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



**FOR THE YEAR ENDED JUNE 30, 2009**



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**ANNUAL FINANCIAL REPORT**  
**THE METROPOLITAN GOVERNMENT OF**  
**LYNCHBURG, MOORE 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*

**PATTY VARGO, CFE**  
**SUZZIE SINGLETON, CGFM**  
**NATHAN ABBOTT, CISA, CFE**  
*State Auditors*

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# THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report

The Metropolitan Government of Lynchburg, Moore County, Tennessee

For the Year Ended June 30, 2009

## ***Scope***

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2009.

## ***Results***

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

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

## ***Findings***

The following are summaries of the audit findings:

### **METROPOLITAN MOORE COUNTY AND METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT**

- ◆ Metropolitan Moore County and the Metropolitan Moore County School Department do not have the resources to produce financial statements and notes to the financial statements.
- ◆ The Highway/Public Works and Education Capital Projects funds required material audit adjustments for proper financial statement presentation.

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### **OFFICE OF METROPOLITAN EXECUTIVE**

- ◆ Deficiencies were noted in the maintenance of capital asset records.

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### **OTHER FINDINGS**

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

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## INTRODUCTORY SECTION

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# Metropolitan Government Officials

## June 30, 2009

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### **Officials**

Peggy Gattis, Metropolitan Executive (1)  
Milton Ferrell, Highway Superintendent  
Chad Moorehead, Director of Schools  
Lynn Harrison, Trustee  
Wayne Harrison, Assessor of Property  
Nancy Hatfield, Metropolitan Clerk  
Trixie Harrison, Circuit, General Sessions, and Juvenile Courts Clerk  
Tammy Roberts, Clerk and Master  
Barbara Durm, Register  
Mark Logan, Sheriff

### **Metropolitan Council**

David Parks, Chairman	
Arvis Bobo	Coleman March
Chris Bateman	Joe Millsaps
Tommy Brown	William Pydrom
Eddie Burton	Sloan Stewart
Jackie Burton	Glenn Searcy
Neill Becker	Gerald Wilkerson
Robin Holt	Norman Parks

### **Urban Council**

Ray McEwen  
Edgar Price  
Charles Rogers

### **Board of Education**

Lorrie McKenzie, Chairman	
Dawn Durm	Richard Riddle
Kandy Qualls	Ronnie Smith

(1) Ms. Gattis died in an automobile accident on June 25, 2009. Sloan Stewart was appointed as metropolitan executive on August 17, 2009.

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

January 11, 2010

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the metropolitan government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the metropolitan government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets and revenues of the business-type activities and is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District, which represent two percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District, are based solely on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the metropolitan government, 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 January 11, 2010, on our consideration of the metropolitan government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

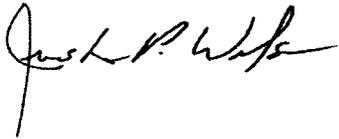
As described in Note V.B., Moore County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting by Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

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

The budgetary comparison, pension, and other postemployment benefits information on pages 83 through 89 are not required parts of the basic financial statements but they do provide supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the metropolitan government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson  
Comptroller of the Treasury

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## **BASIC FINANCIAL STATEMENTS**

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The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Net Assets  
 June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Metropolitan School Department	Emergency Communications District
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 350	\$ 233,184	\$ 233,534	\$ 0	\$ 58,736
Equity in Pooled Cash and Investments	1,991,676	0	1,991,676	1,043,954	164,648
Inventories	0	56,488	56,488	15,744	0
Internal Balances	(43,323)	43,323	0	0	0
Accounts Receivable	125,598	94,215	219,813	3,301	2,081
Allowance for Uncollectibles	(24,991)	(1,941)	(26,932)	0	0
Other Receivables	0	8,052	8,052	0	1,594
Due from Other Governments	437,352	0	437,352	113,983	17,552
Prepaid Items	0	0	0	0	2,993
Unbilled Charges for Services	0	85,374	85,374	0	0
Property Taxes Receivable	2,215,489	0	2,215,489	1,964,456	0
Allowance for Uncollectible Property Taxes	(16,069)	0	(16,069)	(14,402)	0
Restricted Assets:					
Customer Deposits	0	510	510	0	0
Revenue Bond Future Debt Service Account	0	60,996	60,996	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	383,779	0	383,779	39,342	0
Construction in Progress	0	589,730	589,730	8,118,705	36,151
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,378,007	0	1,378,007	4,422,521	0
Other Capital Assets	1,412,801	11,264,164	12,676,965	414,046	52,236
Infrastructure	561,140	0	561,140	0	0
Total Assets	\$ 8,421,809	\$ 12,434,095	\$ 20,855,904	\$ 16,121,650	\$ 335,991

**LIABILITIES**

Accounts Payable	\$ 0	\$ 104,996	\$ 104,996	\$ 8,534	\$ 1,500
Accrued Payroll	0	12,225	12,225	0	0
Payroll Deductions Payable	11,204	0	11,204	158,096	0
Accrued Interest Payable	8,628	10,385	19,013	0	0

(Continued)

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

	Primary Government		Total	Component Units	
	Governmental Activities	Business- type Activities		Metropolitan School Department	Emergency Communications District
<b>LIABILITIES (CONT.)</b>					
Other Current Liabilities	\$ 0	\$ 49,442	\$ 49,442	\$ 0	\$ 0
Accrued Leave - Current	0	14,331	14,331	0	0
Contracts Payable	0	0	0	133,082	0
Retainage Payable	0	0	0	24,017	0
Deferred Revenue - Current Property Taxes	2,150,627	0	2,150,627	1,905,840	0
Noncurrent Liabilities:					
Due Within One Year	459,288	208,673	667,961	75,021	0
Due in More Than One Year (net of unamortized loan costs)	10,112,463	5,578,123	15,690,586	670,391	0
Total Liabilities	\$ 12,742,210	\$ 5,978,175	\$ 18,720,385	\$ 2,974,981	\$ 1,500
<b>NET ASSETS</b>					
Invested in Capital Assets,					
Net of Related Debt	\$ 1,487,500	\$ 6,001,405	\$ 7,488,905	\$ 12,755,615	\$ 0
Invested in Capital Assets	0	0	0	0	88,387
Restricted for:					
Urban Services	877	0	877	0	0
Solid Waste	94,636	0	94,636	0	0
Drug Control	72,170	0	72,170	0	0
Highway/Public Works	495,214	0	495,214	0	0
Debt Service	809,121	60,996	870,117	0	0
School Federal Projects	0	0	0	10,014	0
Central Cafeteria	0	0	0	34,552	0
Education Capital Projects	0	0	0	58,025	0
Other Purposes	0	0	0	6,320	0
Unrestricted	(7,279,919)	393,519	(6,886,400)	282,143	246,104
Total Net Assets	\$ (4,320,401)	\$ 6,455,920	\$ 2,135,519	\$ 13,146,669	\$ 334,491

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues			Primary Government			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District	
<b>Primary Government:</b>										
Governmental Activities:										
Finance	\$ 514,252	\$ 43,177	\$ 19,918	\$ 171,000	\$ (280,157)	\$ 0	\$ (280,157)	\$ 0	\$ 0	\$ 0
Administration of Justice	257,295	162,154	1,766	0	(93,375)	0	(93,375)	0	0	0
Public Safety	266,344	82,319	6,750	0	(177,275)	0	(177,275)	0	0	0
Public Health and Welfare	1,485,203	166,899	138,268	0	(1,180,036)	0	(1,180,036)	0	0	0
Social, Cultural, and Recreational Services	1,921,051	338,447	52,299	0	(1,530,305)	0	(1,530,305)	0	0	0
Agriculture and Natural Resources	203,546	6,227	188,100	0	(9,219)	0	(9,219)	0	0	0
Other Operations	69,785	0	0	0	(69,785)	0	(69,785)	0	0	0
Highways/Public Works	11,055	0	0	0	(11,055)	0	(11,055)	0	0	0
Education	1,471,532	800	1,150,980	300,275	(19,477)	0	(19,477)	0	0	0
Interest on Long-term Debt	6,491,877	0	0	0	(6,491,877)	0	(6,491,877)	0	0	0
Other Debt Service	106,811	0	0	0	(106,811)	0	(106,811)	0	0	0
Total Governmental Activities	37,686	0	0	0	(37,686)	0	(37,686)	0	0	0
	\$ 12,836,437	\$ 800,023	\$ 1,558,081	\$ 471,275	\$ (10,007,058)	\$ 0	\$ (10,007,058)	\$ 0	\$ 0	\$ 0
<b>Business-type Activities:</b>										
Water and Sewer Department	\$ 1,468,997	\$ 1,549,570	0	\$ 1,358,595	\$ 0	\$ 1,439,168	\$ 1,439,168	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 1,468,997	\$ 1,549,570	0	\$ 1,358,595	\$ 0	\$ 1,439,168	\$ 1,439,168	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 14,305,434	\$ 2,349,593	\$ 1,558,081	\$ 1,829,870	\$ (10,007,058)	\$ 1,439,168	\$ (8,567,890)	\$ 0	\$ 0	\$ 0
<b>Component Units:</b>										
Metropolitan School Department	\$ 8,305,914	\$ 300,302	\$ 944,516	\$ 6,491,877	\$ 0	\$ 0	\$ 0	\$ (569,219)	\$ 0	\$ 0
Emergency Communications District	120,862	44,739	72,215	0	0	0	0	0	(3,908)	0
Total Component Units	\$ 8,426,776	\$ 345,041	\$ 1,016,731	\$ 6,491,877	\$ 0	\$ 0	\$ 0	\$ (569,219)	\$ (3,908)	\$ 0

(Continued)

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities	Metropolitan School Department	Component Units - Emergency Communications District
			Operating Grants and Contributions	Capital Grants and Contributions			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,736,886	\$ 1,951,545	\$ 0
Property Taxes Levied for Debt Service					264,163	0	0
Local Option Sales Tax					309,856	313,576	0
Hotel/Motel Tax					5,927	0	0
Litigation Tax					16,562	0	0
Business Tax					25,491	0	0
Mineral Severance Tax					17,225	0	0
Wholesale Beer Tax					65,391	0	0
Interstate Telecommunications Tax					735	0	0
Grants and Contributions Not Restricted to Specific Programs					485,562	4,475,768	10,000
Unrestricted Investment Income					89,627	231	4,296
Miscellaneous					87,391	15,561	9,422
Total General Revenues					\$ 3,104,816	\$ 6,756,681	\$ 23,718
Change in Net Assets					\$ (6,902,242)	\$ 6,187,462	\$ 19,810
Prior-period Adjustment					88,464	0	0
Net Assets, July 1, 2008					2,493,377	6,959,207	314,681
Net Assets, June 30, 2009					\$ (4,320,401)	\$ 13,146,669	\$ 334,491

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

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2009

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<b>ASSETS</b>					
Cash	\$ 200	\$ 0	\$ 0	\$ 150	\$ 350
Equity in Pooled Cash and Investments	829,130	293,654	748,806	120,086	1,991,676
Accounts Receivable	99,626	0	0	25,972	125,598
Allowance for Uncollectibles	(24,188)	0	0	(803)	(24,991)
Due from Other Governments	151,215	221,490	62,951	1,696	437,352
Property Taxes Receivable	1,531,703	27,082	314,109	342,595	2,215,489
Allowance for Uncollectible Property Taxes	(11,202)	(200)	(2,134)	(2,533)	(16,069)
<b>Total Assets</b>	<b>\$ 2,576,484</b>	<b>\$ 542,026</b>	<b>\$ 1,123,732</b>	<b>\$ 487,163</b>	<b>\$ 4,729,405</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Payroll Deductions Payable	\$ 9,693	\$ 0	\$ 0	\$ 1,511	\$ 11,204
Due to Other Funds	43,323	0	0	0	43,323
Deferred Revenue - Current Property Taxes	1,486,206	26,227	305,983	332,211	2,150,627
Deferred Revenue - Delinquent Property Taxes	30,661	555	5,451	7,441	44,108
Other Deferred Revenues	87,921	112,347	31,476	7,893	239,637
<b>Total Liabilities</b>	<b>\$ 1,657,804</b>	<b>\$ 139,129</b>	<b>\$ 342,910</b>	<b>\$ 349,056</b>	<b>\$ 2,488,899</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	\$ 108,548	\$ 0	\$ 0	\$ 0	\$ 108,548
Reserved for Alcohol and Drug Treatment	3,138	0	0	0	3,138
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	7,934	0	0	0	7,934
Reserved for Sexual Offender Registration	1,347	0	0	0	1,347
Reserved for Automation Purposes - Chancery Court	348	0	0	0	348
Reserved for Automation Purposes - County Clerk	688	0	0	0	688
Reserved for Other General Purposes	2,228	0	0	0	2,228
Unreserved, Reported In:					
General Fund	794,449	0	0	0	794,449
Special Revenue Funds	0	402,897	0	138,107	541,004
Debt Service Funds	0	0	780,822	0	780,822
<b>Total Fund Balances</b>	<b>\$ 918,680</b>	<b>\$ 402,897</b>	<b>\$ 780,822</b>	<b>\$ 138,107</b>	<b>\$ 2,240,506</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,576,484</b>	<b>\$ 542,026</b>	<b>\$ 1,123,732</b>	<b>\$ 487,163</b>	<b>\$ 4,729,405</b>

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
June 30, 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)		\$	2,240,506
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	383,779	
Add: infrastructure net of accumulated depreciation		561,140	
Add: buildings and improvements net of accumulated depreciation		1,378,007	
Add: other capital assets net of accumulated depreciation		<u>1,412,801</u>	3,735,727
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(898,805)	
Less: other loans payable		(9,608,943)	
Less: compensated absences payable		(64,003)	
Less: accrued interest on notes		<u>(8,628)</u>	(10,580,379)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>283,745</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(4,320,401)</u></u>

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

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2009

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works		General Debt Service	Education Capital Projects	Other Governmental Funds		
		44,512 \$	603,987 \$			0 \$	192,978 \$	
<b>Revenues</b>	\$ 1,802,667	\$ 44,512	\$ 603,987	\$ 0	\$ 0	\$ 192,978	\$ 2,644,144	
Local Taxes	11,413	0	0	0	0	2,504	13,917	
Licenses and Permits	28,563	0	0	0	0	1,112	29,675	
Fines, Forfeitures, and Penalties	138,740	0	0	0	0	182,756	321,496	
Charges for Current Services	164,319	39,799	0	0	0	40,201	244,319	
Other Local Revenues	247,804	0	0	0	0	0	247,804	
Fees Received from County Officials	468,598	1,437,943	0	0	0	21,514	1,928,055	
State of Tennessee	90,005	0	0	0	0	0	90,005	
Federal Government	220,846	0	4,006	0	0	1,000	225,852	
Other Governments and Citizens Groups	\$ 3,172,955	\$ 1,522,254	\$ 607,993	\$ 0	\$ 0	\$ 442,065	\$ 5,745,267	
<b>Total Revenues</b>								
<b>Expenditures</b>								
Current:	\$ 509,916	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,714	\$ 525,630	
General Government	197,634	0	0	0	0	0	197,634	
Finance	204,673	0	0	0	0	21	204,694	
Administration of Justice	1,086,459	0	0	0	0	56,041	1,142,500	
Public Safety	432,567	0	0	0	0	411,265	843,832	
Public Health and Welfare	285,402	0	0	0	0	0	285,402	
Social, Cultural, and Recreational Services	56,488	0	0	0	0	0	56,488	
Agriculture and Natural Resources	463,769	0	0	0	0	0	463,769	
Other Operations	0	1,527,761	0	0	0	0	1,527,761	
Highways	0	0	431,334	0	0	0	431,334	
Debt Service:	0	0	109,264	0	0	0	109,264	
Principal on Debt	0	0	37,686	0	0	0	37,686	
Interest on Debt	0	0	0	0	0	0	0	
Other Debt Service	1,121,683	0	0	6,491,877	0	0	7,613,560	
Capital Projects	\$ 4,358,591	\$ 1,527,761	\$ 578,284	\$ 6,491,877	\$ 483,041	\$ 0	\$ 13,439,554	
<b>Total Expenditures</b>								
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (1,185,636)	\$ (5,507)	\$ 29,709	\$ (6,491,877)	\$ (40,976)	\$ (7,694,287)		

