0	0	0	0	28,063
Litter Program	55,822	0	0	0	0	0	0	0	55,822
<u>Other State Revenues</u>									
Alcoholic Beverage Tax	639,139	0	0	0	0	0	0	0	639,139
State Revenue Sharing - T.V.A.	516,075	0	0	0	0	0	0	0	516,075
Contracted Prisoner Boarding									

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,808,997	\$ 0	\$ 1,808,997	
Petroleum Special Tax	0	0	0	0	0	25,169	0	25,169	
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	14,912	
State Shared Sales Tax - Cities	275	0	0	0	0	0	0	275	
Other State Grants	11,494	25,743	0	0	0	0	0	37,237	
Other State Revenues	368,170	0	0	0	0	0	0	368,170	
Total State of Tennessee	\$ 2,005,307	\$ 25,743	\$ 0	\$ 0	\$ 0	\$ 2,072,409	\$ 0	\$ 4,103,459	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 86,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,130	
Other Federal through State	909,624	0	0	0	0	17,568	0	927,192	
Direct Federal Revenue	16,242	0	0	0	0	0	0	16,242	
Other Direct Federal Revenue	\$ 1,011,996	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,568	\$ 0	\$ 1,029,564	
Total Federal Government									
<u>Other Governments and Citizens Groups</u>									
<u>Citizens Groups</u>									
Donations	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25	
Total Other Governments and Citizens Groups	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25	
Total	\$ 9,658,148	\$ 689,997	\$ 40,830	\$ 13,379	\$ 2,734	\$ 3,014,005	\$ 2,932,055	\$ 16,351,148	

Exhibit K-6

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,620,698	\$ 0	\$ 0	\$ 0	\$ 3,620,698
Trustee's Collections - Prior Year	97,206	0	0	0	97,206
Trustee's Collections - Bankruptcy	3,296	0	0	0	3,296
Circuit/Clerk & Master Collections - Prior Years	57,470	0	0	0	57,470
Interest and Penalty	23,313	0	0	0	23,313
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,715,842	0	0	0	2,715,842
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	108,124	0	0	0	108,124
Interstate Telecommunications Tax	3,094	0	0	0	3,094
<b>Total Local Taxes</b>	<b>\$ 6,629,043</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,629,043</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,466	\$ 0	\$ 0	\$ 0	\$ 2,466
<b>Total Licenses and Permits</b>	<b>\$ 2,466</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,466</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 530,897	\$ 0	\$ 530,897
Lunch Payments - Adults	0	0	69,460	0	69,460
Income from Breakfast	0	0	159,578	0	159,578
Special Milk Sales	0	0	7,345	0	7,345
A la carte Sales	0	0	141,225	0	141,225
Receipts from Individual Schools	37,228	0	0	0	37,228
Community Service Fees - Children	59	0	0	127,368	127,427
<u>Other Charges for Services</u>					
Other Charges for Services	21,084	0	0	0	21,084
<b>Total Charges for Current Services</b>	<b>\$ 58,371</b>	<b>\$ 0</b>	<b>\$ 908,505</b>	<b>\$ 127,368</b>	<b>\$ 1,094,244</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 1,472	\$ 0	\$ 1,472
Refund of Telecommunication & Internet Fees (E-Rate)	15,836	0	0	0	15,836
Miscellaneous Refunds	19,008	0	215,021	0	234,029
<u>Nonrecurring Items</u>					
Sale of Equipment	10,260	0	0	0	10,260
Contributions and Gifts	100,000	0	0	0	100,000
<b>Total Other Local Revenues</b>	<b>\$ 145,104</b>	<b>\$ 0</b>	<b>\$ 216,493</b>	<b>\$ 0</b>	<b>\$ 361,597</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 86,458	\$ 0	\$ 0	\$ 0	\$ 86,458
<u>State Education Funds</u>					
Basic Education Program	17,149,000	0	0	0	17,149,000
Early Childhood Education	831,728	0	0	0	831,728
School Food Service	23,133	0	0	0	23,133
Driver Education	16,984	0	0	0	16,984

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Other State Education Funds	\$ 640,280	\$ 0	\$ 0	\$ 0	\$ 640,280
Career Ladder Program	154,754	0	0	0	154,754
Career Ladder - Extended Contract	94,200	0	0	0	94,200
<u>Other State Revenues</u>					
Income Tax	231,047	0	0	0	231,047
Beer Tax	15,228	0	0	0	15,228
Other State Grants	5,900	0	0	0	5,900
Other State Revenues	39,158	0	0	0	39,158
Total State of Tennessee	\$ 19,287,870	\$ 0	\$ 0	\$ 0	\$ 19,287,870
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 805,295	\$ 0	\$ 805,295
Breakfast	0	0	252,533	0	252,533
USDA - Other	0	0	12,673	0	12,673
Vocational Education - Basic Grants to States	0	83,856	0	0	83,856
Other Vocational	6,980	0	0	0	6,980
Title I Grants to Local Education Agencies	0	669,332	0	0	669,332
Innovative Education Program Strategies	0	4,782	0	0	4,782
Special Education - Grants to States	0	803,521	0	0	803,521
Special Education Preschool Grants	0	38,392	0	0	38,392
English Language Acquisition Grants	0	2,114	0	0	2,114
Safe and Drug-free Schools - State Grants	37,978	14,137	0	0	52,115
Eisenhower Professional Development State Grants	0	184,396	0	0	184,396
Other Federal through State	219,719	6,871	0	0	226,590
Total Federal Government	\$ 264,677	\$ 1,807,401	\$ 1,070,501	\$ 0	\$ 3,142,579
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 9,578	\$ 0	\$ 0	\$ 0	\$ 9,578
Total Other Governments and Citizens Groups	\$ 9,578	\$ 0	\$ 0	\$ 0	\$ 9,578
Total	\$ 26,397,109	\$ 1,807,401	\$ 2,195,499	\$ 127,368	\$ 30,527,377

Exhibit K-7

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	91,648	
Social Security		5,682	
Employer Medicare		1,329	
Contributions		9,577	
Dues and Memberships		2,328	
Postal Charges		1,528	
Other Charges		28,960	
Total County Commission			\$ 141,052