(Continued)

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Capital Projects	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 1,155,246	\$ 0	\$ 0	\$ 6,491,877	\$ 0	\$ 0	\$ 7,647,123
Transfers In	0	0	9,740	0	62,500	0	72,240
Transfers Out	(72,240)	0	0	0	0	0	(72,240)
Total Other Financing Sources (Uses)	\$ 1,083,006	\$ 0	\$ 9,740	\$ 6,491,877	\$ 62,500	\$ 0	\$ 7,647,123
Net Change in Fund Balances	\$ (102,630)	\$ (5,507)	\$ 39,449	\$ 0	\$ 21,524	\$ 0	\$ (47,164)
Fund Balance, July 1, 2008	1,021,310	408,404	741,373	0	116,583	0	2,287,670
Fund Balance, June 30, 2009	\$ 918,680	\$ 402,897	\$ 780,822	\$ 0	\$ 138,107	\$ 0	\$ 2,240,506

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

Exhibit C-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 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)		\$	(47,164)
(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	\$	515,014	
Less: current year depreciation expense		<u>(340,726)</u>	174,288
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.			166,655
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$	283,745	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(265,817)</u>	17,928
(4) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Less: other loan proceeds	\$	(7,647,123)	
Add: principal payments on other loans		295,000	
Add: principal payments on notes		<u>136,334</u>	(7,215,789)
(5) Some expenses reported in the statement of activities do not require the uses of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	2,453	
Change in compensated absences payable		<u>(613)</u>	1,840
Change in net assets of governmental activities (Exhibit B)		\$	<u>(6,902,242)</u>

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2009

	Major Enterprise Fund <u>Water and Sewer Department</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 233,184
Inventories	56,488
Internal Balances	43,323
Accounts Receivable	94,215
Allowance for Uncollectibles	(1,941)
Other Receivables	8,052
Unbilled Charges for Services	85,374
Total Current Assets	<u>\$ 518,695</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 510
Revenue Bond Future Debt Service Account	60,996
Capital Assets:	
Assets not Depreciated:	
Construction in Progress	589,730
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	11,264,164
Total Noncurrent Assets	<u>\$ 11,915,400</u>
Total Assets	<u>\$ 12,434,095</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 104,996
Accrued Payroll	12,225
Accrued Leave	14,331
Accrued Interest Payable	10,385
Current Portion of Long-term Liabilities	208,673
Deferred Fees	28,631
Customer Deposits	20,811
Total Current Liabilities	<u>\$ 400,052</u>
Noncurrent Liabilities:	
Due in More Than One Year (net of unamortized loans costs)	\$ 5,578,123
Total Noncurrent Liabilities	<u>\$ 5,578,123</u>
Total Liabilities	<u>\$ 5,978,175</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 6,001,405
Restricted for Debt Service	60,996
Unrestricted	393,519
Total Net Assets	<u>\$ 6,455,920</u>

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2009

	Major Enterprise Fund <u>Water and Sewer Department</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,549,570
Total Operating Revenues	<u>\$ 1,549,570</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 891,494
Depreciation	360,377
Total Operating Expenses	<u>\$ 1,251,871</u>
Operating Income (Loss)	<u>\$ 297,699</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 6,317
Interest Expense	(209,102)
Loss on Retirement of Capital Assets	(8,024)
Total Nonoperating Revenues (Expenses)	<u>\$ (210,809)</u>
Income Before Contributions and Grants	\$ 86,890
Tap Fees in Excess of Costs	14,832
Contributions	1,147,959
Grants	<u>210,636</u>
Change in Net Assets	\$ 1,460,317
Net Assets, July 1, 2008	<u>4,995,603</u>
Net Assets, June 30, 2009	<u>\$ 6,455,920</u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2009

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers and Users	\$ 1,544,356
Payments to Suppliers	(439,147)
Payments to Employees	(493,255)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 611,954 <hr/>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (2,036,301)
Proceeds from Long-term Debt	1,033,000
Capital Contributions	1,359,624
Cost of Long-term Debt	(12,200)
Principal Payments on Long-term Debt	(680,470)
Interest Payments on Long-term Debt	(209,002)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$ (545,349) <hr/>
<u>Cash Flows From Noncapital Financing Activities</u>	
Contributions	\$ (660)
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> (660) <hr/>
<u>Cash Flows From Investing Activities</u>	
Redemption of Certificate of Deposit, Net of Reinvestment	\$ (76)
Investment Income	6,317
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 6,241 <hr/>
Increase (Decrease) in Cash	\$ 72,186
Cash, July 1, 2008	<hr/> 115,202 <hr/>
Cash, June 30, 2009	<hr/> \$ 187,388 <hr/>

(Continued)

Exhibit D-3

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

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Reconciliation of Net Operating Income (Loss)</u> to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	\$ 297,699
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	360,377
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(6,869)
(Increase) Decrease in Other Receivables	(606)
(Increase) Decrease in Other Accrued Revenue	(13,627)
(Increase) Decrease in Inventories	(4,979)
Increase (Decrease) in Accounts Payable	(1,054)
Increase (Decrease) in Accrued Wages and Payroll	3,100
Increase (Decrease) in Accrued Vacation Pay	1,953
Increase (Decrease) in Customer Deposits and Deferred Fees	<u>(24,041)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 611,953</u>
<u>Reconciliation of Cash With Statement of Net Assets</u>	
Cash and Cash Equivalents per Net Assets	\$ 233,184
Revenue Bond Future Debt Service Account per Net Assets	60,996
Certificates of Deposit	<u>(106,792)</u>
Cash, June 30, 2009	<u>\$ 187,388</u>

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

Exhibit E

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2009

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ <u>89,870</u>
Total Assets	\$ <u><u>89,870</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ <u>89,870</u>
Total Liabilities	\$ <u><u>89,870</u></u>

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

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

Administrative Office:

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

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

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

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

The Metropolitan Government of Lynchburg, Moore County, issues most debt for the discretely presented Metropolitan School Department. Net debt issues of \$6,491,877 were contributed by the metropolitan government to the School Department during the year ended June 30, 2009.

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

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

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

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

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

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

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

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

The metropolitan government reports the following major governmental funds:

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

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

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

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund type:

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

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

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

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

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

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

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

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

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

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

**1. Deposits and Investments**

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

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

## **2. Receivables and Payables**

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

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

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

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

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

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

### **3. Inventories**

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

### **4. Capital Assets**

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

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

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

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

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

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

**5. Compensated Absences**

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

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

**6. Long-term Obligations**

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

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

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

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

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

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

As of June 30, 2009, the metropolitan government had \$8,259,521 in outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the metropolitan government's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2009:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Law enforcement equipment	\$ 4,384
Park construction	161,865

**8. Prior-period Adjustment**

Capital assets were restated \$88,464 from the prior-year because Wiseman Park land purchased for \$75,000 had been omitted, and a building on the land had been assigned an incorrect useful life, resulting in excess depreciation of \$13,464 being expensed.

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

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

**Primary Government**

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

**Discretely Presented Metropolitan School Department**

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

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

**Primary Government**

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

## **Discretely Presented Metropolitan School Department**

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

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

#### **A. Budgetary Information**

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

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

The budgetary level of control is at the major category level established by the 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 Metropolitan Council may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

#### **B. Fund Deficit**

The discretely presented Metropolitan School Department's Education Capital Projects Fund had a deficit in unreserved fund balance of \$114,657 at June 30, 2009. This deficit resulted from the unperformed portions of construction contracts of \$172,682 being reserved as encumbrances. Funding for these future expenditures has been received through the issuance of debt.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the Metropolitan Council in the Regular Instruction Program major appropriation category (the legal level of control) of the School Federal Projects Fund by \$6,860. Such overexpenditure is a violation of state statutes. This overexpenditure was funded by available fund balance.

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

We reported in the prior-year that an employee at the Highway Department had been paid for 133 hours of sick leave, which he did not earn. The Highway Superintendent subsequently reduced the employee's sick leave balance by 60 hours and considers the matter resolved. We were advised that no further action will be taken.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

**Deposits**

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with

collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the metropolitan government.

**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 metropolitan government 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	\$ 308,779	\$ 75,000	\$ 0	\$ 383,779
Construction in Progress	324,873	0	(324,873)	0
<b>Total Capital Assets</b>				
Not Depreciated	<u>\$ 633,652</u>	<u>\$ 75,000</u>	<u>\$ (324,873)</u>	<u>\$ 383,779</u>

**Governmental Activities (Cont.):**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 1,956,745	\$ 283,943	\$ 0	\$ 2,240,688
Infrastructure	744,866	0	(4,345)	740,521
Other Capital Assets	3,010,243	726,944	(244,313)	3,492,874
<b>Total Capital Assets Depreciated</b>	<b>\$ 5,711,854</b>	<b>\$ 1,010,887</b>	<b>\$ (248,658)</b>	<b>\$ 6,474,083</b>
<b>Less Accumulated Depreciation For:</b>				
Buildings and Improvements	\$ 836,757	\$ 39,388	\$ (13,464)	\$ 862,681
Infrastructure	132,993	46,388	0	179,381
Other Capital Assets	2,069,436	254,950	(244,313)	2,080,073
<b>Total Accumulated Depreciation</b>	<b>\$ 3,039,186</b>	<b>\$ 340,726</b>	<b>\$ (257,777)</b>	<b>\$ 3,122,135</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 2,672,668</b>	<b>\$ 670,161</b>	<b>\$ 9,119</b>	<b>\$ 3,351,948</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,306,320</b>	<b>\$ 745,161</b>	<b>\$ (315,754)</b>	<b>\$ 3,735,727</b>

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

**Governmental Activities:**

General Government	\$ 13,391
Finance	1,122
Administration of Justice	1,621
Public Safety	141,812
Public Health and Welfare	56,354
Social, Cultural, and Recreational Services	15,544
Highway/Public Works	110,882
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 340,726</b>

**Discretely Presented Metropolitan School Department**

**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Construction in Progress	2,106,395	6,584,277	(571,967)	8,118,705
Total Capital Assets Not Depreciated	<u>\$ 2,145,737</u>	<u>\$ 6,584,277</u>	<u>\$ (571,967)</u>	<u>\$ 8,158,047</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,541,301	\$ 816,733	\$ 0	\$ 10,358,034
Other Capital Assets	983,584	72,545	(32,906)	1,023,223
Total Capital Assets Depreciated	<u>\$ 10,524,885</u>	<u>\$ 889,278</u>	<u>\$ (32,906)</u>	<u>\$ 11,381,257</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,712,483	\$ 223,030	\$ 0	\$ 5,935,513
Other Capital Assets	584,185	57,898	(32,906)	609,177
Total Accumulated Depreciation	<u>\$ 6,296,668</u>	<u>\$ 280,928</u>	<u>\$ (32,906)</u>	<u>\$ 6,544,690</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,228,217</u>	<u>\$ 608,350</u>	<u>\$ 0</u>	<u>\$ 4,836,567</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,373,954</u>	<u>\$ 7,192,627</u>	<u>\$ (571,967)</u>	<u>\$ 12,994,614</u>

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

**Governmental Activities:**

Instruction	\$ 202,566
Support Services	64,065
Operation of Non-Instructional Services	<u>14,297</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 280,928</u></u>

**C. Construction Commitments**

At June 30, 2009, the metropolitan government had uncompleted construction contracts of approximately \$108,548 in the General Fund for improvements to the Moore County Park. Funding has been received for these future expenditures.

At June 30, 2009, the discretely presented Metropolitan School Department had uncompleted construction contracts of approximately \$172,682 in the Education Capital Projects Fund for the construction and renovations of schools. Funding has been received for these future expenditures.

**D. Interfund Transfers**

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 9,740	\$ 62,500

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

**E. Capital Lease**

On September 17, 2008, the Metropolitan School Department entered into an 11-year lease-purchase agreement for a TAC Energy Management System. The terms of the agreement require total lease payments of \$244,766 plus interest of 4.79 percent. Title to the equipment will transfer to the School Department at the end of the lease period. The lease payments are made from the General Purpose School Fund.

Future minimum lease payments and the net present value of these lease payments as of June 30, 2009, were as follows:

Year Ending June 30	Governmental Funds
2010	\$ 29,100
2011	29,100
2012	29,100
2013	29,100
2014	29,100
2015-2019	145,500
2020	14,553
Total Minimum Lease Payments	\$ 305,553
Less: Amount Representing Interest	(66,554)
 Present Value of Minimum Lease Payments	 \$ 238,999

**F. Long-term Debt**

**Primary Government**

**Notes and Other Loans**

The county issues other loans to provide funds for the construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2009, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
Capital Outlay Notes	2.83 to 4.75 %	\$ 1,195,000	\$ 898,805
Other Loans	variable	9,903,943	9,608,943

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$8,300,000 and \$3,000,000 available for loan to the metropolitan government on an

as-needed basis for various capital projects. As of June 30, 2009, the metropolitan government had borrowed \$7,793,881 and \$2,110,062, respectively, of those amounts authorized. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2009, the variable interest rate was 1.39 percent, and other fees totaled approximately .15 percent of the outstanding loan principal (letter of credit), \$553 per month (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2009, the variable interest rate was 1.36 percent, and other fees totaled approximately .15 percent of the outstanding loan principal (letter of credit), \$200 per month (remarketing), and \$85 per month (trustee) for the \$3,000,000 loan.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 126,499	\$ 33,178	\$ 159,677
2011	127,195	28,542	155,737
2012	131,725	24,011	155,736
2013	136,467	19,271	155,738
2014	116,750	14,343	131,093
2015-2019	229,410	28,888	258,298
2020	30,759	1,237	31,996
<b>Total</b>	<b>\$ 898,805</b>	<b>\$ 149,470</b>	<b>\$ 1,048,275</b>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 305,000	\$ 128,750	\$ 25,036	\$ 458,786
2011	316,000	124,390	24,562	464,952
2012	327,000	119,876	24,072	470,948
2013	339,000	115,199	23,563	477,762
2014	351,000	110,356	23,036	484,392
2015-2019	1,959,000	472,631	106,578	2,538,209
2020-2024	2,280,063	322,908	86,877	2,689,848
2025-2029	1,747,000	188,046	58,592	1,993,638
2030-2034	1,984,880	55,358	36,614	2,076,852
Total	\$ 9,608,943	\$ 1,637,514	\$ 408,930	\$ 11,655,387

There is \$780,822 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$1,831, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

##### Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2008	\$ 1,035,139	\$ 2,256,820	\$ 63,390
Additions	0	7,647,123	96,190
Deductions	(136,334)	(295,000)	(95,577)
Balance, June 30, 2009	\$ 898,805	\$ 9,608,943	\$ 64,003
Balance Due Within One Year	\$ 126,499	\$ 305,000	\$ 27,789

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 10,571,751
Less: Balance Due Within One Year	<u>(459,288)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,112,463</u>

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

**Discretely Presented Metropolitan School Department**

Changes in Long-term Liabilities

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

Governmental Activities:	Capital Leases	Compensated Absences	Other Post- Employment Benefits
Balance, July 1, 2008	\$ 0	\$ 189,661	\$ 144,296
Additions	244,766	66,363	212,173
Deductions	<u>(5,767)</u>	<u>(55,524)</u>	<u>(50,556)</u>
Balance, June 30, 2009	<u>\$ 238,999</u>	<u>\$ 200,500</u>	<u>\$ 305,913</u>
Balance Due Within One Year	<u>\$ 17,966</u>	<u>\$ 57,055</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 745,412
Less: Due Within One Year	<u>(75,021)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 670,391</u>

Debt per capita for capital leases for the Metropolitan School Department totaled \$42, based on the 2000 federal census.