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		18,482	
Clerical Personnel		21,358	
Other Salaries and Wages		1,573	
Social Security		6,710	
State Retirement		4,630	
Medical Insurance		2,517	
Employer Medicare		1,569	
Communication		1,043	
Dues and Memberships		4,942	
Legal Notices, Recording, and Court Costs		793	
Postal Charges		628	
Travel		1,615	
Duplicating Supplies		1,642	
Office Supplies		4,109	
Periodicals		1,443	
In Service/Staff Development		853	
Office Equipment		805	
Total County Mayor/Executive			146,034

County Attorney

County Official/Administrative Officer	\$	24,720	
Social Security		1,533	
Employer Medicare		358	
Other Contracted Services		180	
Other Charges		1,500	
Total County Attorney			28,291

Election Commission

County Official/Administrative Officer	\$	55,576	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Deputy(ies)	\$	43,664	
Election Commission		12,833	
Election Workers		51,280	
Social Security		7,798	
State Retirement		5,574	
Medical Insurance		5,491	
Employer Medicare		1,824	
Communication		206	
Data Processing Services		4,548	
Legal Notices, Recording, and Court Costs		6,481	
Maintenance Agreements		11,632	
Postal Charges		4,370	
Printing, Stationery, and Forms		7,760	
Other Contracted Services		12,220	
Duplicating Supplies		859	
Office Supplies		1,834	
Other Supplies and Materials		2,885	
In Service/Staff Development		8,774	
Office Equipment		2,165	
Total Election Commission			\$ 247,774

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		75,820	
Social Security		8,453	
State Retirement		7,677	
Medical Insurance		5,491	
Employer Medicare		1,977	
Communication		253	
Data Processing Services		10,713	
Dues and Memberships		607	
Postal Charges		565	
Duplicating Supplies		1,044	
Office Supplies		3,630	
In Service/Staff Development		1,220	
Office Equipment		1,916	
Total Register of Deeds			181,117

Planning

Board and Committee Members Fees	\$	7,275	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Contracts with Government Agencies	\$ 11,250	
Total Planning		\$ 18,525

County Buildings

Custodial Personnel	\$ 32,259	
Social Security	2,000	
State Retirement	1,174	
Employer Medicare	468	
Communication	4,539	
Janitorial Services	21,855	
Maintenance and Repair Services - Buildings	29,255	
Maintenance and Repair Services - Equipment	12,778	
Pest Control	864	
Other Contracted Services	13,657	
Custodial Supplies	9,915	
Electricity	79,332	
Natural Gas	15,612	
Water and Sewer	2,765	
Building and Contents Insurance	259,886	
Other Construction	104,358	
Total County Buildings		590,717

Preservation of Records

Board and Committee Members Fees	\$ 2,400	
Social Security	149	
Employer Medicare	35	
Other Contracted Services	23,745	
Office Supplies	171	
Other Charges	1,883	
Office Equipment	65	
Total Preservation of Records		28,448

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$ 61,751
Accountants/Bookkeepers	130,967
Social Security	11,399
State Retirement	10,754
Medical Insurance	9,482
Employer Medicare	2,666

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Communication	\$	1,571	
Contracts with Government Agencies		9,402	
Data Processing Services		6,597	
Dues and Memberships		1,220	
Legal Notices, Recording, and Court Costs		1,581	
Maintenance Agreements		1,626	
Maintenance and Repair Services - Office Equipment		105	
Postal Charges		4,518	
Printing, Stationery, and Forms		3,756	
Travel		979	
Duplicating Supplies		2,049	
Office Supplies		3,882	
Other Supplies and Materials		1,467	
In Service/Staff Development		2,537	
Office Equipment		<u>1,662</u>	
Total Accounting and Budgeting			\$ 269,971

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		41,476	
Other Salaries and Wages		15,283	
Board and Committee Members Fees		3,319	
Social Security		7,189	
State Retirement		5,760	
Medical Insurance		11,429	
Employer Medicare		1,681	
Communication		249	
Contracts with Private Agencies		6,150	
Data Processing Services		4,400	
Dues and Memberships		1,280	
Legal Notices, Recording, and Court Costs		545	
Maintenance Agreements		2,104	
Postal Charges		1,780	
Travel		555	
Duplicating Supplies		2,997	
Gasoline		1,492	
Office Supplies		1,730	
In Service/Staff Development		735	
Office Equipment		<u>566</u>	
Total Property Assessor's Office			172,471

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Secretary(ies)	\$	26,355	
Other Salaries and Wages		36,840	
Social Security		3,762	
State Retirement		3,526	
Medical Insurance		11,205	
Employer Medicare		880	
Total Reappraisal Program			\$ 82,568

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		55,917	
Other Salaries and Wages		10,640	
Social Security		7,633	
State Retirement		6,566	
Medical Insurance		5,491	
Employer Medicare		1,843	
Communication		488	
Contracts with Government Agencies		9,660	
Data Processing Services		4,001	
Dues and Memberships		667	
Legal Notices, Recording, and Court Costs		55	
Maintenance Agreements		2,262	
Postal Charges		6,539	
Duplicating Supplies		436	
Office Supplies		3,463	
In Service/Staff Development		2,463	
Office Equipment		2,817	
Total County Trustee's Office			182,692

County Clerk's Office

County Official/Administrative Officer	\$	61,751
Deputy(ies)		101,345
Social Security		9,959
State Retirement		9,101
Medical Insurance		10,981
Employer Medicare		2,329
Communication		406
Data Processing Services		6,653
Dues and Memberships		682
Maintenance Agreements		4,181

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$	5,873	
Printing, Stationery, and Forms		2,599	
Duplicating Supplies		806	
Office Supplies		1,322	
In Service/Staff Development		154	
Office Equipment		1,775	
Total County Clerk's Office			\$ 219,917

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Clerical Personnel		214,268	
Other Salaries and Wages		4,310	
Jury and Witness Fees		7,683	
Social Security		17,093	
State Retirement		15,145	
Medical Insurance		20,687	
Employer Medicare		3,997	
Communication		1,292	
Contracts with Private Agencies		6,914	
Data Processing Services		3,516	
Dues and Memberships		632	
Legal Notices, Recording, and Court Costs		91	
Maintenance Agreements		6,323	
Maintenance and Repair Services - Office Equipment		160	
Postal Charges		2,933	
Printing, Stationery, and Forms		4,542	
Other Contracted Services		2,600	
Duplicating Supplies		2,132	
Office Supplies		9,107	
In Service/Staff Development		1,566	
Office Equipment		6,900	
Total Circuit Court			393,642

General Sessions Court

Judge(s)	\$	119,756	
Social Security		6,434	
State Retirement		6,682	
Medical Insurance		3,768	
Employer Medicare		1,624	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Communication	\$	272	
Travel		2,090	
Office Supplies		312	
		<hr/>	
Total General Sessions Court	\$		140,938

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		90,417	
Other Salaries and Wages		3,592	
Social Security		9,422	
State Retirement		8,174	
Medical Insurance		16,919	
Employer Medicare		2,204	
Communication		712	
Data Processing Services		4,446	
Dues and Memberships		622	
Legal Notices, Recording, and Court Costs		2,595	
Postal Charges		3,828	
Printing, Stationery, and Forms		1,174	
Duplicating Supplies		929	
Office Supplies		5,445	
In Service/Staff Development		1,713	
Office Equipment		619	
		<hr/>	
Total Chancery Court			214,562

Juvenile Court

Assistant(s)	\$	33,513	
Youth Service Officer(s)		31,309	
Salary Supplements		10,000	
Other Salaries and Wages		26,732	
Social Security		6,181	
State Retirement		5,564	
Medical Insurance		5,491	
Employer Medicare		1,446	
Communication		2,182	
Dues and Memberships		60	
Postal Charges		167	
Travel		2,487	
Other Contracted Services		23,528	
Office Supplies		2,546	
		<hr/>	
Total Juvenile Court			151,206

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

Other Salaries and Wages	\$	28,537	
Social Security		1,769	
Employer Medicare		414	
Communication		1,242	
In Service/Staff Development		670	
Total Judicial Commissioners			\$ 32,632

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927
Assistant(s)		43,731
Deputy(ies)		379,209
Investigator(s)		155,916
Sergeant(s)		155,145
Accountants/Bookkeepers		28,315
Salary Supplements		13,800
School Resource Officer		9,160
Overtime Pay		58,646
Social Security		58,801
State Retirement		52,160
Medical Insurance		87,369
Employer Medicare		13,752
Communication		10,576
Contracts with Government Agencies		272,396
Contributions		5,000
Dues and Memberships		2,550
Maintenance and Repair Services - Equipment		3,715
Maintenance and Repair Services - Office Equipment		3,624
Maintenance and Repair Services - Vehicles		30,175
Medical and Dental Services		19,550
Postal Charges		7,010
Tow-in Services		3,970
Duplicating Supplies		1,860
Gasoline		79,213
Law Enforcement Supplies		33,111
Office Supplies		4,778
Uniforms		12,057
Other Supplies and Materials		1,337
In Service/Staff Development		2,970
Other Charges		6,724

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication Equipment	\$	1,342	
Motor Vehicles		99,990	
Office Equipment		<u>2,052</u>	
Total Sheriff's Department			\$ 1,727,931

Jail

Supervisor/Director	\$	33,362
Lieutenant(s)		33,903
Sergeant(s)		159,902
Guards		524,740
Cafeteria Personnel		56,184
Maintenance Personnel		24,339
Overtime Pay		54,573
Social Security		53,467
State Retirement		45,279
Medical Insurance		109,532
Employer Medicare		12,504
Communication		3,297
Data Processing Services		17,418
Maintenance and Repair Services - Buildings		19,837
Maintenance and Repair Services - Equipment		20,382
Maintenance and Repair Services - Office Equipment		904
Maintenance and Repair Services - Vehicles		6,587
Medical and Dental Services		144,854
Pest Control		540
Postal Charges		1,936
Transportation - Other than Students		3,166
Custodial Supplies		47,407
Drugs and Medical Supplies		31,008
Duplicating Supplies		1,012
Electricity		56,945
Food Supplies		202,636
Gasoline		11,574
Natural Gas		21,118
Office Supplies		7,570
Prisoners Clothing		8,195
Uniforms		14,922
Water and Sewer		24,347
Other Supplies and Materials		6,351
In Service/Staff Development		8,569

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Charges	\$	1,871	
Communication Equipment		1,263	
Maintenance Equipment		810	
Office Equipment		2,173	
Total Jail			\$ 1,774,477

Fire Prevention and Control

Dues and Memberships	\$	260	
Maintenance and Repair Services - Buildings		3,919	
Maintenance and Repair Services - Equipment		9,173	
Maintenance and Repair Services - Vehicles		22,662	
Postal Charges		84	
Electricity		16,703	
Gasoline		12,378	
Natural Gas		21,449	
Office Supplies		64	
Uniforms		2,558	
Water and Sewer		3,547	
Other Supplies and Materials		6,518	
Liability Insurance		3,510	
In Service/Staff Development		3,511	
Other Equipment		1,433	
Other Capital Outlay		49,000	
Total Fire Prevention and Control			156,769

Civil Defense

Supervisor/Director	\$	42,386	
Deputy(ies)		30,676	
Part-time Personnel		19,642	
Social Security		5,671	
State Retirement		4,077	
Medical Insurance		5,491	
Employer Medicare		1,326	
Communication		4,598	
Data Processing Services		1,712	
Dues and Memberships		105	
Legal Notices, Recording, and Court Costs		17	
Maintenance and Repair Services - Buildings		661	
Maintenance and Repair Services - Equipment		3,443	
Maintenance and Repair Services - Office Equipment		353	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Maintenance and Repair Services - Vehicles	\$	8,609	
Pest Control		168	
Postal Charges		142	
Travel		2,074	
Custodial Supplies		201	
Duplicating Supplies		1,182	
Electricity		5,805	
Gasoline		3,438	
Natural Gas		3,451	
Office Supplies		587	
Uniforms		189	
Water and Sewer		500	
Other Supplies and Materials		1,574	
In Service/Staff Development		100	
Other Charges		486	
Highway Construction		1,302,362	
Office Equipment		1,546	
Other Capital Outlay		34,359	
Total Civil Defense			\$ 1,486,931