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

**G. On-Behalf Payments – Discretely Presented Metropolitan School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2009, were \$7,469 and \$3,409, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

The metropolitan government issued a tax anticipation note in advance of property tax collections and deposited the proceeds in the General Fund. This note was necessary because funds were not available to provide adequate cash flow before current tax collections. Short-term debt activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Issued	Redeemed	Balance 6-30-09
Tax Anticipation Notes	\$ 0	\$ 40,000	\$ (40,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

The metropolitan government and the discretely presented Metropolitan School Department participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The metropolitan government and the school department pay an annual premium to the TN-RMT for its general liability, property, casualty, and workers’ compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums. The TN-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

**Employee Health Insurance**

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

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 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 the metropolitan government for the year ended June 30, 2009, since the government had none of the obligating events. However, it is reasonably expected that the metropolitan government 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 the metropolitan government for the year ended June 30, 2009, since the government had no endowment investments. However, it is reasonably expected that the metropolitan government could have endowment investments in subsequent years.

**C. Subsequent Event**

On August 17, 2009, Sloan Stewart was appointed Metropolitan Executive by the Metropolitan Council.

**D. Contingent Liabilities**

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

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

**E. Changes in Administration**

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

On June 25, 2009, Peggy Gattis, Metropolitan Executive, died in an automobile accident.

**F. Retirement Commitments**

**Employees**

**Plan Description**

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

government participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

## **Funding Policy**

### Metropolitan Government Employees

The metropolitan government requires employees to contribute five percent of earnable compensation. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 10.69 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the metropolitan government is established and may be amended by the TCRS Board of Trustees.

### School Department Employees

The School Department requires employees to contribute five percent of earnable compensation. The School Department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009, was 5.42 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees.

## **Annual Pension Cost**

### Metropolitan Government Employees

For the year ended June 30, 2009, the metropolitan government's annual pension cost of \$46,869 to TCRS was equal to the metropolitan government'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. The metropolitan government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was 15 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	\$46,869	100%	\$0
6-30-08	48,154	100	0
6-30-07	45,269	100	0

#### School Department Employees

For the year ended June 30, 2009, the School Department's annual pension cost of \$54,338 to TCRS was equal to the School Department'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. The School Department's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight 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	\$54,338	100%	\$0
6-30-08	64,003	100	0
6-30-07	59,838	100	0

## **Funded Status and Funding Progress**

### Metropolitan Government Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.99 percent funded. The actuarial accrued liability for benefits was \$.96 million, and the actuarial value of assets was \$.76 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.39 million, and the ratio of the UAAL to the covered payroll was 52.05 percent.

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

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

### School Department Employees

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

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

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

## **School Teachers**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [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 the School Department 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 the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$236,606, \$224,336, and \$206,128, respectively, equal to the required contributions for each year.

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

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 members and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$0 to \$494 per month. The School Department recognized expenditures of \$50,556 for postemployment health care during the year ended June 30, 2009.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 212,000
Interest on the NPO	6,493
Adjustment to the ARC	(6,320)
	<hr/>
Annual OPEB cost	\$ 212,173
Amount of contribution	(50,556)
	<hr/>
Increase/decrease in NPO	\$ 161,617
Net OPEB obligation, 7-1-08	<hr/> 144,296 <hr/>
 Net OPEB obligation, 6-30-09	 <hr/> <b>\$ 305,913</b> <hr/>

Fiscal Year Ended* Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>			
6-30-08 Local Education Group	\$ 210,000	31 %	\$ 144,296
6-30-09 "	212,173	24	305,913

\* 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 Insurance Plan
	<hr/>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 1,668,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,668,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,638,000
UAAL as a % of covered payroll	36%

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. Purchasing Law**

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The charter further provides for the metropolitan executive to manage/conduct the Metropolitan Purchasing Department according to the procedures adopted by the Metropolitan Council. The Metropolitan Council is required by the charter to establish a three-member oversight committee to oversee the activity of the Metropolitan Purchasing Department.

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

1. Purchase orders are required for all purchases estimated to exceed \$250.

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

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

**A. General**

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

**B. Summary of Significant Accounting Policies**

The accounting policies of the department conform to generally accepted accounting principles as applicable to enterprise funds. The department applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB, in which case, GASB prevails. A proprietary activity may also elect to

apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The department has not elected this option. The following is a summary of significant policies:

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

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

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

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

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

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

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

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

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalized Interest – Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

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

**C. Utility Plant Additions and Retirements**

**Business-type Activities**

	Balance 7-1-08	Additions	Deductions	Balance 6-30-09
Capital Assets not Depreciated or Amortized:				
Land and Land Rights	\$ 76,512	\$ 0	\$ 0	\$ 76,512
Construction in Progress	34,860	554,870	0	589,730
<b>Total Capital Assets not Depreciated or Amortized</b>	<b>\$ 111,372</b>	<b>\$ 554,870</b>	<b>\$ 0</b>	<b>\$ 666,242</b>
Other Capital Assets:				
General	\$ 209,672	\$ 0	\$ 0	\$ 209,672
Water	10,262,597	1,493,816	(3,226)	11,753,187
Sewer	1,684,838	14,572	(7,500)	1,691,910
Maintenance	224,512	4,600	0	229,112
Acquisition adjustment	227,368	0	0	227,368
<b>Utility Plant</b>	<b>\$ 12,608,987</b>	<b>\$ 1,512,988</b>	<b>\$ (10,726)</b>	<b>\$ 14,111,249</b>

**Business-type Activities (Cont.):**

	Balance 7-1-08	Additions	Deductions	Balance 6-30-09
Less Accumulated Depreciation/ Amortization For:				
General	\$ 45,184	\$ 10,296	\$ 0	\$ 55,480
Water	1,446,132	279,593	(889)	1,724,836
Sewer	983,727	39,421	(1,813)	1,021,335
Maintenance	78,827	18,539	0	97,366
Acquisition adjustment	13,211	11,369	0	24,580
Total Accumulated Depreciation/ Amortization	<u>\$ 2,567,081</u>	<u>\$ 359,218</u>	<u>\$ (2,702)</u>	<u>\$ 2,923,597</u>
Other Capital Assets, Net	<u>\$ 10,041,906</u>	<u>\$ 1,153,770</u>	<u>\$ (8,024)</u>	<u>\$ 11,187,652</u>
Capital Assets, Net	<u>\$ 10,153,278</u>	<u>\$ 1,708,640</u>	<u>\$ (8,024)</u>	<u>\$ 11,853,894</u>

**D. Cash and Restricted Funds**

The following is a summary of cash and restricted funds at June 30, 2009:

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use:	\$ 179,358	\$ 51,792	\$ 231,150
Restricted Funds:			
Construction Account	2,034	0	2,034
Bond Reserve Fund	5,996	55,000	60,996
Total	<u>\$ 187,388</u>	<u>\$ 106,792</u>	<u>\$ 294,180</u>

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$160,061 to fund capital asset replacements.

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

in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the department.

**Types of Investments Authorized:** State statutes authorize the entity to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 metropolitan government's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The metropolitan government may make investments with longer maturities if various restrictions set out in state law are followed. The metropolitan government is 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.

**E. Due from Other Funds**

The General Fund has agreed to provide funding for a water service expansion project. At June 30, 2009, the department had incurred \$1,154,520 toward this project with \$43,323 remaining to be reimbursed by the General Fund.

**F. Revenue Bonds**

A summary of transactions for the year ended June 30, 2009, includes the following:

Balance - beginning of year	\$ 3,945,473
New bond	558,000
Bond payments	(54,832)
Less current maturities	<u>(58,276)</u>
Revenue bonds, less current maturities - end of year	<u>\$ 4,390,365</u>

Details of water and sewer revenue bonds are as follows:

Series 1992 Water Revenue and Tax Bonds, 6.625%, payable \$301 per month including principal and interest with final maturity in 2030	\$ 40,420
Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029	18,676
Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	71,444
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	258,708
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	322,027
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	195,749
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	1,021,408
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	1,962,209
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	<u>558,000</u>
Total	<u>\$ 4,448,641</u>

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2009, are as follows:

Year	Principal	Interest
2010	\$ 58,276	\$ 194,132
2011	61,133	191,275
2012	63,907	188,501
2013	66,804	185,604
2014	69,839	182,569
2015-2019	399,774	862,265
2020-2024	499,478	762,562
2025-2029	623,958	637,604
2030-2034	733,131	489,467
2035-2039	800,076	316,493
2040-2044	817,037	147,346
2045-2046	255,228	12,766
	\$ 4,448,641	\$ 4,170,584
Total		

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to pay the principal and interest on the bonds as such payments are due. Debt Service Reserve Accounts are to be funded for \$3,612 for the 1992 series, \$1,656 for the 1992A series, \$5,544 for the 1994 series, \$17,508 for the 1997 series, \$20,532 for the 2000 series, and \$12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2009.

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

	7-1-08	6-30-09
Revenue	\$ 142,188	\$ 229,358
Operation and Maintenance	1,716	1,792
Bond	78,001	60,996

**G. Notes Payable**

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

Year Ending June 30	Office Building 3.23%		2008 Dodge Truck 2.63%	
	Principal	Interest	Principal	Interest
2010	\$ 12,475	\$ 1,583	\$ 9,352	\$ 364
2011	12,887	1,173	8,774	114
2012	13,309	751	0	0
2013	13,746	315	0	0
2014	2,266	6	0	0
<b>Total</b>	<b>\$ 54,683</b>	<b>\$ 3,828</b>	<b>\$ 18,126</b>	<b>\$ 478</b>

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

Year Ending June 30				
	Principal	Interest	Principal	Interest
2010	\$ 31,316	\$ 7,363	\$ 7,527	\$ 1,500
2011	32,445	6,233	7,745	1,282
2012	33,615	5,062	7,969	1,057
2013	34,830	3,848	8,200	827
2014	36,087	2,592	8,435	590
2015-2016	53,354	1,450	16,042	438
<b>Total</b>	<b>\$ 221,647</b>	<b>\$ 26,548</b>	<b>\$ 55,918</b>	<b>\$ 5,694</b>

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

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

Year	Principal	Interest
2010	\$ 38,251	\$ 21,197
2011	39,395	20,053
2012	40,573	18,875
2013	41,786	17,662
2014	43,036	16,412
2015-2019	235,269	61,971
2020-2024	272,611	24,629
2025-2030	25,052	187
Total	<u>\$ 735,973</u>	<u>\$ 180,986</u>

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

Year	Lincoln Co. Utilities		Winchester Utilities	
	Principal	Interest	Principal	Interest
2010	\$ 19,167	\$ 1,667	\$ 18,103	\$ 14,206
2011	20,833	833	18,103	14,206
2012	0	0	18,103	14,206
2013	0	0	18,103	14,206
2014	0	0	18,103	14,206
2015-2018	0	0	42,241	53,275
Total	<u>\$ 40,000</u>	<u>\$ 2,500</u>	<u>\$ 132,756</u>	<u>\$ 124,305</u>

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

Notes payable activity for the year ended June 30, 2009, is as follows:

Balance 7-1-08	Draws	Repayments	Balance 6-30-09
\$ 1,534,047	\$ 475,000	\$ (625,638)	\$ 1,383,409

The department capitalized \$784 of interest cost during the current year.

#### H. Risk Management

The department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The department obtains insurance coverage covering the above risks of loss through a public entity risk pool,

Tennessee Risk Management Trust (TN-RMT), which reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event. An annual loss fund is established based on TN-RMT's known losses. If this amount is exhausted, TN-RMT will pay the additional amount in self-insured retentions from surplus. If loss fund payments exceed available surplus, assessments to members could be possible. No estimates of any possible future assessments have been made.

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

**I. Income Taxes**

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

**J. Significant Concentrations**

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2009, totaled \$94,215. Deposits from these customers, totaling \$20,811 at June 30, 2009, are held as security for these accounts receivable.

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

**K. Environmental Contingency**

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

**L. Loan and Grant Funding**

The department has been approved for \$1,250,000 from the State Revolving Loan Fund for sewer system improvements. Personnel reviewing the request have recommended generating additional revenue in order to service the loan. The department plans to implement rate increases over a three-year period to generate the additional revenue.

**M. Construction Contracts**

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

<u>Contractor</u>	<u>Amount of Contract</u>	<u>Cost Incurred through 6-30-09</u>
B&W Excavating, LLC	\$ 129,556	\$ 129,556
Phoenix Fabricators and Erectors, Inc.	647,542	514,024

Under an agreement with Winchester Utilities dated July 1, 2009, the department acquired water mains, service lines, and the right to service customers for a purchase price of \$113,755, payable over 120 months at \$948 per month.

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

**A. Summary of Significant Accounting Policies**

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

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

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

<u>Asset</u>	<u>Method</u>	<u>Estimated Useful Life</u>	<u>Depreciation</u>
Owned Operating Equipment	S/L	5 and 10 Years	\$ 20,164

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

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

**B. Cash and Cash Investments**

The following is a schedule of bank accounts at June 30, 2009:

Checking - Farmer's Bank	\$ 36,653
Savings - Moore County Bank	22,083
Certificates of Deposit - Moore County Bank	159,991
Certificates of Deposit - Farmer's Bank	<u>4,657</u>
Total	<u>\$ 223,384</u>

At June 30, 2009, the carrying amount of the Moore County Emergency Communications District's cash deposits was \$223,384. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, Tennessee Code Annotated. [Acts 1992, ch. 891, sct 10].

**C. Bonding and Insurance**

Moore County Emergency Communications District has a bond covering certain members of the board at June 30, 2009. There have been no losses or settlements that exceeded coverage during the past three years. All other potential risks such as theft, property damage, and public liability are covered under the county's insurance policy.

**D. Capital Assets**

The following is a schedule of equipment at June 30, 2009:

Assets	Cost	Accumulated Depreciation	Depreciation Expense 6-30-09
Construction in Progress	\$ 36,151	\$ 0	0
Office Equipment	9,073	3,785	1,318
Communications Equipment	121,164	74,216	18,846
<b>Total</b>	<b>\$ 166,388</b>	<b>\$ 78,001</b>	<b>\$ 20,164</b>

Assets	Balance 7-1-08	Additions	Disposals	Balance 6-30-09
Construction in Progress	\$ 0	\$ 36,151	\$ 0	36,151
Office Equipment	9,073	0	0	9,073
Communications Equipment	127,762	9,921	(16,519)	121,164
<b>Total</b>	<b>\$ 136,835</b>	<b>\$ 46,072</b>	<b>\$ (16,519)</b>	<b>\$ 166,388</b>

**E. Cash and Cash Equivalents**

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

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

The amounts of \$1,895 from AT&T, \$186 from other telephone service companies, and \$17,552 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2009. There is no need for an allowance for bad debts.

**G. Compensated Absences**

There were no employees at June 30, 2009.

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

Net Book Value	\$ 88,387
Current and Noncurrent Debt	<u>0</u>
Invested in Capital Assets	<u>\$ 88,387</u>

**I. Restricted and Unrestricted Resources**

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

**J. Budgetary Information**

As stated in Note VII A., the district must file a budget with the metropolitan government each year, which must be legally adopted by the metropolitan government. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the program level as well as the object level.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 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	
					1,721,792 \$	1,721,792 \$	
<u>Revenues</u>							
Local Taxes	\$ 1,802,667	\$ 0	\$ 0	\$ 1,802,667	\$ 1,721,792	\$ 80,875	
Licenses and Permits	11,413	0	0	11,413	8,000	3,413	
Fines, Forfeitures, and Penalties	28,563	0	0	28,563	25,375	3,188	
Charges for Current Services	138,740	0	0	138,740	115,700	22,515	
Other Local Revenues	164,319	0	0	164,319	78,486	37,495	
Fees Received from County Officials	247,804	0	0	247,804	236,000	11,804	
State of Tennessee	468,598	0	0	468,598	377,474	60,477	
Federal Government	90,005	0	0	90,005	0	(2,296)	
Other Governments and Citizens Groups	220,846	0	0	220,846	0	0	
Total Revenues	\$ 3,172,955	\$ 0	\$ 0	\$ 3,172,955	\$ 2,562,827	\$ 2,955,484	\$ 217,471
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 125,178	\$ 0	\$ 0	\$ 125,178	\$ 130,250	\$ 5,072	
County Mayor/Executive	105,633	0	0	105,633	107,190	3,457	
County Attorney	6,180	0	0	6,180	6,180	0	
Election Commission	72,730	0	0	72,730	71,674	0	
Register of Deeds	63,071	0	0	63,071	66,559	3,488	
Planning	12,634	0	0	12,634	13,043	409	
County Buildings	118,621	(4,600)	0	114,021	94,700	5,679	
Preservation of Records	5,869	0	0	5,869	6,652	783	
<u>Finance</u>							
Property Assessor's Office	72,619	0	0	72,619	70,501	0	
County Trustee's Office	62,545	0	0	62,545	65,357	2,812	
County Clerk's Office	62,470	0	0	62,470	62,766	296	

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Administration of Justice</u>							
Circuit Court	\$ 65,030	\$ 0	\$ 0	\$ 65,030	\$ 77,076	\$ 77,076	\$ 12,046
General Sessions Court	61,963	0	0	61,963	62,668	62,668	705
Chancery Court	56,118	0	0	56,118	58,366	58,366	2,248
Juvenile Court	9,000	0	0	9,000	9,000	9,000	0
Judicial Commissioners	12,562	0	0	12,562	12,800	12,800	238
<u>Public Safety</u>							
Sheriff's Department	669,904	0	0	669,904	628,734	674,293	4,389
Traffic Control	1,414	0	0	1,414	2,500	2,500	1,086
Administration of the Sexual Offender Registry	142	0	0	142	50	142	0
Jail	230,378	0	0	230,378	246,943	246,943	16,565
Commissary	462	0	0	462	1,225	1,225	763
Fire Prevention and Control	112,300	(11,319)	0	100,981	93,350	102,350	1,369
Other Emergency Management	71,859	0	0	71,859	0	75,000	3,141
<u>Public Health and Welfare</u>							
Local Health Center	41,474	0	0	41,474	44,440	45,600	4,126
Rabies and Animal Control	1,575	0	0	1,575	2,000	2,000	425
Ambulance/Emergency Medical Services	384,624	(100,000)	0	284,624	309,272	311,892	27,268
Alcohol and Drug Programs	2,394	0	0	2,394	2,150	3,050	656
Regional Mental Health Center	2,500	0	0	2,500	2,500	2,500	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	7,000	0	0	7,000	7,000	7,000	0
Libraries	89,214	(5,000)	0	84,214	77,834	84,472	258
Parks and Fair Boards	189,188	0	108,548	297,736	63,741	326,241	28,505

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Expenditures (Cont.)</b>							
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	\$ 50,423	\$ 0	\$ 0	\$ 50,423	\$ 56,344	\$ 56,344	\$ 5,921
Forest Service	350	0	0	350	350	350	0
Soil Conservation	5,715	0	0	5,715	5,763	5,763	48
<u>Other Operations</u>							
Tourism	9,013	0	0	9,013	6,600	9,350	337
Other Economic and Community Development	0	0	0	0	0	86,838	86,838
Veterans' Services	1,545	0	0	1,545	1,545	1,545	0
Employee Benefits	453,211	0	0	453,211	519,000	519,000	65,789
<u>Capital Projects</u>							
Public Utility Projects	1,121,683	0	0	1,121,683	0	1,121,683	0
Total Expenditures	\$ 4,358,591	\$ (120,919)	\$ 108,548	\$ 4,346,220	\$ 2,986,123	\$ 4,630,937	\$ 284,717
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	\$ (1,185,636)	\$ 120,919	\$ (108,548)	\$ (1,173,265)	\$ (423,296)	\$ (1,675,453)	\$ 502,188
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 1,155,246	\$ 0	\$ 0	\$ 1,155,246	\$ 0	\$ 1,243,323	\$ (88,077)
Transfers Out	(72,240)	0	0	(72,240)	0	(72,240)	0
Total Other Financing Sources (Uses)	\$ 1,083,006	\$ 0	\$ 0	\$ 1,083,006	\$ 0	\$ 1,171,083	\$ (88,077)
Net Change in Fund Balance	\$ (102,630)	\$ 120,919	\$ (108,548)	\$ (90,259)	\$ (423,296)	\$ (504,370)	\$ 414,111
Fund Balance, July 1, 2008	1,021,310	(120,919)	0	900,391	507,700	507,700	392,691
Fund Balance, June 30, 2009	\$ 918,680	\$ 0	\$ (108,548)	\$ 810,132	\$ 84,404	\$ 3,330	\$ 806,802

Exhibit F-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 44,512	\$ 59,216	\$ 45,390	\$ (878)
Other Local Revenues	39,799	5,000	43,985	(4,186)
State of Tennessee	1,437,943	1,323,216	1,478,712	(40,769)
<b>Total Revenues</b>	<b>\$ 1,522,254</b>	<b>\$ 1,387,432</b>	<b>\$ 1,568,087</b>	<b>\$ (45,833)</b>
<b>Expenditures</b>				
<b>Highways</b>				
Administration	\$ 133,749	\$ 100,516	\$ 134,935	\$ 1,186
Highway and Bridge Maintenance	397,197	576,084	400,311	3,114
Operation and Maintenance of Equipment	169,880	167,322	175,995	6,115
Other Charges	63,133	50,000	66,166	3,033
Employee Benefits	236,206	336,750	237,591	1,385
Capital Outlay	527,596	131,264	565,229	37,633
<b>Total Expenditures</b>	<b>\$ 1,527,761</b>	<b>\$ 1,361,936</b>	<b>\$ 1,580,227</b>	<b>\$ 52,466</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (5,507)</b>	<b>\$ 25,496</b>	<b>\$ (12,140)</b>	<b>\$ 6,633</b>
<b>Net Change in Fund Balance</b>	<b>\$ (5,507)</b>	<b>\$ 25,496</b>	<b>\$ (12,140)</b>	<b>\$ 6,633</b>
<b>Fund Balance, July 1, 2008</b>	<b>408,404</b>	<b>287,256</b>	<b>287,256</b>	<b>121,148</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 402,897</b>	<b>\$ 312,752</b>	<b>\$ 275,116</b>	<b>\$ 127,781</b>

Exhibit F-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Funding Progress - Pension Plan  
Primary Government and Discretely Presented Metropolitan School Department  
June 30, 2009

(Dollar amounts in thousands)

Member	Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Metropolitan Government Employees	6-30-09	7-1-07	\$ 763	\$ 966	\$ 203	78.99 %	\$ 390	52.05 %
"	6-30-08	7-1-07	763	966	203	78.99	390	52.05
School Department Employees	6-30-09	7-1-07	2,349	2,378	29	98.78	949	3.06
"	6-30-08	7-1-07	2,349	2,378	29	98.78	949	3.06

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007-08 fiscal year; therefore, data is only presented for two years.

Exhibit F-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Metropolitan School Department  
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended*	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Liability (AAL) (b)				
6-30-08	7-1-07	\$ 0	\$ 1,668	\$ 1,668	\$ 1,668	0%	\$ 4,515	37 %
6-30-09	7-1-07	0	1,668	1,668	1,668	0	4,638	36

\* Data only available for two years.

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG  
MOORE COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2009**

**BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the 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 Metropolitan Council may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

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Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	150 \$	150
Equity in Pooled Cash and Investments	770	47,146	72,170	0	120,086
Accounts Receivable	0	25,972	0	0	25,972
Allowance for Uncollectibles	0	(803)	0	0	(803)
Due from Other Governments	0	1,696	0	0	1,696
Property Taxes Receivable	162,282	180,313	0	0	342,595
Allowance for Uncollectible Property Taxes	(1,200)	(1,333)	0	0	(2,533)
Total Assets	\$ 161,852	\$ 252,991	\$ 72,170	\$ 150	\$ 487,163

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Allowance for Uncollectibles	
Due from Other Governments	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Payroll Deductions Payable	
Deferred Revenue - Current Property Taxes	
Deferred Revenue - Delinquent Property Taxes	
Other Deferred Revenues	
Total Liabilities	

Fund Balances

Unreserved	
Total Fund Balances	

Total Liabilities and Fund Balances

\$	0 \$	1,511 \$	0 \$	0 \$	1,511
157,363	174,848	0	0	0	332,211
3,612	3,829	0	0	0	7,441
0	7,893	0	0	0	7,893
\$ 160,975	\$ 188,081	\$ 0	\$ 0	\$ 0	\$ 349,056
\$ 877	\$ 64,910	\$ 72,170	\$ 150	\$ 138,107	
\$ 877	\$ 64,910	\$ 72,170	\$ 150	\$ 138,107	
\$ 161,852	\$ 252,991	\$ 72,170	\$ 150	\$ 487,163	

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2009

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constituti- onal - Officers - Fees		
<b>Revenues</b>						
Local Taxes	\$ 12,746	\$ 180,232	\$ 0	\$ 0	\$ 0	\$ 192,978
Licenses and Permits	2,504	0	0	0	0	2,504
Fines, Forfeitures, and Penalties	0	0	1,112	0	0	1,112
Charges for Current Services	0	182,675	0	81	0	182,756
Other Local Revenues	90	15,111	25,000	0	0	40,201
State of Tennessee	0	21,514	0	0	0	21,514
Other Governments and Citizens Groups	1,000	0	0	0	0	1,000
<b>Total Revenues</b>	<b>\$ 16,340</b>	<b>\$ 399,532</b>	<b>\$ 26,112</b>	<b>\$ 81</b>	<b>\$ 81</b>	<b>\$ 442,065</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 15,714	0	0	0	0	\$ 15,714
Administration of Justice	0	0	0	21	0	21
Public Safety	0	0	56,031	10	0	56,041
Public Health and Welfare	0	411,265	0	0	0	411,265
<b>Total Expenditures</b>	<b>\$ 15,714</b>	<b>\$ 411,265</b>	<b>\$ 56,031</b>	<b>\$ 31</b>	<b>\$ 31</b>	<b>\$ 483,041</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 626</b>	<b>\$ (11,733)</b>	<b>\$ (29,919)</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ (40,976)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	0	62,500	0	0	0	62,500
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 62,500</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 62,500</b>
<b>Net Change in Fund Balances Fund Balance, July 1, 2008</b>	<b>\$ 626</b>	<b>\$ 50,767</b>	<b>\$ (29,919)</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ 21,524</b>
	251	14,143	102,089	100	100	116,583
<b>Fund Balance, June 30, 2009</b>	<b>\$ 877</b>	<b>\$ 64,910</b>	<b>\$ 72,170</b>	<b>\$ 150</b>	<b>\$ 150</b>	<b>\$ 138,107</b>

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Urban Services Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 12,746	\$ 13,214	\$ 13,214	\$ (468)
Licenses and Permits	2,504	2,100	2,100	404
Other Local Revenues	90	85	85	5
Other Governments and Citizens Groups	1,000	0	1,000	0
<b>Total Revenues</b>	<b>\$ 16,340</b>	<b>\$ 15,399</b>	<b>\$ 16,399</b>	<b>\$ (59)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Other General Administration	\$ 15,714	\$ 15,310	\$ 15,810	\$ 96
<b>Total Expenditures</b>	<b>\$ 15,714</b>	<b>\$ 15,310</b>	<b>\$ 15,810</b>	<b>\$ 96</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 626</b>	<b>\$ 89</b>	<b>\$ 589</b>	<b>\$ 37</b>
<b>Net Change in Fund Balance</b>	<b>\$ 626</b>	<b>\$ 89</b>	<b>\$ 589</b>	<b>\$ 37</b>
<b>Fund Balance, July 1, 2008</b>	<b>251</b>	<b>482</b>	<b>482</b>	<b>(231)</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 877</b>	<b>\$ 571</b>	<b>\$ 1,071</b>	<b>\$ (194)</b>

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 180,232	\$ 175,740	\$ 175,740	\$ 4,492
Charges for Current Services	182,675	180,000	180,000	2,675
Other Local Revenues	15,111	12,000	12,945	2,166
State of Tennessee	21,514	32,237	32,237	(10,723)
Total Revenues	<u>\$ 399,532</u>	<u>\$ 399,977</u>	<u>\$ 400,922</u>	<u>\$ (1,390)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 24,762	\$ 29,237	\$ 29,237	\$ 4,475
Recycling Center	386,503	341,111	403,611	17,108
Total Expenditures	<u>\$ 411,265</u>	<u>\$ 370,348</u>	<u>\$ 432,848</u>	<u>\$ 21,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,733)</u>	<u>\$ 29,629</u>	<u>\$ (31,926)</u>	<u>\$ 20,193</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 62,500	\$ 0	\$ 62,500	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 62,500</u>	<u>\$ 0</u>	<u>\$ 62,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 50,767	\$ 29,629	\$ 30,574	\$ 20,193
Fund Balance, July 1, 2008	14,143	4,356	4,356	9,787
Fund Balance, June 30, 2009	<u>\$ 64,910</u>	<u>\$ 33,985</u>	<u>\$ 34,930</u>	<u>\$ 29,980</u>

Exhibit G-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,112	\$ 2,750	\$ 2,800	\$ (1,688)
Other Local Revenues	25,000	0	25,000	0
Total Revenues	\$ 26,112	\$ 2,750	\$ 27,800	\$ (1,688)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 56,031	\$ 49,500	\$ 66,500	\$ 10,469
Total Expenditures	\$ 56,031	\$ 49,500	\$ 66,500	\$ 10,469
Excess (Deficiency) of Revenues Over Expenditures	\$ (29,919)	\$ (46,750)	\$ (38,700)	\$ 8,781
Net Change in Fund Balance	\$ (29,919)	\$ (46,750)	\$ (38,700)	\$ 8,781
Fund Balance, July 1, 2008	102,089	103,589	103,589	(1,500)
Fund Balance, June 30, 2009	\$ 72,170	\$ 56,839	\$ 64,889	\$ 7,281

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# **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

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 603,987	\$ 533,938	\$ 533,938	\$ 70,049
Charges for Current Services	0	5,400	1,394	(1,394)
Other Governments and Citizens Groups	4,006	0	4,006	0
<b>Total Revenues</b>	<b>\$ 607,993</b>	<b>\$ 539,338</b>	<b>\$ 539,338</b>	<b>\$ 68,655</b>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 200,654	\$ 238,074	\$ 200,655	\$ 1
Education	230,680	199,000	230,680	0
<u>Interest on Debt</u>				
General Government	45,775	39,210	54,228	8,453
Education	63,489	263,940	191,421	127,932
<u>Other Debt Service</u>				
General Government	13,239	10,000	48,793	35,554
Education	24,447	0	24,447	0
<b>Total Expenditures</b>	<b>\$ 578,284</b>	<b>\$ 750,224</b>	<b>\$ 750,224</b>	<b>\$ 171,940</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 29,709</b>	<b>\$ (210,886)</b>	<b>\$ (210,886)</b>	<b>\$ 240,595</b>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 9,740	\$ 9,740	\$ 9,740	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 9,740</b>	<b>\$ 9,740</b>	<b>\$ 9,740</b>	<b>\$ 0</b>
<b>Net Change in Fund Balance</b>	<b>\$ 39,449</b>	<b>\$ (201,146)</b>	<b>\$ (201,146)</b>	<b>\$ 240,595</b>
<b>Fund Balance, July 1, 2008</b>	<b>741,373</b>	<b>411,929</b>	<b>411,929</b>	<b>329,444</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 780,822</b>	<b>\$ 210,783</b>	<b>\$ 210,783</b>	<b>\$ 570,039</b>

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# Fiduciary Fund

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

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

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Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Changes in Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 76,441	\$ 1,106,117	\$ 1,092,688	\$ 89,870
Total Assets	\$ 76,441	\$ 1,106,117	\$ 1,092,688	\$ 89,870
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 76,441	\$ 1,106,117	\$ 1,092,688	\$ 89,870
Total Liabilities	\$ 76,441	\$ 1,106,117	\$ 1,092,688	\$ 89,870

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# Metropolitan School Department

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

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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.