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	282,674
Social Security		17,405
State Retirement		11,517
Medical Insurance		8,757
Employer Medicare		4,070
Communication		1,685
Contracts with Government Agencies		60,000
Janitorial Services		8,356
Maintenance and Repair Services - Equipment		5,538
Pest Control		216
Postal Charges		65
Travel		12,103
Other Contracted Services		1,949
Electricity		11,268
Natural Gas		1,556
Office Supplies		1,127
Periodicals		25
Water and Sewer		685

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Supplies and Materials	\$	28	
Liability Insurance		802	
In Service/Staff Development		70	
Other Charges		169	
Total Local Health Center			\$ 430,065

Maternal and Child Health Services

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

Other Local Health Services

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

Regional Mental Health Center

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

Other Local Welfare Services

Contracts with Other Public Agencies	\$	8,803	
Total Other Local Welfare Services			8,803

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries and Wages		26,819	
Social Security		1,737	
State Retirement		1,563	
Employer Medicare		406	
Contracts with Private Agencies		26,136	
Instructional Supplies and Materials		8,514	
Other Charges		4,052	
Total Sanitation Management			70,427

Other Public Health and Welfare

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 15,350	
Total Adult Activities		\$ 15,350

Libraries

Contributions	\$ 61,366	
Total Libraries		61,366

Parks and Fair Boards

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

Agriculture and Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$ 700	
Communication	820	
Contracts with Other Public Agencies	75,433	
Travel	5,000	
Duplicating Supplies	683	
Office Equipment	1,862	
Total Agriculture Extension Service		84,498

Forest Service

Contributions	\$ 2,000	
Wood Products	8,371	
Total Forest Service		10,371

Soil Conservation

Secretary(ies)	\$ 17,763	
Other Salaries and Wages	19,713	
Social Security	2,323	
State Retirement	1,667	
Employer Medicare	543	
Other Charges	2,880	
Total Soil Conservation		44,889

Other Operations

Industrial Development

Contributions	\$ 95,000	
Total Industrial Development		95,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contributions	\$ 12,500	
Other Charges	<u>257,378</u>	
Total Other Economic and Community Development		\$ 269,878

Airport

Airport Improvement	\$ <u>18,359</u>	
Total Airport		18,359

Veterans' Services

Clerical Personnel	\$ 11,748	
Part-time Personnel	930	
Social Security	786	
Employer Medicare	184	
Communication	114	
Postal Charges	110	
Travel	853	
Gasoline	3,353	
Office Supplies	<u>25</u>	
Total Veterans' Services		18,103

Contributions to Other Agencies

Contributions	\$ <u>4,900</u>	
Total Contributions to Other Agencies		4,900

Miscellaneous

Unemployment Compensation	\$ 19,083	
Communication	2,261	
Dues and Memberships	6,095	
Medical and Dental Services	8,400	
Pauper Burials	2,300	
Premiums on Corporate Surety Bonds	909	
Trustee's Commission	91,612	
Workers' Compensation Insurance	118,117	
Other Charges	<u>29,130</u>	
Total Miscellaneous		<u>277,907</u>

Total General Fund \$ 9,887,331

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

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

Convenience Centers

Part-time Personnel	\$ 32,176	
Social Security	1,995	
Employer Medicare	467	
Communication	437	
Contracts with Other Public Agencies	56,200	
Maintenance and Repair Services - Equipment	2,158	
Electricity	1,644	
Water and Sewer	275	
Land	<u>35,029</u>	
Total Convenience Centers		130,381

Other Waste Disposal

County Official/Administrative Officer	\$ 10,000	
Clerical Personnel	22,785	
Social Security	2,022	
State Retirement	1,829	
Employer Medicare	473	
Contracts with Other Public Agencies	333,691	
Legal Services	400	
Travel	127	
Disposal Fees	55,771	
Trustee's Commission	6,566	
In Service/Staff Development	100	
Other Charges	<u>85</u>	
Total Other Waste Disposal		433,849

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$ 29,316	
Total Postclosure Care Costs		<u>29,316</u>

Total Solid Waste/Sanitation Fund		\$ 613,546
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 4,000	
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(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Tow-in Services	\$	602	
Travel		52	
Other Contracted Services		2,500	
Animal Food and Supplies		2,367	
Law Enforcement Supplies		13,947	
Trustee's Commission		387	
In Service/Staff Development		1,850	
Other Charges		476	
Total Drug Enforcement			\$ 26,181

Total Drug Control Fund \$ 26,181

District Attorney General Fund

Administration of Justice

District Attorney General

Dues and Memberships	\$	2,115	
Travel		921	
Periodicals		674	
Trustee's Commission		143	
Other Charges		1,359	
Office Equipment		3,083	
Total District Attorney General			\$ 8,295

Total District Attorney General Fund 8,295

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Bank Charges	\$	92	
Total County Trustee's Office			\$ 92

County Clerk's Office

Bank Charges	\$	87	
Total County Clerk's Office			87

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	2,555	
Total Chancery Court			2,555

Total Constitutional Officers - Fees Fund 2,734

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Assistant(s)		43,263	
Accountants/Bookkeepers		35,578	
Social Security		8,624	
State Retirement		8,190	
Medical Insurance		15,840	
Employer Medicare		2,017	
Communication		5,098	
Dues and Memberships		3,981	
Janitorial Services		2,080	
Legal Services		1,222	
Legal Notices, Recording, and Court Costs		474	
Maintenance and Repair Services - Office Equipment		630	
Postal Charges		254	
Travel		1,193	
Electricity		5,303	
Office Supplies		387	
Water and Sewer		1,224	
Total Administration			\$ 203,285

Highway and Bridge Maintenance

Foremen	\$	68,455	
Equipment Operators		175,058	
Truck Drivers		141,964	
Laborers		124,596	
Social Security		30,828	
State Retirement		26,830	
Medical Insurance		65,106	
Employer Medicare		7,210	
Other Contracted Services		9,066	
Asphalt - Hot Mix		687,049	
Crushed Stone		46,176	
General Construction Materials		2,763	
Pipe - Metal		30,413	
Road Signs		13,879	
Total Highway and Bridge Maintenance			1,429,393