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

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Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Activities  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental Activities	
Governmental Activities:						
Instruction	\$ 4,545,869	\$ 15,000	\$ 477,251	\$ 6,491,877	\$	2,438,259
Support Services	3,094,340	1,320	109,719	0		(2,983,301)
Operation of Non-Instructional Services	656,922	283,982	357,546	0		(15,394)
Interest on Long-term Debt	8,783	0	0	0		(8,783)
<b>Total Governmental Activities</b>	<b>\$ 8,305,914</b>	<b>\$ 300,302</b>	<b>\$ 944,516</b>	<b>\$ 6,491,877</b>	<b>\$</b>	<b>(569,219)</b>
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$	1,951,545
Local Option Sales Tax						313,576
Grants and Contributions Not Restricted to Specific Programs						4,475,768
Unrestricted Investment Income						231
Miscellaneous						15,561
<b>Total General Revenues</b>					<b>\$</b>	<b>6,756,681</b>
Change in Net Assets					\$	6,187,462
Net Assets, July 1, 2008						6,959,207
<b>Net Assets, June 30, 2009</b>					<b>\$</b>	<b>13,146,669</b>

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Metropolitan School Department  
June 30, 2009

	Major Funds		Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<b>ASSETS</b>				
Equity in Pooled Cash and Investments	\$ 787,228	\$ 215,124	\$ 41,602	\$ 1,043,954
Inventories	0	0	15,744	15,744
Accounts Receivable	4	0	3,297	3,301
Due from Other Governments	106,966	0	7,017	113,983
Property Taxes Receivable	1,964,456	0	0	1,964,456
Allowance for Uncollectible Property Taxes	(14,402)	0	0	(14,402)
Total Assets	<u>\$ 2,844,252</u>	<u>\$ 215,124</u>	<u>\$ 67,660</u>	<u>\$ 3,127,036</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,729	\$ 0	\$ 6,805	\$ 8,534
Payroll Deductions Payable	141,807	0	16,289	158,096
Contracts Payable	0	133,082	0	133,082
Retainage Payable	0	24,017	0	24,017
Deferred Revenue - Current Property Taxes	1,905,840	0	0	1,905,840
Deferred Revenue - Delinquent Property Taxes	37,008	0	0	37,008
Other Deferred Revenues	31,736	0	0	31,736
Total Liabilities	<u>\$ 2,118,120</u>	<u>\$ 157,099</u>	<u>\$ 23,094</u>	<u>\$ 2,298,313</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 172,682	\$ 0	\$ 172,682
Reserved for Vocational Projects	0	0	17	17
Other Local Education Reserves	3,634	0	0	3,634
Reserved for Career Ladder - Extended Contract	2,066	0	0	2,066
Reserved for Career Ladder Program	620	0	0	620
Reserved for Title I Grants to Local Education Agencies	0	0	817	817
Reserved for Innovative Education Program Strategies	0	0	5,667	5,667
Reserved for Special Education - Grants to States	0	0	2,547	2,547
Other Federal Reserves	0	0	966	966
Unreserved, Reported In:				
General Fund	719,812	0	0	719,812
Special Revenue Funds	0	0	34,552	34,552
Capital Projects Funds (Deficit)	0	(114,657)	0	(114,657)
Total Fund Balances	<u>\$ 726,132</u>	<u>\$ 58,025</u>	<u>\$ 44,566</u>	<u>\$ 828,723</u>
Total Liabilities and Fund Balances	<u>\$ 2,844,252</u>	<u>\$ 215,124</u>	<u>\$ 67,660</u>	<u>\$ 3,127,036</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Metropolitan School Department  
June 30, 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)		\$	828,723
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: construction in progress		8,118,705	
Add: buildings and improvements net of accumulated depreciation		4,422,521	
Add: other capital assets net of accumulated depreciation		<u>414,046</u>	12,994,614
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital lease payable	\$	(238,999)	
Less: compensated absences payable		(200,500)	
Less: other postemployment benefits liability		<u>(305,913)</u>	(745,412)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>68,744</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,146,669</u></u>

Exhibit J-4

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

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 2,262,592	\$ 0	\$ 0	\$ 2,262,592
Licenses and Permits	732	0	0	732
Charges for Current Services	39,596	0	260,706	300,302
Other Local Revenues	25,541	0	342	25,883
State of Tennessee	4,768,089	0	5,477	4,773,566
Federal Government	0	0	598,347	598,347
Other Governments and Citizens Groups	0	6,491,877	0	6,491,877
<b>Total Revenues</b>	<b>\$ 7,096,550</b>	<b>\$ 6,491,877</b>	<b>\$ 864,872</b>	<b>\$ 14,453,299</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 4,041,616	\$ 0	\$ 306,707	\$ 4,348,323
Support Services	3,051,154	0	80,105	3,131,259
Operation of Non-Instructional Services	109,754	0	485,634	595,388
Capital Outlay	43,472	0	0	43,472
Debt Service:				
Principal on Debt	5,767	0	0	5,767
Interest on Debt	8,783	0	0	8,783
Capital Projects	0	6,584,277	0	6,584,277
<b>Total Expenditures</b>	<b>\$ 7,260,546</b>	<b>\$ 6,584,277</b>	<b>\$ 872,446</b>	<b>\$ 14,717,269</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (163,996)	\$ (92,400)	\$ (7,574)	\$ (263,970)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 244,766	\$ 0	\$ 0	\$ 244,766
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 244,766</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 244,766</b>
Net Change in Fund Balances	\$ 80,770	\$ (92,400)	\$ (7,574)	\$ (19,204)
Fund Balance, July 1, 2008	645,362	150,425	52,140	847,927
<b>Fund Balance, June 30, 2009</b>	<b>\$ 726,132</b>	<b>\$ 58,025</b>	<b>\$ 44,566</b>	<b>\$ 828,723</b>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 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)		\$	(19,204)
(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	\$	6,901,588	
Less: current year depreciation expense		<u>(280,928)</u>	6,620,660
(2) 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	\$	68,744	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(71,283)</u>	(2,539)
(3) The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: capital lease proceeds	\$	(244,766)	
Add: principal payments on capital lease		<u>5,767</u>	(238,999)
(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 other postemployment benefits liability	\$	(161,617)	
Change in compensated absences payable		<u>(10,839)</u>	(172,456)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 6,187,462</u>

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Metropolitan School Department  
June 30, 2009

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 11,567	\$ 30,035	\$ 41,602
Inventories	0	15,744	15,744
Accounts Receivable	948	2,349	3,297
Due from Other Governments	7,017	0	7,017
Total Assets	<u>\$ 19,532</u>	<u>\$ 48,128</u>	<u>\$ 67,660</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 6,805	\$ 0	\$ 6,805
Payroll Deductions Payable	2,713	13,576	16,289
Total Liabilities	<u>\$ 9,518</u>	<u>\$ 13,576</u>	<u>\$ 23,094</u>
<b><u>Fund Balances</u></b>			
Reserved for Vocational Projects	\$ 17	\$ 0	\$ 17
Reserved for Title I Grants to Local Education Agencies	817	0	817
Reserved for Innovative Education Program Strategies	5,667	0	5,667
Reserved for Special Education - Grants to States	2,547	0	2,547
Other Federal Reserves	966	0	966
Unreserved	0	34,552	34,552
Total Fund Balances	<u>\$ 10,014</u>	<u>\$ 34,552</u>	<u>\$ 44,566</u>
Total Liabilities and Fund Balances	<u>\$ 19,532</u>	<u>\$ 48,128</u>	<u>\$ 67,660</u>

Exhibit J-7

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

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 260,706	\$ 260,706
Other Local Revenues	0	342	342
State of Tennessee	0	5,477	5,477
Federal Government	378,967	219,380	598,347
Total Revenues	<u>\$ 378,967</u>	<u>\$ 485,905</u>	<u>\$ 864,872</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 306,707	\$ 0	\$ 306,707
Support Services	80,105	0	80,105
Operation of Non-Instructional Services	0	485,634	485,634
Total Expenditures	<u>\$ 386,812</u>	<u>\$ 485,634</u>	<u>\$ 872,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,845)</u>	<u>\$ 271</u>	<u>\$ (7,574)</u>
Net Change in Fund Balances	\$ (7,845)	\$ 271	\$ (7,574)
Fund Balance, July 1, 2008	17,859	34,281	52,140
Fund Balance, June 30, 2009	<u>\$ 10,014</u>	<u>\$ 34,552</u>	<u>\$ 44,566</u>

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<b>Revenues</b>						
Local Taxes	\$ 2,262,592	\$ 0	\$ 2,262,592	\$ 2,174,758	\$ 2,202,967	\$ 59,625
Licenses and Permits	732	0	732	700	570	162
Charges for Current Services	39,596	0	39,596	21,240	36,440	3,156
Other Local Revenues	25,541	0	25,541	1,000	22,644	2,897
State of Tennessee	4,768,089	0	4,768,089	4,716,650	4,756,546	11,543
<b>Total Revenues</b>	<b>\$ 7,096,550</b>	<b>\$ 0</b>	<b>\$ 7,096,550</b>	<b>\$ 6,914,348</b>	<b>\$ 7,019,167</b>	<b>\$ 77,383</b>
<b>Expenditures</b>						
<b>Instruction</b>						
Regular Instruction Program	\$ 3,194,834	\$ 0	\$ 3,194,834	\$ 3,253,592	\$ 3,218,631	\$ 23,797
Alternative Instruction Program	80,786	0	80,786	69,481	80,857	71
Special Education Program	477,240	0	477,240	474,289	478,630	1,390
Vocational Education Program	288,756	0	288,756	253,309	288,999	243
<b>Support Services</b>						
Attendance	6,251	0	6,251	6,133	6,253	2
Health Services	47,114	0	47,114	47,240	47,645	531
Other Student Support	303,132	0	303,132	305,697	305,640	2,508
Regular Instruction Program	349,693	0	349,693	377,477	353,281	3,588
Special Education Program	4,171	0	4,171	3,850	4,180	9
Vocational Education Program	22,569	0	22,569	29,842	22,569	0
Other Programs	10,878	0	10,878	0	10,878	0
Board of Education	169,795	0	169,795	160,597	170,582	787
Director of Schools	134,387	0	134,387	132,276	135,552	1,165
Office of the Principal	422,824	0	422,824	451,586	423,332	508

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Fiscal Services	\$ 76,775	\$ 0	\$ 76,775	\$ 76,953	\$ 76,842	\$ 67
Operation of Plant	955,560	0	955,560	704,857	964,173	8,613
Maintenance of Plant	85,880	0	85,880	76,586	88,750	2,870
Transportation	462,125	0	462,125	503,454	468,733	6,608
<u>Operation of Non-Instructional Services</u>						
Community Services	19,351	0	19,351	20,491	20,322	971
Early Childhood Education	90,403	0	90,403	90,284	90,619	216
<u>Capital Outlay</u>						
Regular Capital Outlay	43,472	(14,237)	29,235	36,000	36,000	6,765
<u>Principal on Debt</u>						
Education	5,767	0	5,767	0	5,767	0
<u>Interest on Debt</u>						
Education	8,783	0	8,783	0	8,783	0
<u>Total Expenditures</u>	<u>\$ 7,260,546</u>	<u>\$ (14,237)</u>	<u>\$ 7,246,309</u>	<u>\$ 7,073,994</u>	<u>\$ 7,307,018</u>	<u>\$ 60,709</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>\$ (163,996)</u>	<u>\$ 14,237</u>	<u>\$ (149,759)</u>	<u>\$ (159,646)</u>	<u>\$ (257,851)</u>	<u>\$ 138,092</u>
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 244,766	\$ 0	\$ 244,766	\$ 0	\$ 244,766	\$ 0
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 244,766</u>	<u>\$ 0</u>	<u>\$ 244,766</u>	<u>\$ 0</u>	<u>\$ 244,766</u>	<u>\$ 0</u>
<u>Net Change in Fund Balance Fund Balance, July 1, 2008</u>	<u>\$ 80,770</u>	<u>\$ 14,237</u>	<u>\$ 95,007</u>	<u>\$ (159,646)</u>	<u>\$ (43,085)</u>	<u>\$ 138,092</u>
<u>Fund Balance, June 30, 2009</u>	<u>\$ 645,362</u>	<u>\$ (14,237)</u>	<u>\$ 631,125</u>	<u>\$ 438,367</u>	<u>\$ 438,367</u>	<u>\$ 192,768</u>
<u>Fund Balance, June 30, 2009</u>	<u>\$ 726,132</u>	<u>\$ 0</u>	<u>\$ 726,132</u>	<u>\$ 278,721</u>	<u>\$ 395,282</u>	<u>\$ 330,850</u>

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Metropolitan School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 378,967	\$ 406,539	\$ 406,294	\$ (27,327)
Total Revenues	\$ 378,967	\$ 406,539	\$ 406,294	\$ (27,327)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 134,959	\$ 128,099	\$ 128,099	\$ (6,860)
Special Education Program	161,448	174,602	165,755	4,307
Vocational Education Program	10,300	10,593	10,322	22
<u>Support Services</u>				
Health Services	9,930	10,280	16,502	6,572
Other Student Support	14,047	13,909	19,373	5,326
Regular Instruction Program	46,940	75,173	74,623	27,683
Special Education Program	8,119	9,764	8,384	265
Vocational Education Program	602	600	602	0
Transportation	467	1,000	550	83
Total Expenditures	\$ 386,812	\$ 424,020	\$ 424,210	\$ 37,398
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,845)	\$ (17,481)	\$ (17,916)	\$ 10,071
Net Change in Fund Balance	\$ (7,845)	\$ (17,481)	\$ (17,916)	\$ 10,071
Fund Balance, July 1, 2008	17,859	17,916	17,916	(57)
Fund Balance, June 30, 2009	\$ 10,014	\$ 435	\$ 0	\$ 10,014

Exhibit J-10

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Metropolitan School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive - (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 260,706	\$ 270,000	\$ 290,000	\$ (29,294)
Other Local Revenues	342	650	650	(308)
State of Tennessee	5,477	6,000	6,000	(523)
Federal Government	219,380	190,000	210,000	9,380
<b>Total Revenues</b>	<b>\$ 485,905</b>	<b>\$ 466,650</b>	<b>\$ 506,650</b>	<b>\$ (20,745)</b>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 485,634	\$ 469,982	\$ 509,982	\$ 24,348
<b>Total Expenditures</b>	<b>\$ 485,634</b>	<b>\$ 469,982</b>	<b>\$ 509,982</b>	<b>\$ 24,348</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 271</b>	<b>\$ (3,332)</b>	<b>\$ (3,332)</b>	<b>\$ 3,603</b>
<b>Net Change in Fund Balance</b>	<b>\$ 271</b>	<b>\$ (3,332)</b>	<b>\$ (3,332)</b>	<b>\$ 3,603</b>
<b>Fund Balance, July 1, 2008</b>	<b>34,281</b>	<b>27,751</b>	<b>27,751</b>	<b>6,530</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 34,552</b>	<b>\$ 24,419</b>	<b>\$ 24,419</b>	<b>\$ 10,133</b>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, and Capital Leases  
 Primary Government and Discretely Presented Metropolitan School Department  
 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	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
<b>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
<b>Payable through General Debt Service Fund</b>								
Ambulance	\$ 74,069	4.75 %	7-31-01	7-2-08	\$ 7,055	\$ 0	\$ 7,055	\$ 0
Health Department Building	70,000	4.75	12-14-01	12-14-10	14,109	0	9,268	4,841
Fire Truck	200,000	3.94	1-27-06	1-23-14	153,573	0	23,468	130,105
Land	225,000	3.38	11-16-05	11-16-14	180,184	0	25,193	154,991
Garbage Truck	120,000	3.58	6-22-07	6-22-13	100,218	0	17,433	82,785
Fire Truck	180,000	3.58	1-2-08	1-2-17	180,000	0	18,437	161,563
Park	300,000	4.015	6-23-08	6-23-20	300,000	0	19,952	280,048
Ambulance	100,000	2.83	6-25-08	6-25-14	100,000	0	15,528	84,472
Total Notes Payable					\$ 1,035,139	\$ 0	\$ 136,334	\$ 898,805
<b>OTHER LOANS PAYABLE</b>								
<b>Payable through General Debt Service Fund</b>								
School Construction	(1)	Variable	7-17-07	5-25-34	\$ 1,936,567	\$ 5,857,314	\$ 199,000	\$ 7,594,881
School Construction/Public Water	(2)	Variable	6-9-08	5-25-28	320,253	1,789,809	96,000	2,014,062
Total Other Loans Payable					\$ 2,256,820	\$ 7,647,123	\$ 295,000	\$ 9,608,943
<b>DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT</b>								
<b>CAPITAL LEASES PAYABLE</b>								
<b>Payable through General Purpose School Fund</b>								
TAC Energy Management System	244,766	4.79	9-17-08	12-15-19	\$ 0	\$ 244,766	\$ 5,767	\$ 238,999
Total Capital Leases Payable					\$ 0	\$ 244,766	\$ 5,767	\$ 238,999

(1) Total amount approved was \$8,300,000, of which \$506,119 remains available for draws as of June 30, 2009.

(2) Total amount approved was \$3,000,000, of which \$889,938 remains available for draws as of June 30, 2009.

Exhibit K-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Metropolitan School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2010	\$ 126,499	\$ 33,178	\$ 159,677
2011	127,195	28,542	155,737
2012	131,725	24,011	155,736
2013	136,467	19,271	155,738
2014	116,750	14,343	131,093
2015	72,735	10,072	82,807
2016	48,404	7,345	55,749
2017	50,263	5,485	55,748
2018	28,433	3,564	31,997
2019	29,575	2,422	31,997
2020	30,759	1,237	31,996
Total	\$ 898,805	\$ 149,470	\$ 1,048,275

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2010	\$ 305,000	\$ 128,750	\$ 25,036	\$ 458,786
2011	316,000	124,390	24,562	464,952
2012	327,000	119,876	24,072	470,948
2013	339,000	115,199	23,563	477,762
2014	351,000	110,356	23,036	484,392
2015	365,000	105,320	22,489	492,809
2016	377,000	100,119	21,924	499,043
2017	391,000	94,724	21,337	507,061
2018	405,000	89,138	20,730	514,868
2019	421,000	83,330	20,098	524,428
2020	435,000	77,330	19,446	531,776
2021	451,000	71,110	18,769	540,879
2022	469,000	64,642	18,066	551,708
2023	485,000	57,953	17,338	560,291
2024	440,063	51,873	13,258	505,194
2025	328,000	47,314	12,766	388,080
2026	338,000	42,616	12,259	392,875
2027	349,000	37,765	11,735	398,500
2028	360,000	32,761	11,195	403,956
2029	372,000	27,590	10,637	410,227
2030	383,000	22,266	10,063	415,329
2031	396,000	16,762	9,469	422,231
2032	408,000	11,091	8,857	427,948
2033	421,000	5,239	8,225	434,464
2034	376,880	0	0	376,880
Total	\$ 9,608,943	1,637,514	408,930	\$ 11,655,387

(Continued)

Exhibit K-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Metropolitan School Department (Cont.)

DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2010	\$ 17,966	\$ 11,134	\$ 29,100
2011	18,843	10,257	29,100
2012	19,762	9,338	29,100
2013	20,726	8,374	29,100
2014	21,738	7,362	29,100
2015	22,798	6,302	29,100
2016	23,910	5,190	29,100
2017	25,077	4,023	29,100
2018	26,301	2,799	29,100
2019	27,584	1,516	29,100
2020	14,294	259	14,553
Total	\$ 238,999	\$ 66,554	\$ 305,553

Exhibit K-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt payments	\$ 9,740
General	Solid Waste/Sanitation	Capital outlay	<u>62,500</u>
Total Transfers			<u>\$ 72,240</u>

Exhibit K-4

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

Official	Authorization for Salary	\$	60,350	\$	25,000	RLI Insurance Company	Salary Paid During Period	Bond	Surety
Metropolitan Executive Highway Superintendent:	Section 8-24-102, <u>TCA</u>								
Richie Pierce (7-1-08 through 8-31-08)	Section 8-24-102, <u>TCA</u> and Metropolitan Council		10,445		100,000	Western Surety Company			
Milton Ferrell (9-1-08 through 6-30-09)	Section 8-24-102, <u>TCA</u> and Metropolitan Council		49,905		100,000	RLI Insurance Company			
Director of Schools	State Board of Education and Metropolitan Board of Education		74,116		50,000	Western Surety Company			
Trustee	Section 8-24-102, <u>TCA</u>		52,251		306,000	RLI Insurance Company			
Assessor of Property	Section 8-24-102, <u>TCA</u>		52,251		10,000	"			
Metropolitan Clerk	Section 8-24-102, <u>TCA</u>		52,251		25,000	"			
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>		52,251		25,000	"			
Clerk and Master	Section 8-24-102, <u>TCA</u>		52,251		25,000	"			
Register	Section 8-24-102, <u>TCA</u>		52,251		25,000	"			
Sheriff	Section 8-24-102, <u>TCA</u>		58,077 (1)		25,000	"			
Employee Bonds									
Metropolitan Employees					150,000	Tennessee Risk Management Trust			
School Department Employees					150,000	"			

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

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2009

	Special Revenue Funds							Debt Service Fund
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<b>Local Taxes</b>								
<b>County Property Taxes</b>								
Current Property Tax	\$ 1,467,266	\$ 12,396	\$ 176,643	\$ 0	\$ 0	\$ 26,549	\$ 256,241	\$ 1,939,095
Trustee's Collections - Prior Year	25,376	279	2,115	0	0	453	3,776	31,999
Circuit/Clerk & Master Collections - Prior Years	10,855	0	1,015	0	0	195	1,690	13,755
Interest and Penalty	5,022	71	459	0	0	90	776	6,418
Payments in-Lieu-of Taxes - T.V.A.	7,029	0	0	0	0	0	0	7,029
<b>County Local Option Taxes</b>								
Local Option Sales Tax	157,423	0	0	0	0	0	157,423	314,846
Hotel/Motel Tax	5,927	0	0	0	0	0	0	5,927
Litigation Tax - General	14,545	0	0	0	0	0	0	14,545
Litigation Tax - Jail, Workhouse, or Courthouse	4,866	0	0	0	0	0	0	4,866
Business Tax	25,491	0	0	0	0	0	0	25,491
Mineral Severance Tax	0	0	0	0	0	17,225	0	17,225
<b>Statutory Local Taxes</b>								
Bank Excise Tax	12,741	0	0	0	0	0	0	12,741
Wholesale Beer Tax	65,391	0	0	0	0	0	0	65,391
Interstate Telecommunications Tax	735	0	0	0	0	0	0	735
Other Statutory Local Taxes	0	0	0	0	0	0	184,081	184,081
<b>Total Local Taxes</b>	<b>\$ 1,802,667</b>	<b>\$ 12,746</b>	<b>\$ 180,232</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 44,512</b>	<b>\$ 603,987</b>	<b>\$ 2,644,144</b>
<b>Licenses and Permits</b>								
<b>Licenses</b>								
Cable TV Franchise	\$ 7,148	2,504	0	0	0	0	0	9,652
<b>Permits</b>								
Building Permits	4,265	0	0	0	0	0	0	4,265
<b>Total Licenses and Permits</b>	<b>\$ 11,413</b>	<b>\$ 2,504</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,917</b>
<b>Fines, Forfeitures, and Penalties</b>								
<b>Circuit Court</b>								
Fines	\$ 752	0	0	0	0	0	0	752
Officers Costs	743	0	0	0	0	0	0	743

(Continued)

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

	Special Revenue Funds							Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund	
<b>Fines, Forfeitures, and Penalties (Cont.)</b>								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 510	\$ 0	\$ 0	\$ 0	\$ 510
Drug Court Fees	66	0	0	47	0	0	0	113
Data Entry Fee - Circuit Court	110	0	0	0	0	0	0	110
Courtroom Security Fee	200	0	0	0	0	0	0	200
<u>General Sessions Court</u>								
Fines	5,992	0	0	0	0	0	0	5,992
Officers Costs	8,712	0	0	0	0	0	0	8,712
Game and Fish Fines	167	0	0	0	0	0	0	167
Drug Control Fines	245	0	0	555	0	0	0	800
Drug Court Fees	508	0	0	0	0	0	0	508
Jail Fees	4,598	0	0	0	0	0	0	4,598
DUI Treatment Fines	1,093	0	0	0	0	0	0	1,093
Data Entry Fee - General Sessions Court	934	0	0	0	0	0	0	934
<u>Chancery Court</u>								
Officers Costs	422	0	0	0	0	0	0	422
Data Entry Fee - Chancery Court	96	0	0	0	0	0	0	96
<u>Other Fines, Forfeitures, and Penalties</u>								
Total Fines, Forfeitures, and Penalties	\$ 3,925	\$ 0	\$ 0	\$ 1,112	\$ 0	\$ 0	\$ 0	\$ 3,925
	\$ 28,563	\$ 0	\$ 0	\$ 1,112	\$ 0	\$ 0	\$ 0	\$ 29,675
<b>Charges for Current Services</b>								
<u>General Service Charges</u>								
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 174,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 174,276
Patient Charges	127,748	0	0	0	0	0	0	127,748
<u>Fees</u>								
Recreation Fees	4,712	0	0	0	0	0	0	4,712
Copy Fees	59	0	0	0	0	0	0	59
Library Fees	1,115	0	0	0	0	0	0	1,115
Vending Machine Collections	784	0	0	0	0	0	0	784
Constitutional Officers' Fees and Commissions	0	0	0	0	81	0	0	81

(Continued)

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

Exhibit K-5

	Special Revenue Funds							Debt Service Fund
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<b>Charges for Current Services (Cont.)</b>								
<b>Fees (Cont.)</b>								
Data Processing Fee - Register	2,252	0	0	0	0	0	0	2,252
Data Processing Fee - Sheriff	916	0	0	0	0	0	0	916
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	0	600
Data Processing Fee - County Clerk	554	0	0	0	0	0	0	554
<b>Total Charges for Current Services</b>	<b>\$ 138,740</b>	<b>\$ 0</b>	<b>\$ 174,276</b>	<b>\$ 0</b>	<b>\$ 81</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 313,097</b>
<b>Other Local Revenues</b>								
<b>Recurring Items</b>								
Investment Income	89,627	0	0	0	0	0	0	89,627
Lease/Rentals	11,586	0	0	0	0	0	0	11,586
Sale of Materials and Supplies	0	0	0	0	0	800	0	800
Commissary Sales	5,062	0	0	0	0	0	0	5,062
Sale of Recycled Materials	0	0	14,165	0	0	0	0	14,165
Miscellaneous Refunds	44,156	90	946	0	0	14,699	0	59,891
Nonrecurring Items								
Sale of Equipment	3,200	0	0	0	0	24,300	0	27,500
Damages Recovered from Individuals	1,586	0	0	25,000	0	0	0	26,586
Contributions and Gifts	9,102	0	0	0	0	0	0	9,102
<b>Total Other Local Revenues</b>	<b>\$ 164,319</b>	<b>\$ 90</b>	<b>\$ 15,111</b>	<b>\$ 25,000</b>	<b>\$ 0</b>	<b>\$ 39,799</b>	<b>\$ 0</b>	<b>\$ 244,319</b>
<b>Fees Received from County Officials</b>								
<b>Fees in-Lieu-of-Salary</b>								
County Clerk	43,880	0	0	0	0	0	0	43,880
Circuit Court Clerk	13,596	0	0	0	0	0	0	13,596
General Sessions Court Clerk	26,500	0	0	0	0	0	0	26,500
Clerk and Master	14,321	0	0	0	0	0	0	14,321
Juvenile Court Clerk	2,081	0	0	0	0	0	0	2,081
Register	26,949	0	0	0	0	0	0	26,949
Sheriff	2,757	0	0	0	0	0	0	2,757
Trustee	117,720	0	0	0	0	0	0	117,720
<b>Total Fees Received from County Officials</b>	<b>\$ 247,804</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 247,804</b>

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers Fees	Highway / Public Works		
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	6,750 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	6,750
State Reappraisal Grant	1,766	0	0	0	0	0	0	1,766
Solid Waste Grants	0	0	391	0	0	0	0	391
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	7,200
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	0	163,373	0	163,373
State Aid Program	0	0	0	0	0	127,319	0	127,319
Litter Program	0	0	19,723	0	0	0	0	19,723
<u>State Education Funds</u>								
Other State Education Funds	30,000	0	0	0	0	0	0	30,000
<u>Other State Revenues</u>								
Income Tax	17,078	0	0	0	0	0	0	17,078
Beer Tax	18,960	0	0	0	0	0	0	18,960
Alcoholic Beverage Tax	11,323	0	0	0	0	0	0	11,323
State Revenue Sharing - T.V.A.	174,674	0	0	0	0	0	0	174,674
Contracted Prisoner Boarding	152,845	0	0	0	0	0	0	152,845
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,142,641	0	1,142,641
Petroleum Special Tax	0	0	0	0	0	4,610	0	4,610
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	14,912
State Shared Sales Tax - Cities	33,090	0	0	0	0	0	0	33,090
Other State Grants	0	0	1,400	0	0	0	0	1,400
Total State of Tennessee	\$ 468,598 \$	0 \$	21,514 \$	0 \$	0 \$	1,437,943 \$	0 \$	1,928,055
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	63,414 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	63,414
Other Federal through State	14,751	0	0	0	0	0	0	14,751
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	11,840	0	0	0	0	0	0	11,840
Total Federal Government	\$ 90,005 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	90,005

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
Other Governments and Citizens Groups									
Other Governments									
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,006	\$ 4,006	
Contracted Services	33,346	0	0	0	0	0	0	33,346	
Citizens Groups	187,500	1,000	0	0	0	0	0	188,500	
Donations	220,846	1,000	0	0	0	0	4,006	225,852	
Total Other Governments and Citizens Groups	\$ 3,172,955	\$ 16,340	\$ 391,133	\$ 26,112	\$ 81	\$ 1,522,254	\$ 607,993	\$ 5,736,868	
Total									

Exhibit K-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,894,056	\$ 0	\$ 0	\$ 0	\$ 1,894,056
Trustee's Collections - Prior Year	32,627	0	0	0	32,627
Circuit/Clerk & Master Collections - Prior Years	13,973	0	0	0	13,973
Interest and Penalty	6,461	0	0	0	6,461
<u>County Local Option Taxes</u>					
Local Option Sales Tax	314,846	0	0	0	314,846
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	629	0	0	0	629
<b>Total Local Taxes</b>	<b>\$ 2,262,592</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,262,592</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 732	\$ 0	\$ 0	\$ 0	\$ 732
<b>Total Licenses and Permits</b>	<b>\$ 732</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 732</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 15,000	\$ 0	\$ 0	\$ 0	\$ 15,000
Lunch Payments - Children	0	0	168,746	0	168,746
Lunch Payments - Adults	0	0	16,121	0	16,121
Income from Breakfast	0	0	20,938	0	20,938
A la carte Sales	0	0	54,901	0	54,901
Receipts from Individual Schools	2,240	0	0	0	2,240
Community Service Fees - Children	21,036	0	0	0	21,036
TBI Criminal Background Fees	1,320	0	0	0	1,320
<b>Total Charges for Current Services</b>	<b>\$ 39,596</b>	<b>\$ 0</b>	<b>\$ 260,706</b>	<b>\$ 0</b>	<b>\$ 300,302</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 231	\$ 0	\$ 231
Refund of Telecommunication & Internet Fees (E-Rate)	10,063	0	0	0	10,063
Miscellaneous Refunds	13,269	0	111	0	13,380
<u>Nonrecurring Items</u>					
Sale of Equipment	1,816	0	0	0	1,816
<u>Other Local Revenues</u>					
Other Local Revenues	393	0	0	0	393
<b>Total Other Local Revenues</b>	<b>\$ 25,541</b>	<b>\$ 0</b>	<b>\$ 342</b>	<b>\$ 0</b>	<b>\$ 25,883</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 10,878	\$ 0	\$ 0	\$ 0	\$ 10,878
<u>State Education Funds</u>					
Basic Education Program	4,430,000	0	0	0	4,430,000
Early Childhood Education	90,073	0	0	0	90,073
Driver Education	3,635	0	0	0	3,635
Other State Education Funds	123,747	0	5,477	0	129,224
Career Ladder Program	47,079	0	0	0	47,079
Career Ladder - Extended Contract	12,600	0	0	0	12,600