Operation and Maintenance of Equipment

Mechanic(s)	\$	83,641
Social Security		5,173

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

State Retirement	\$	3,834	
Medical Insurance		3,301	
Employer Medicare		1,210	
Laundry Service		1,089	
Maintenance and Repair Services - Equipment		9,768	
Diesel Fuel		110,963	
Equipment and Machinery Parts		62,416	
Garage Supplies		5,180	
Gasoline		26,540	
Lubricants		10,333	
Propane Gas		11,651	
Tires and Tubes		34,861	
Other Supplies and Materials		18	
Total Operation and Maintenance of Equipment			\$ 369,978

Quarry Operations

Foremen	\$	33,153	
Equipment Operators		27,253	
Truck Drivers		24,793	
Social Security		5,090	
State Retirement		4,271	
Medical Insurance		13,808	
Employer Medicare		1,190	
Explosive and Drilling Services		23,640	
Maintenance and Repair Services - Equipment		54,074	
Electricity		34,134	
Water and Sewer		709	
In Service/Staff Development		450	
Total Quarry Operations			222,565

Other Charges

Electricity	\$	402	
Trustee's Commission		30,704	
Vehicle and Equipment Insurance		66,843	
Total Other Charges			97,949

Employee Benefits

Unemployment Compensation	\$	3,432	
Workers' Compensation Insurance		66,075	
Total Employee Benefits			69,507

(Continued)

Exhibit K-7

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Highways (Cont.)</u>		
<u>Capital Outlay</u>		
Engineering Services	\$ 20,402	
Bridge Construction	289,640	
Highway Equipment	33,870	
Other Construction	<u>590,967</u>	
Total Capital Outlay		<u>\$ 934,879</u>
Total Highway/Public Works Fund		\$ 3,327,556
 <u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 412,005	
Total General Government		\$ 412,005
 <u>Education</u>		
Principal on Bonds	\$ 1,392,995	
Total Education		1,392,995
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 76,180	
Total General Government		76,180
 <u>Education</u>		
Interest on Bonds	\$ 817,468	
Total Education		817,468
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 21,568	
Total General Government		21,568
 <u>Education</u>		
Other Debt Issuance Charges	\$ 621	
Total Education		<u>621</u>
Total General Debt Service Fund		<u>2,720,837</u>
Total Governmental Funds - Primary Government		<u>\$ 16,586,480</u>

Exhibit K-8

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,544,639	
Career Ladder Program	108,692	
Career Ladder Extended Contracts	82,000	
Educational Assistants	412,622	
Other Salaries and Wages	237,170	
Certified Substitute Teachers	27,290	
Non-certified Substitute Teachers	105,206	
Social Security	568,089	
State Retirement	592,916	
Employee and Dependent Insurance	52,275	
Medical Insurance	906,685	
Unemployment Compensation	29,358	
Employer Medicare	133,246	
Maintenance and Repair Services - Equipment	26,125	
Tuition	2,669	
Instructional Supplies and Materials	124,192	
Textbooks	296,166	
Other Supplies and Materials	10,959	
Fee Waivers	47,809	
Other Charges	1,616	
Furniture and Fixtures	11,972	
Regular Instruction Equipment	93,014	
Other Equipment	18,124	
Total Regular Instruction Program		\$ 12,432,834

Alternative Instruction Program

Teachers	\$ 151,984	
Career Ladder Program	2,000	
Social Security	9,273	
State Retirement	9,886	
Medical Insurance	18,354	
Employer Medicare	2,169	
Total Alternative Instruction Program		193,666

Special Education Program

Teachers	\$ 1,087,397
Career Ladder Program	9,733
Educational Assistants	482,699
Speech Pathologist	62,866

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	1,258	
Non-certified Substitute Teachers		18,672	
Social Security		98,124	
State Retirement		98,319	
Employee and Dependent Insurance		56,182	
Medical Insurance		138,739	
Employer Medicare		23,108	
Contracts with Other Public Agencies		8,891	
Contracts with Private Agencies		2,948	
Maintenance and Repair Services - Equipment		3,759	
Instructional Supplies and Materials		18,810	
Special Education Equipment		6,446	
Total Special Education Program			\$ 2,117,951

Vocational Education Program

Teachers	\$	791,004	
Career Ladder Program		10,000	
Non-certified Substitute Teachers		2,315	
Social Security		47,702	
State Retirement		50,515	
Medical Insurance		96,430	
Employer Medicare		11,159	
Maintenance and Repair Services - Equipment		8,640	
Instructional Supplies and Materials		43,320	
Vocational Instruction Equipment		7,180	
Total Vocational Education Program			1,068,265

Student Body Education Program

Other Salaries and Wages	\$	36,403	
Social Security		2,222	
State Retirement		1,172	
Employer Medicare		520	
Other Charges		6,080	
Total Student Body Education Program			46,397

Support Services

Attendance

Supervisor/Director	\$	68,485	
Career Ladder Program		1,583	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Salaries and Wages	\$	26,862	
Social Security		5,996	
State Retirement		5,997	
Medical Insurance		5,085	
Employer Medicare		1,402	
Travel		4,150	
Total Attendance			\$ 119,560

Health Services

Medical Personnel	\$	187,357	
Social Security		11,416	
State Retirement		9,845	
Employee and Dependent Insurance		12,429	
Employer Medicare		2,670	
Travel		294	
Drugs and Medical Supplies		1,000	
Total Health Services			225,011

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		421,358	
Social Workers		20,000	
Clerical Personnel		13,968	
School Resource Officer		55,527	
Other Salaries and Wages		103,353	
Social Security		34,229	
State Retirement		36,125	
Employee and Dependent Insurance		1,340	
Medical Insurance		56,197	
Employer Medicare		8,005	
Evaluation and Testing		27,008	
Travel		15,107	
Textbooks		89,090	
Other Supplies and Materials		87,505	
In Service/Staff Development		14,093	
Other Equipment		11,403	
Total Other Student Support			1,002,308

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	62,633	
Career Ladder Program		7,000	
Librarians		392,740	
Instructional Computer Personnel		34,722	
Other Salaries and Wages		41,587	
Social Security		32,625	
State Retirement		34,190	
Employee and Dependent Insurance		4,021	
Medical Insurance		50,752	
Employer Medicare		7,630	
Travel		5,932	
Instructional Supplies and Materials		4,005	
Library Books/Media		14,113	
In Service/Staff Development		30,914	
Other Charges		13,095	
Total Regular Instruction Program			\$ 735,959

Special Education Program

Supervisor/Director	\$	53,993	
Clerical Personnel		1,210	
Social Security		3,405	
State Retirement		3,534	
Medical Insurance		5,189	
Employer Medicare		796	
Travel		3,957	
Other Supplies and Materials		629	
In Service/Staff Development		6,781	
Total Special Education Program			79,494

Vocational Education Program

Supervisor/Director	\$	52,975	
Career Ladder Program		1,000	
Clerical Personnel		14,160	
Social Security		4,224	
State Retirement		4,255	
Medical Insurance		618	
Employer Medicare		988	
Travel		11,611	
In Service/Staff Development		1,747	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Other Charges	\$ 5,877	
Total Vocational Education Program		\$ 97,455

Other Programs

On-Behalf Payments to OPEB	\$ 86,458	
Total Other Programs		86,458

Board of Education

Secretary to Board	\$ 750	
Other Salaries and Wages	9,950	
Board and Committee Members Fees	29,100	
Social Security	2,449	
State Retirement	655	
Employer Medicare	577	
Audit Services	12,430	
Dues and Memberships	7,686	
Legal Services	6,372	
Travel	3,143	
Liability Insurance	181,816	
Trustee's Commission	124,276	
Workers' Compensation Insurance	171,727	
Criminal Investigation of Applicants - TBI	6,032	
Other Charges	24,618	
Total Board of Education		581,581

Director of Schools

County Official/Administrative Officer	\$ 95,918	
Secretary(ies)	44,517	
Social Security	8,934	
State Retirement	8,950	
Employee and Dependent Insurance	4,387	
Medical Insurance	5,527	
Employer Medicare	2,089	
Communication	28,375	
Postal Charges	2,034	
Travel	7,276	
Office Supplies	7,025	
Other Charges	978	
Administration Equipment	1,513	
Total Director of Schools		217,523

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Assistant(s)	\$	121,803	
Principals		519,238	
Career Ladder Program		12,600	
Clerical Personnel		197,708	
Social Security		51,410	
State Retirement		52,464	
Employee and Dependent Insurance		4,387	
Medical Insurance		51,893	
Employer Medicare		12,127	
Communication		14,284	
Contributions		40,000	
Total Office of the Principal			\$ 1,077,914

Operation of Plant

Custodial Personnel	\$	406,175	
Social Security		24,128	
State Retirement		18,239	
Employee and Dependent Insurance		65,891	
Employer Medicare		5,643	
Janitorial Services		7,046	
Other Contracted Services		9,625	
Custodial Supplies		72,739	
Electricity		808,643	
Natural Gas		263,292	
Water and Sewer		80,222	
Other Charges		12,125	
Total Operation of Plant			1,773,768

Maintenance of Plant

Supervisor/Director	\$	71,108	
Maintenance Personnel		108,792	
Other Salaries and Wages		57,626	
Social Security		14,617	
State Retirement		13,851	
Employee and Dependent Insurance		8,042	
Medical Insurance		5,189	
Employer Medicare		3,419	
Maintenance and Repair Services - Buildings		68,238	
Maintenance and Repair Services - Equipment		80,580	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

General Construction Materials	\$	19,441	
Other Supplies and Materials		37,563	
Other Charges		11,641	
Total Maintenance of Plant			\$ 500,107

Transportation

Supervisor/Director	\$	54,281	
Mechanic(s)		91,550	
Bus Drivers		446,222	
Other Salaries and Wages		30,858	
Social Security		35,707	
State Retirement		31,982	
Employee and Dependent Insurance		50,081	
Medical Insurance		2,595	
Employer Medicare		8,769	
Communication		1,099	
Medical and Dental Services		5,285	
Gasoline		175,807	
Lubricants		4,813	
Tires and Tubes		20,280	
Vehicle Parts		69,297	
Other Supplies and Materials		5,440	
Other Charges		240	
Transportation Equipment		290,060	
Total Transportation			1,324,366

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	69,907	
Social Security		4,313	
State Retirement		4,488	
Medical Insurance		5,189	
Employer Medicare		1,009	
Maintenance and Repair Services - Equipment		1,351	
Travel		2,788	
Other Contracted Services		1,457	
Other Supplies and Materials		2,056	
In Service/Staff Development		186	
Other Charges		2,387	
Total Food Service			95,131

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services

Teachers	\$	155,072	
Clerical Personnel		2,760	
Educational Assistants		45,026	
Other Salaries and Wages		80,888	
Social Security		17,525	
State Retirement		15,024	
Employer Medicare		4,100	
Communication		544	
Maintenance and Repair Services - Equipment		4,736	
Postal Charges		540	
Travel		7,855	
Textbooks		13,508	
Other Supplies and Materials		62,949	
In Service/Staff Development		11,546	
Other Charges		15,426	
Other Equipment		41,036	
Total Community Services			\$ 478,535

Early Childhood Education

Teachers	\$	262,779	
Educational Assistants		104,127	
Other Salaries and Wages		26,424	
Certified Substitute Teachers		556	
Non-certified Substitute Teachers		9,601	
Social Security		24,658	
State Retirement		23,256	
Employee and Dependent Insurance		4,387	
Medical Insurance		17,810	
Employer Medicare		5,767	
Postal Charges		42	
Travel		7,000	
Instructional Supplies and Materials		51,821	
Textbooks		8,509	
In Service/Staff Development		1,095	
Other Equipment		78,864	
Total Early Childhood Education			626,696

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Land	\$	58,500	
Other Construction		211,638	
Other Capital Outlay		17,596	
Total Regular Capital Outlay			\$ 287,734

Total General Purpose School Fund \$ 25,168,713

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	388,331	
Educational Assistants		38,990	
Non-certified Substitute Teachers		1,513	
Social Security		23,088	
State Retirement		26,989	
Employee and Dependent Insurance		8,773	
Medical Insurance		45,526	
Employer Medicare		5,400	
Instructional Supplies and Materials		7,232	
Total Regular Instruction Program			\$ 545,842