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Beer Tax	\$ 41,821	\$ 0	\$ 0	\$ 0	\$ 41,821
Other State Revenues	8,256	0	0	0	8,256
<b>Total State of Tennessee</b>	<b>\$ 4,768,089</b>	<b>\$ 0</b>	<b>\$ 5,477</b>	<b>\$ 0</b>	<b>\$ 4,773,566</b>
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 162,824	\$ 0	\$ 162,824
Breakfast	0	0	56,556	0	56,556
Vocational Education - Basic Grants to States	0	13,393	0	0	13,393
Title I Grants to Local Education Agencies	0	122,529	0	0	122,529
Special Education - Grants to States	0	177,549	0	0	177,549
Special Education Preschool Grants	0	12,649	0	0	12,649
Safe and Drug-free Schools - State Grants	0	2,631	0	0	2,631
Eisenhower Professional Development State Grants	0	49,366	0	0	49,366
Other Federal through State	0	850	0	0	850
<b>Total Federal Government</b>	<b>\$ 0</b>	<b>\$ 378,967</b>	<b>\$ 219,380</b>	<b>\$ 0</b>	<b>\$ 598,347</b>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 6,491,877	\$ 6,491,877
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,491,877</b>	<b>\$ 6,491,877</b>
<b>Total</b>	<b>\$ 7,096,550</b>	<b>\$ 378,967</b>	<b>\$ 485,905</b>	<b>\$ 6,491,877</b>	<b>\$ 14,453,299</b>

Exhibit K-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,280	
Audit Services		1,722	
Dues and Memberships		1,120	
Operating Lease Payments		2,700	
Liability Insurance		60,176	
Trustee's Commission		38,944	
Workers' Compensation Insurance		17,236	
Total County Commission			\$ 125,178

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Accountants/Bookkeepers		28,840	
Longevity Pay		1,000	
In-Service Training		350	
Communication		1,646	
Data Processing Services		5,854	
Dues and Memberships		4,861	
Legal Notices, Recording, and Court Costs		991	
Postal Charges		1,476	
Travel		265	
Total County Mayor/Executive			105,633

County Attorney

County Official/Administrative Officer	\$	6,180	
Total County Attorney			6,180

Election Commission

County Official/Administrative Officer	\$	47,026	
Other Salaries and Wages		2,490	
Election Commission		500	
Election Workers		4,610	
Communication		704	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		1,844	
Maintenance and Repair Services - Office Equipment		3,200	
Postal Charges		313	
Printing, Stationery, and Forms		1,194	
Travel		2,138	
Other Contracted Services		8,466	
Office Supplies		145	
Total Election Commission			72,730

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		3,592	
Communication		381	
Dues and Memberships		385	
Maintenance Agreements		2,553	
Postal Charges		84	
Printing, Stationery, and Forms		1,312	
Office Equipment		2,513	
Total Register of Deeds			\$ 63,071

Planning

County Official/Administrative Officer	\$	4,258	
Communication		385	
Contracts with Government Agencies		7,750	
Legal Notices, Recording, and Court Costs		129	
Other Charges		112	
Total Planning			12,634

County Buildings

Custodial Personnel	\$	15,800	
Maintenance and Repair Services - Buildings		74,803	
Pest Control		456	
Custodial Supplies		2,541	
Electricity		11,847	
Natural Gas		6,594	
Office Supplies		3,042	
Water and Sewer		2,678	
Other Supplies and Materials		860	
Total County Buildings			118,621

Preservation of Records

Part-time Personnel	\$	3,420	
Communication		540	
Maintenance Agreements		301	
Postal Charges		84	
Office Supplies		1,524	
Total Preservation of Records			5,869

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		10,300	
Other Per Diem and Fees		130	
Communication		506	
Data Processing Services		2,046	
Legal Notices, Recording, and Court Costs		39	
Postal Charges		171	
Printing, Stationery, and Forms		158	
Travel		616	
Other Contracted Services		5,980	
Premiums on Corporate Surety Bonds		202	
Office Equipment		220	
Total Property Assessor's Office			\$ 72,619

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		2,159	
In-Service Training		114	
Communication		396	
Data Processing Services		4,738	
Dues and Memberships		85	
Legal Notices, Recording, and Court Costs		258	
Postal Charges		1,399	
Printing, Stationery, and Forms		417	
Travel		707	
Office Equipment		21	
Total County Trustee's Office			62,545

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		7,228	
Communication		397	
Dues and Memberships		285	
Postal Charges		496	
Printing, Stationery, and Forms		1,353	
Office Equipment		460	
Total County Clerk's Office			62,470

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		6,095	
Jury and Witness Fees		123	
Communication		388	
Data Processing Services		3,605	
Dues and Memberships		60	
Legal Notices, Recording, and Court Costs		57	
Postal Charges		614	
Printing, Stationery, and Forms		499	
Other Contracted Services		279	
Office Equipment		1,059	
Total Circuit Court			\$ 65,030

General Sessions Court

Judge(s)	\$	59,918	
Travel		1,020	
Office Supplies		278	
Office Equipment		747	
Total General Sessions Court			61,963

Chancery Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		1,426	
Communication		416	
Dues and Memberships		345	
Postal Charges		232	
Printing, Stationery, and Forms		795	
Travel		162	
Periodicals		407	
Office Equipment		84	
Total Chancery Court			56,118

Juvenile Court

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

Judicial Commissioners

County Official/Administrative Officer	\$	12,000	
Communication		562	
Total Judicial Commissioners			12,562

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Supervisor/Director		34,835	
Deputy(ies)		250,352	
Investigator(s)		33,355	
Sergeant(s)		32,065	
Dispatchers/Radio Operators		118,011	
Longevity Pay		21,000	
Overtime Pay		2,557	
Other Salaries and Wages		14,352	
In-Service Training		7,475	
Social Security		2,363	
Employee and Dependent Insurance		96	
Communication		6,617	
Contracts with Private Agencies		2,000	
Dues and Memberships		1,035	
Maintenance and Repair Services - Equipment		15,211	
Maintenance and Repair Services - Vehicles		13,740	
Medical and Dental Services		42	
Postal Charges		783	
Printing, Stationery, and Forms		2,332	
Travel		2,005	
Other Contracted Services		1,758	
Drugs and Medical Supplies		293	
Gasoline		25,284	
Office Supplies		1,160	
Uniforms		2,782	
Other Charges		761	
Data Processing Equipment		2,241	
Law Enforcement Equipment		14,580	
Motor Vehicles		3,342	
Total Sheriff's Department			\$ 669,904

Traffic Control

Part-time Personnel	\$	880	
Other Charges		534	
Total Traffic Control			1,414

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	142	
Total Administration of the Sexual Offender Registry			142

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Foremen	\$	24,502	
Guards		90,265	
Secretary(ies)		22,880	
Longevity Pay		4,000	
Overtime Pay		70	
Other Salaries and Wages		6,931	
In-Service Training		2,135	
Contracts with Government Agencies		2,060	
Maintenance and Repair Services - Buildings		1,783	
Maintenance and Repair Services - Equipment		1,074	
Medical and Dental Services		9,460	
Pest Control		247	
Other Contracted Services		1,825	
Custodial Supplies		2,444	
Drugs and Medical Supplies		7,285	
Electricity		14,046	
Food Preparation Supplies		402	
Food Supplies		22,010	
Natural Gas		3,962	
Prisoners Clothing		985	
Uniforms		1,490	
Water and Sewer		10,522	
Total Jail			\$ 230,378

Commissary

Postal Charges	\$	42	
Printing, Stationery, and Forms		168	
Food Supplies		167	
Office Supplies		85	
Total Commissary			462

Fire Prevention and Control

Part-time Personnel	\$	12,000	
In-Service Training		2,055	
Communication		1,685	
Maintenance Agreements		594	
Maintenance and Repair Services - Buildings		11,859	
Maintenance and Repair Services - Vehicles		14,581	
Pest Control		228	
Electricity		3,857	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Gasoline	\$	4,155	
Natural Gas		5,653	
Office Supplies		88	
Water and Sewer		607	
Excess Risk Insurance		1,480	
Motor Vehicles		3,970	
Other Equipment		49,488	
Total Fire Prevention and Control			\$ 112,300

Other Emergency Management

Other Supplies and Materials	\$	71,859	
Total Other Emergency Management			71,859

Public Health and Welfare

Local Health Center

Communication	\$	2,573	
Contracts with Government Agencies		14,150	
Contracts with Private Agencies		7,500	
Maintenance and Repair Services - Buildings		6,122	
Pest Control		209	
Custodial Supplies		124	
Office Supplies		3,424	
Utilities		7,372	
Total Local Health Center			41,474

Rabies and Animal Control

Other Supplies and Materials	\$	1,575	
Total Rabies and Animal Control			1,575

Ambulance/Emergency Medical Services

Supervisor/Director	\$	40,000	
Paraprofessionals		158,284	
Part-time Personnel		12,984	
Longevity Pay		7,000	
Overtime Pay		29,577	
Other Salaries and Wages		1,666	
In-Service Training		521	
Communication		2,626	
Data Processing Services		1,469	
Dues and Memberships		1,360	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Buildings	\$	3,061	
Maintenance and Repair Services - Equipment		1,111	
Maintenance and Repair Services - Vehicles		5,008	
Medical and Dental Services		61	
Pest Control		228	
Postal Charges		271	
Travel		4	
Drugs and Medical Supplies		4,133	
Electricity		3,094	
Gasoline		5,208	
Natural Gas		2,261	
Office Supplies		606	
Uniforms		1,600	
Water and Sewer		1,244	
Other Supplies and Materials		706	
Refunds		541	
Motor Vehicles		<u>100,000</u>	
Total Ambulance/Emergency Medical Services			\$ 384,624

Alcohol and Drug Programs

Drug Treatment	\$	529	
Other Supplies and Materials		<u>1,865</u>	
Total Alcohol and Drug Programs			2,394

Regional Mental Health Center

Contracts with Other Public Agencies	\$	<u>2,500</u>	
Total Regional Mental Health Center			2,500

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>7,000</u>	
Total Senior Citizens Assistance			7,000

Libraries

Supervisor/Director	\$	25,000	
Part-time Personnel		28,190	
Longevity Pay		2,000	
Communication		1,541	
Data Processing Services		2,366	
Dues and Memberships		175	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Maintenance and Repair Services - Buildings	\$	3,940	
Pest Control		228	
Postal Charges		793	
Travel		530	
Custodial Supplies		563	
Electricity		4,480	
General Construction Materials		3,638	
Instructional Supplies and Materials		656	
Library Books/Media		6,161	
Natural Gas		2,825	
Office Supplies		1,191	
Periodicals		105	
Water and Sewer		705	
Office Equipment		4,127	
Total Libraries			\$ 89,214

Parks and Fair Boards

Assistant(s)	\$	1,890	
Supervisor/Director		8,959	
Attendants		7,089	
Communication		214	
Dues and Memberships		340	
Maintenance and Repair Services - Buildings		1,412	
Maintenance and Repair Services - Equipment		4,426	
Rentals		651	
Electricity		7,186	
General Construction Materials		148,262	
Water and Sewer		5,097	
Chemicals		3,662	
Total Parks and Fair Boards			189,188

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	31,986	
Part-time Personnel		6,700	
Longevity Pay		1,355	
Communication		976	
Data Processing Services		2,000	
Travel		6,396	
Office Supplies		600	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Charges	\$ 410	
Total Agriculture Extension Service		\$ 50,423

Forest Service

Contracts with Government Agencies	\$ 350	
Total Forest Service		350

Soil Conservation

Communication	\$ 552	
Matching Share	5,163	
Total Soil Conservation		5,715

Other Operations

Tourism

Dues and Memberships	\$ 3,000	
Maintenance and Repair Services - Buildings	1,550	
Custodial Supplies	431	
Electricity	1,166	
Natural Gas	712	
Water and Sewer	734	
Other Charges	1,420	
Total Tourism		9,013

Veterans' Services

County Official/Administrative Officer	\$ 1,545	
Total Veterans' Services		1,545

Employee Benefits

Social Security	\$ 122,278	
State Retirement	41,279	
Employee and Dependent Insurance	274,133	
Medical Insurance	347	
Unemployment Compensation	1,499	
Local Retirement	13,675	
Total Employee Benefits		453,211

Capital Projects

Public Utility Projects

Contributions	\$ 1,121,683	
Total Public Utility Projects		1,121,683

Total General Fund		\$ 4,358,591
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(Continued)

Exhibit K-7

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

Urban Services Fund

General Government

Other General Administration

Electricity	\$	15,434	
Trustee's Commission		278	
Other Charges		2	
Total Other General Administration			\$ 15,714

Total Urban Services Fund \$ 15,714

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,700	
Laborers		14,250	
Social Security		1,294	
Unemployment Compensation		49	
Gasoline		851	
Instructional Supplies and Materials		5,246	
Other Supplies and Materials		372	
Total Waste Pickup			\$ 24,762

Recycling Center

County Official/Administrative Officer	\$	12,542	
Assistant(s)		2,620	
Laborers		90,822	
Longevity Pay		4,000	
Other Salaries and Wages		3,845	
Social Security		8,731	
Medical Insurance		29,252	
Unemployment Compensation		223	
Local Retirement		501	
Advertising		293	
Communication		925	
Contracts with Private Agencies		80,986	
Maintenance and Repair Services - Vehicles		23,453	
Postal Charges		84	
Other Contracted Services		14,168	
Diesel Fuel		23,261	
Office Supplies		81	
Tires and Tubes		4,712	
Utilities		1,048	
Trustee's Commission		5,392	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Vehicle and Equipment Insurance	\$	10,381	
Workers' Compensation Insurance		3,890	
Motor Vehicles		62,518	
Solid Waste Equipment		2,775	
Total Recycling Center			\$ 386,503

Total Solid Waste/Sanitation Fund \$ 411,265

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$	598	
Communication		3,025	
Confidential Drug Enforcement Payments		1,550	
Maintenance and Repair Services - Vehicles		12	
Gasoline		3,000	
Law Enforcement Supplies		1,289	
Uniforms		1,460	
Other Charges		433	
Motor Vehicles		21,483	
Other Equipment		23,181	
Total Drug Enforcement			\$ 56,031

Total Drug Control Fund 56,031

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Bank Charges	\$	21	
Total Chancery Court			\$ 21

Public Safety

Sheriff's Department

Bank Charges	\$	10	
Total Sheriff's Department			10

Total Constitutional Officers - Fees Fund 31

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,350	
Assistant(s)		56,635	
Data Processing Services		2,537	
Legal Notices, Recording, and Court Costs		563	
Pest Control		44	
Postal Charges		179	
Printing, Stationery, and Forms		1,066	
Office Supplies		727	
Other Charges		3,204	
Data Processing Equipment		7,784	
Office Equipment		660	
Total Administration			\$ 133,749

Highway and Bridge Maintenance

Foremen	\$	10,691	
Equipment Operators		141,729	
Truck Drivers		102,131	
Laborers		84,711	
Contracts with Private Agencies		17,726	
Dues and Memberships		1,780	
Rentals		132	
Asphalt - Hot Mix		8,080	
Concrete		1,894	
Crushed Stone		8,439	
Pipe		2,817	
Road Signs		3,625	
Other Charges		10,900	
Maintenance Equipment		2,542	
Total Highway and Bridge Maintenance			397,197

Operation and Maintenance of Equipment

Mechanic(s)	\$	85,454	
Diesel Fuel		22,754	
Equipment and Machinery Parts		23,596	
Garage Supplies		15,644	
Gasoline		9,890	
Lubricants		4,746	
Small Tools		110	
Tires and Tubes		1,341	
Other Charges		3,926	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance Equipment	\$ 2,419	
Total Operation and Maintenance of Equipment		\$ 169,880

Other Charges

Advertising	\$ 132	
Communication	3,188	
Electricity	3,069	
Propane Gas	1,445	
Water and Sewer	402	
Liability Insurance	16,149	
Premiums on Corporate Surety Bonds	959	
Trustee's Commission	12,180	
Vehicle and Equipment Insurance	16,149	
Other Charges	9,460	
Total Other Charges		63,133