Alternative Instruction Program

Teachers	\$	22,329	
Social Security		1,384	
State Retirement		1,434	
Employer Medicare		324	
Total Alternative Instruction Program			25,471

Special Education Program

Teachers	\$	39,287	
Educational Assistants		150,738	
Speech Pathologist		87,081	
Other Salaries and Wages		66,744	
Social Security		20,694	
State Retirement		20,321	
Medical Insurance		25,366	
Employer Medicare		4,840	
Contracts with Other Public Agencies		124,912	
Instructional Supplies and Materials		47,078	
Total Special Education Program			587,061

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Supplies and Materials	\$	40,948	
Vocational Instruction Equipment		24,908	
Total Vocational Education Program			\$ 65,856

Support Services

Health Services

Medical Personnel	\$	27,770	
Social Security		1,722	
State Retirement		1,550	
Employer Medicare		403	
Total Health Services			31,445

Other Student Support

Social Workers	\$	25,000	
Other Salaries and Wages		96,031	
Social Security		6,941	
State Retirement		7,560	
Medical Insurance		17,076	
Employer Medicare		1,623	
Evaluation and Testing		1,510	
Travel		10,054	
Instructional Supplies and Materials		692	
In Service/Staff Development		7,644	
Other Charges		2,655	
Total Other Student Support			176,786

Regular Instruction Program

Supervisor/Director	\$	75,321	
Secretary(ies)		24,375	
Other Salaries and Wages		2,518	
Social Security		6,227	
State Retirement		6,370	
Employee and Dependent Insurance		4,021	
Medical Insurance		5,932	
Employer Medicare		1,456	
Travel		1,118	
Other Contracted Services		1,387	
Other Supplies and Materials		6,047	
In Service/Staff Development		39,104	
Total Regular Instruction Program			173,876

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	10,799	
Psychological Personnel		49,069	
Clerical Personnel		10,894	
Social Security		4,384	
State Retirement		4,451	
Employer Medicare		1,025	
Travel		11,655	
In Service/Staff Development		11,179	
Total Special Education Program			\$ 103,456

Vocational Education Program

Travel	\$	117	
In Service/Staff Development		1,747	
Total Vocational Education Program			1,864

Transportation

Bus Drivers	\$	53,965	
Other Salaries and Wages		17,323	
Social Security		4,319	
State Retirement		3,685	
Medical Insurance		4,021	
Employer Medicare		1,009	
Contracts with Parents		6,085	
Total Transportation			<u>90,407</u>

Total School Federal Projects Fund \$ 1,802,064

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	650,844	
Bonus Payments		19,000	
Other Salaries and Wages		24,700	
Social Security		41,264	
State Retirement		35,295	
Employee and Dependent Insurance		80,453	
Employer Medicare		9,650	
Communication		3,308	
Contracts with Private Agencies		67,289	

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Dues and Memberships	\$	3,071	
Maintenance and Repair Services - Equipment		30,598	
Other Contracted Services		28,699	
Custodial Supplies		8,415	
Food Preparation Supplies		83,230	
Food Supplies		860,228	
Office Supplies		3,778	
Uniforms		854	
Refunds		689	
Trustee's Commission		10	
Workers' Compensation Insurance		18,592	
In Service/Staff Development		2,541	
Other Charges		1,798	
Food Service Equipment		18,360	
Total Food Service			<u>\$ 1,992,666</u>

Total Central Cafeteria Fund \$ 1,992,666

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	12,997	
Other Salaries and Wages		68,692	
Social Security		5,065	
State Retirement		3,894	
Employer Medicare		1,184	
Other Charges		23,297	
Total Community Services			<u>\$ 115,129</u>

Total Extended School Program Fund 115,129

Total Governmental Funds - Lincoln County School Department \$ 29,078,572

Exhibit K-9

Lincoln County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2009

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 842,893	\$ 842,893
Trustee's Collections - Prior Years	0	22,170	22,170
Trustee's Collections - Bankruptcy	0	763	763
Circuit/Clerk & Master Collections - Prior Years	0	13,385	13,385
Interest and Penalty	0	5,375	5,375
Local Option Sales Tax	1,698,640	630,208	2,328,848
Wholesale Beer Tax	0	25,184	25,184
Interstate Telecommunications Tax	0	748	748
Marriage Licenses	0	574	574
Income Tax	0	25,747	25,747
Beer Tax	0	3,474	3,474
Total Cash Receipts	<u>\$ 1,698,640</u>	<u>\$ 1,570,521</u>	<u>\$ 3,269,161</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,698,640	\$ 1,555,712	\$ 3,254,352
Trustee's Commission	0	17,742	17,742
Total Cash Disbursements	<u>\$ 1,698,640</u>	<u>\$ 1,573,454</u>	<u>\$ 3,272,094</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (2,933)	\$ (2,933)
Cash Balance, July 1, 2008	0	67,713	67,713
Cash Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 64,780</u>	<u>\$ 64,780</u>

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## **SINGLE AUDIT SECTION**

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

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

February 18, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated February 18, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lincoln County Health System, Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of

expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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: 09.02 and 09.03.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

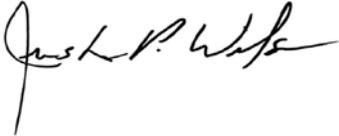
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 09.01.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large 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

February 18, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Lincoln County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lincoln County's compliance with those requirements.

In our opinion, Lincoln County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's 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 weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

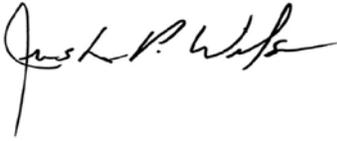
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated February 18, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lincoln County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the

basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Very truly yours,

A handwritten signature in black ink, 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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Lincoln County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2009

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	\$ 333,005
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	252,533
National School Lunch Program	10.555	(2)	805,295 (4)
Summer Food Service Program for Children	10.559	(2)	12,673
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	150,898 (4)
Total U.S. Department of Agriculture			<u>\$ 1,554,404</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	DG-09-24198-00	<u>\$ 257,351</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 257,351</u>
U.S. Department of Transportation			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	HPP-5200(27)	<u>\$ 436,751</u>
Total U.S. Department of Transportation			<u>\$ 436,751</u>
U.S. Department of Education:			
Passed-through Wilson County, Tennessee:			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 6,980 (5)
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	669,782
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	798,480
Special Education - Preschool Grants	84.173	N/A	39,360
Career and Technical Education - Basic Grants to States	84.048	N/A	83,856 (5)
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	30,000
Twenty-first Century Community Learning Centers	84.287	(2)	58,002
State Grants for Innovative Programs	84.298	N/A	4,880
Education Technology State Grants	84.318	(2)	6,871
Reading First State Grants	84.357	GG-04-11033-00	218,610
English Language Acquisition Grants	84.365	N/A	2,114
Improving Teacher Quality State Grants	84.367	N/A	166,722
Total U.S. Department of Education			<u>\$ 2,085,657</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Hazard Mitigation Grant	97.039	GG-05-11613-01	\$ 526,390
Emergency Management Performance Grants	97.042	GG-08-26107-00	79,250
Homeland Security Grant Program	97.067	GG-07-22010-01	6,880
Total U.S. Department of Homeland Security			<u>\$ 612,520</u>
Total Expenditures of Federal Awards			<u>\$ 4,946,683</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 11,337
Soil Conservation Grant - State Department of Agriculture	N/A	Z-08-021412-02	7,309
Community Tree Planting Grant - State Department of Agriculture	N/A	Z-08-201170-00	4,185
Health Department Programs - State Department of Health	N/A	Z-09-213746-00	373,660
Archives Enhancement Grant - Tennessee Secretary of State	N/A	Z-09-217932-00	1,650
Arts Education Artists-in-Residence Grant - State Arts Commission	N/A	(2)	5,900
Safe Schools Act 2003 - State Department of Education	N/A	(2)	20,042
Early Childhood Education - State Department of Education	N/A	(2)	604,682
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	332,805
Coordinated School Health - State Department of Health	N/A	(2)	106,167
Waste Tire Grant - State Department of Environment and Conservation	N/A	(3)	29,821
Family Resource Grant - State Department of Education	N/A	(2)	33,298
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-09-022876-00	9,000
Litter Program - State Department of Transportation	N/A	Z-09-212770-00	<u>33,775</u>
 Total State Grants			 <u>\$ 1,573,631</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information was not available.
- (3) Z-08-212944-02: \$25,100; Z-08-020241-00: \$4,721.
- (4) Total for CFDA No. 10.555 is \$956,193.
- (5) Total for CFDA No. 84.048 is \$90,836.

Lincoln County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2009

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is the finding from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2008, that has not been corrected.

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.05	203	Duties were not segregated adequately in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff

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**LINCOLN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2009**

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

1. Our report on the financial statements of Lincoln County is unqualified.
2. The audit of the financial statements of Lincoln County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit disclosed no 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. Highway Planning and Construction (CFDA No. 20.205), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and Hazardous Mitigation Grant (CFDA No. 97.039) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lincoln County qualified as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of finance and the circuit court clerk are paraphrased in this report.

### **OFFICE OF FINANCE DIRECTOR**

**FINDING 09.01      HIGHWAY/PUBLIC WORKS FUND EXPENDITURES EXCEEDED APPROPRIATIONS IN THE CAPITAL OUTLAY MAJOR APPROPRIATION CATEGORY**  
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$54,004. 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 County Commission, which resulted in unauthorized expenditures.

### **RECOMMENDATION**

Officials should ensure that expenditures are held within appropriations approved by the County Commission.

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

We concur with the recommendation. Historically, the Highway Department has not issued purchase orders for state aid bridge contracts. However, because the contract was signed prior to June 30, 2009, the full contract amount was required to be set up as an encumbrance at year-end, which resulted in budgetary expenditures exceeding appropriations. The county will begin issuing purchase orders to encumber the full contract amount on state aid bridge contracts when the contract is signed.

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## **OFFICE OF CIRCUIT COURT CLERK**

### **FINDING 09.02      **THE CLERK DID NOT PROPERLY POST SHORT-TERM INVESTMENT ACCOUNT ACTIVITY TO THE ACCOUNTING RECORDS****

(Internal Control – Significant Deficiency Under Government Auditing Standards)

During the year examined, the clerk did not properly post short-term investment account activity to the general ledger in Circuit Court. Also, the clerk did not attempt to reconcile the bank statement balances of these short-term investment accounts with general ledger totals. Sound business practices dictate that accounting records accurately reflect account activity. As a result of not properly posting the activity of these accounts, the general ledger short-term investment account reflected on the clerk's accounting records was understated by \$58,211 at June 30, 2009. We confirmed the balances of the short-term investment accounts and have presented adjustments to the clerk. The clerk has approved and posted these adjustments; therefore, the short-term investment accounts have been properly presented in the financial statements of this report.

### **RECOMMENDATION**

Short-term investment account activity should be properly posted to the accounting records. Also, bank statements for these short-term investment accounts should be reconciled with the general ledger monthly.

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

The accounting clerk has made the adjusting entry to the investment accounts general ledger to balance with bank and trust funds.

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## **OTHER FINDING AND RECOMMENDATION**

### **FINDING 09.03      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF****

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the official and employees in the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Register, and Sheriff. Employees responsible for maintaining accounting records 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 in 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. Also,

this deficiency exists due to management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – CIRCUIT COURT CLERK

I do not have the staff or financial resources to separate each accounting transaction as noted in report.

AUDITOR'S COMMENT

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention.

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

There were no findings and questioned costs for federal awards.

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**LINCOLN COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2009**

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

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

**FINDINGS 08.03 and 08.06**

Lincoln County School Department has already put many additional safeguards in place to avoid any problems in the future. The most sweeping change was the full centralization of our cafeteria program funds for 2008-2009. All of the funds and records discussed are now handled in the Lincoln County Finance Office, which operates under the 1981 Financial Management System's guidelines.

A remediation plan has been created and implemented by the School Department that directly addresses each area of the finding with the food and nutrition supervisor. Each recommendation presented in the report was addressed in the remediation plan.

The food service director is no longer the person solely responsible for leave records or payroll summaries. The food service director no longer maintains sick leave files and does not authorize or allow bereavement leave. Those tasks have been moved to the Lincoln County Finance Office.