Employee Benefits

Longevity Pay	\$ 32,000	
Social Security	43,021	
State Retirement	11,808	
Employee and Dependent Insurance	122,008	
Unemployment Compensation	4,028	
Workers' Compensation Insurance	23,341	
Total Employee Benefits		236,206

Capital Outlay

Contracts with Private Agencies	\$ 1,050	
Engineering Services	2,383	
Maintenance and Repair Services - Buildings	6,919	
Bridge Construction	174,406	
Building Improvements	7,847	
Highway Equipment	140,937	
State Aid Projects	194,054	
Total Capital Outlay		527,596

Total Highway/Public Works Fund		\$ 1,527,761
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(Continued)

Exhibit K-7

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 136,334	
Principal on Other Loans	64,320	
Total General Government		\$ 200,654
<u>Education</u>		
Principal on Other Loans	\$ 230,680	
Total Education		230,680
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 36,496	
Interest on Other Loans	9,279	
Total General Government		45,775
<u>Education</u>		
Interest on Other Loans	\$ 63,489	
Total Education		63,489
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 8,386	
Other Debt Service	4,853	
Total General Government		13,239
<u>Education</u>		
Other Debt Service	\$ 24,447	
Total Education		24,447
Total General Debt Service Fund		\$ 578,284
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 6,491,877	
Total Education Capital Projects		\$ 6,491,877
Total Education Capital Projects Fund		6,491,877
Total Governmental Funds - Primary Government		\$ 13,439,554

Exhibit K-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,180,488	
Career Ladder Program		31,282	
Career Ladder Extended Contracts		10,000	
Educational Assistants		68,772	
Other Salaries and Wages		3,014	
Certified Substitute Teachers		5,528	
Non-certified Substitute Teachers		35,848	
Social Security		137,647	
State Retirement		145,897	
Medical Insurance		394,205	
Unemployment Compensation		2,408	
Employer Medicare		32,191	
Maintenance and Repair Services - Equipment		46	
Instructional Supplies and Materials		30,357	
Textbooks		83,396	
Other Supplies and Materials		1,548	
Other Charges		6,413	
Regular Instruction Equipment		25,794	
<b>Total Regular Instruction Program</b>	<b>\$</b>		<b>3,194,834</b>

Alternative Instruction Program

Teachers	\$	46,518	
Educational Assistants		15,738	
Social Security		3,704	
State Retirement		3,839	
Medical Insurance		10,049	
Unemployment Compensation		72	
Employer Medicare		866	
<b>Total Alternative Instruction Program</b>			<b>80,786</b>

Special Education Program

Teachers	\$	273,508	
Career Ladder Program		5,000	
Homebound Teachers		12,522	
Educational Assistants		60,149	
Certified Substitute Teachers		440	
Non-certified Substitute Teachers		6,250	
Social Security		20,992	
State Retirement		21,804	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	68,712	
Unemployment Compensation		450	
Employer Medicare		4,909	
Contracts with Private Agencies		2,242	
Instructional Supplies and Materials		262	
Total Special Education Program			\$ 477,240

Vocational Education Program

Teachers	\$	225,047	
Career Ladder Program		2,720	
Social Security		13,679	
State Retirement		14,623	
Medical Insurance		25,909	
Unemployment Compensation		185	
Employer Medicare		3,199	
Instructional Supplies and Materials		2,883	
Other Charges		511	
Total Vocational Education Program			288,756

Support Services

Attendance -

Supervisor/Director	\$	4,675	
Social Security		270	
State Retirement		300	
Medical Insurance		939	
Unemployment Compensation		4	
Employer Medicare		63	
Total Attendance			6,251

Health Services

Medical Personnel	\$	40,651	
Social Security		2,520	
State Retirement		2,610	
Unemployment Compensation		74	
Employer Medicare		589	
Other Supplies and Materials		309	
Other Charges		361	
Total Health Services			47,114

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		127,039	
Clerical Personnel		2,000	
Other Salaries and Wages		47,157	
Social Security		10,573	
State Retirement		11,356	
Medical Insurance		21,267	
Unemployment Compensation		151	
Employer Medicare		2,473	
Communication		567	
Contracts with Government Agencies		33,346	
Evaluation and Testing		2,590	
Postal Charges		33	
Other Contracted Services		18,000	
Other Supplies and Materials		14,382	
In Service/Staff Development		3,895	
Other Charges		4,050	
Other Equipment		3,253	
Total Other Student Support			\$ 303,132

Regular Instruction Program

Supervisor/Director	\$	125,507	
Career Ladder Program		2,328	
Librarians		91,179	
Educational Assistants		14,592	
Other Salaries and Wages		25,710	
Social Security		12,032	
State Retirement		16,245	
Medical Insurance		48,353	
Unemployment Compensation		256	
Employer Medicare		2,814	
Maintenance and Repair Services - Equipment		224	
Travel		1,607	
Library Books/Media		4,070	
Other Supplies and Materials		1,467	
In Service/Staff Development		3,309	
Total Regular Instruction Program			349,693

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		122	
State Retirement		108	
Medical Insurance		87	
Employer Medicare		29	
Travel		1,825	
Total Special Education Program			\$ 4,171

Vocational Education Program

Supervisor/Director	\$	21,760	
Career Ladder Program		450	
Unemployment Compensation		37	
Employer Medicare		322	
Total Vocational Education Program			22,569

Other Programs

On-Behalf Payments to OPEB	\$	10,878	
Total Other Programs			10,878

Board of Education

Board and Committee Members Fees	\$	1,225	
Social Security		76	
Medical Insurance		4,444	
Employer Medicare		18	
Audit Services		3,100	
Dues and Memberships		5,593	
Travel		125	
Liability Insurance		22,248	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		53,298	
Workers' Compensation Insurance		69,340	
In Service/Staff Development		3,497	
Criminal Investigation of Applicants - TBI		1,380	
Other Charges		5,276	
Total Board of Education			169,795

Director of Schools

County Official/Administrative Officer	\$	74,116	
Social Security		4,595	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	4,758	
Medical Insurance		12,642	
Dental Insurance		260	
Employer Medicare		1,075	
Communication		17,022	
Travel		2,748	
Office Supplies		6,640	
Other Charges		7,192	
Administration Equipment		3,339	
Total Director of Schools			\$ 134,387

Office of the Principal

Principals	\$	117,352	
Career Ladder Program		2,150	
Assistant Principals		104,829	
Secretary(ies)		62,823	
Clerical Personnel		37,737	
Social Security		19,327	
State Retirement		19,768	
Medical Insurance		52,673	
Unemployment Compensation		383	
Employer Medicare		4,521	
Communication		1,024	
Other Charges		237	
Total Office of the Principal			422,824

Fiscal Services

Supervisor/Director	\$	35,696	
Accountants/Bookkeepers		28,544	
Social Security		3,862	
State Retirement		3,482	
Medical Insurance		4,216	
Unemployment Compensation		72	
Employer Medicare		903	
Total Fiscal Services			76,775

Operation of Plant

Custodial Personnel	\$	228,010	
Social Security		13,440	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

State Retirement	\$	10,947	
Medical Insurance		38,748	
Unemployment Compensation		497	
Employer Medicare		3,143	
Electricity		230,107	
Natural Gas		49,353	
Water and Sewer		50,303	
Other Supplies and Materials		50,309	
Building and Contents Insurance		35,937	
Plant Operation Equipment		244,766	
Total Operation of Plant			\$ 955,560

Maintenance of Plant

Maintenance and Repair Services - Buildings	\$	10,475	
Maintenance and Repair Services - Equipment		23,721	
Other Contracted Services		6,749	
Other Supplies and Materials		35,777	
Other Charges		6,822	
Maintenance Equipment		2,336	
Total Maintenance of Plant			85,880

Transportation

Mechanic(s)	\$	39,228	
Bus Drivers		177,702	
Social Security		13,298	
State Retirement		11,796	
Medical Insurance		6,424	
Unemployment Compensation		442	
Employer Medicare		3,111	
Medical and Dental Services		1,625	
Diesel Fuel		54,595	
Tires and Tubes		10,313	
Vehicle Parts		50,655	
Other Supplies and Materials		1,571	
Vehicle and Equipment Insurance		10,518	
Other Charges		8,302	
Transportation Equipment		72,545	
Total Transportation			462,125

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	12,605	
Social Security		744	
State Retirement		494	
Medical Insurance		2,005	
Unemployment Compensation		49	
Employer Medicare		174	
Other Supplies and Materials		3,280	
Total Community Services			\$ 19,351

Early Childhood Education

Teachers	\$	36,552	
Educational Assistants		14,641	
Social Security		3,017	
State Retirement		3,140	
Medical Insurance		10,114	
Unemployment Compensation		74	
Employer Medicare		706	
Instructional Supplies and Materials		9,572	
In Service/Staff Development		757	
Other Equipment		11,830	
Total Early Childhood Education			90,403

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	43,472	
Total Regular Capital Outlay			43,472

Principal on Debt

Education

Principal on Capital Leases	\$	5,767	
Total Education			5,767

Interest on Debt

Education

Interest on Capital Leases	\$	8,783	
Total Education			8,783

Total General Purpose School Fund \$ 7,260,546

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	46,125	
Educational Assistants		18,157	
Non-certified Substitute Teachers		550	
Social Security		2,894	
State Retirement		2,961	
Unemployment Compensation		76	
Employer Medicare		940	
Instructional Supplies and Materials		32,134	
Other Charges		11	
Regular Instruction Equipment		31,111	
Total Regular Instruction Program			\$ 134,959

Special Education Program

Teachers	\$	44,436	
Educational Assistants		70,120	
Certified Substitute Teachers		563	
Non-certified Substitute Teachers		2,435	
Social Security		7,015	
State Retirement		5,859	
Medical Insurance		12,538	
Unemployment Compensation		248	
Employer Medicare		1,640	
Contracts with Private Agencies		11,528	
Maintenance and Repair Services - Equipment		3,320	
Instructional Supplies and Materials		1,310	
Other Supplies and Materials		436	
Total Special Education Program			161,448

Vocational Education Program

Instructional Supplies and Materials	\$	10,300	
Total Vocational Education Program			10,300

Support Services

Health Services

Medical Personnel	\$	7,855	
Social Security		487	
State Retirement		504	
Employer Medicare		114	
Health Equipment		970	
Total Health Services			9,930

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support

Evaluation and Testing	\$	8,818	
Travel		800	
In Service/Staff Development		3,679	
Other Charges		750	
Total Other Student Support			\$ 14,047

Regular Instruction Program

Supervisor/Director	\$	11,616	
Social Security		700	
State Retirement		746	
Employer Medicare		164	
Travel		4,148	
Other Supplies and Materials		850	
In Service/Staff Development		26,216	
Other Charges		2,500	
Total Regular Instruction Program			46,940

Special Education Program

Supervisor/Director	\$	5,000	
Clerical Personnel		2,000	
Social Security		434	
State Retirement		429	
Employer Medicare		102	
Travel		154	
Total Special Education Program			8,119

Vocational Education Program

Travel	\$	602	
Total Vocational Education Program			602

Transportation

Contracts with Parents	\$	467	
Total Transportation			467

Total School Federal Projects Fund \$ 386,812

(Continued)

Exhibit K-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	184,074	
Social Security		10,246	
State Retirement		9,276	
Medical Insurance		61,877	
Unemployment Compensation		469	
Employer Medicare		2,396	
Maintenance and Repair Services - Equipment		8,824	
Transportation - Other than Students		5,152	
Travel		689	
Food Supplies		186,425	
Office Supplies		878	
Other Supplies and Materials		12,162	
Other Charges		2,255	
Food Service Equipment		911	
Total Food Service			\$ 485,634

Total Central Cafeteria Fund \$ 485,634

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	60,000	
Engineering Services		135,450	
Building Construction		6,085,620	
Building Improvements		303,207	
Total Education Capital Projects			\$ 6,584,277

Total Education Capital Projects Fund 6,584,277

Total Governmental Funds - Metropolitan School Department \$ 14,717,269

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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

January 11, 2010

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated January 11, 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 Metropolitan Lynchburg – Moore County Water and Sewer Department (enterprise fund) and the discretely presented Moore County Emergency Communications District, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 09.01, 09.02, 09.03, and 09.05.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09.01, 09.02, and 9.03 to be material weaknesses.

### Compliance and Other Matters

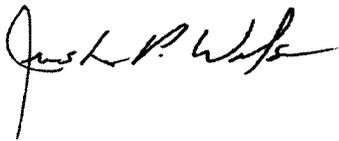
As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

We consider item 09.04 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of the metropolitan government in separate communications.

The metropolitan government's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the metropolitan government's response and, accordingly, we express no opinion on it.

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

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  
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PHONE (615) 401-7841

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

January 11, 2010

Metropolitan Executive and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Executive and Metropolitan Council:

Compliance

We have audited the compliance of the Metropolitan Government of Lynchburg, Moore County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs, except as follows, for the year ended June 30, 2009. Other auditors have audited the compliance of the metropolitan government with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) for the year ended June 30, 2009. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the metropolitan government's management. Our responsibility is to express an opinion on the metropolitan government's compliance based on our audit.

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

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

In our opinion, based on our audit and the report of the other auditors, the metropolitan government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

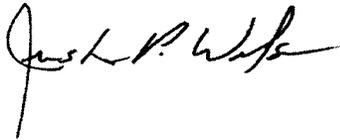
## Schedule of Expenditures of Federal Awards

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 the metropolitan government as of and for the year ended June 30, 2009, and have issued our report thereon dated January 11, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the metropolitan government's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The metropolitan government's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the metropolitan government's response and, accordingly, we express no opinion on it.

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

Yours very truly,



Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 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	\$ 770,156
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	42,616 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	56,556
National School Lunch Program	10.555	(2)	162,824 (3)
Total U.S. Department of Agriculture			<u>\$ 1,032,152</u>
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership	16.607	N/A	\$ 2,550
Total U.S. Department of Justice			<u>\$ 2,550</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-08-023851-00	\$ 4,127
Alcohol Open Container Requirement	20.607	Z-09-214634-00	9,239
Total U.S. Department of Transportation			<u>\$ 13,366</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	Z-09-217857-00	\$ 600
Total U.S. Institute of Museum and Library Services			<u>\$ 600</u>
U.S. Department of Energy:			
Passed-through State Department of Economic and Community Development:			
Three Star Energy Education Grant	81.061	A-09-217107-00	\$ 785
Total U.S. Department of Energy			<u>\$ 785</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 130,316
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	176,198
Special Education - Preschool Grants	84.173	N/A	12,584
Vocational Education - Basic Grants to States	84.048	N/A	13,377
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	1,623
State Grants for Innovative Programs	84.298	N/A	22,269
Education Technology State Grants	84.318	N/A	1,232
Improving Teacher Quality State Grants	84.367	N/A	29,213
Total U.S. Department of Education			<u>\$ 386,812</u>
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 9,290
Passed-through State Department of Military:			
Homeland Security Grant	97.067	GG-011609-00	63,414
Total U.S. Department of Homeland Security			<u>\$ 72,704</u>
Total Expenditures of Federal Grants			<u>\$ 1,508,969</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 1,766
Early Childhood Education	N/A	(2)	90,073
"Healthy for Life" Coordinated School Health Program - State Department of Health	N/A	(2)	89,879
Litter Program - State Department of Transportation	N/A	Z-09-212782-00	19,723
Rural Dispatcher Assistance Grant - State Department of Commerce and Insurance	N/A	Z-05-020017-02	30,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(4)	1,791
Safe Schools Act - State Department of Education	N/A	(2)	5,200
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z-09-022888-00	<u>6,750</u>
Total State Grants			<u>\$ 245,182</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total CFDA No. 10.555, \$205,440.
- (4) Z-08-213007-00: \$1,400; and Z-08-020253-00: \$391.

The Metropolitan Government of Lynchburg, Moore 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 are findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2008, which have not been corrected.

**METROPOLITAN MOORE COUNTY AND METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	172	Metropolitan Moore County and the Metropolitan Moore County School Department do not have the resources to produce financial statements and notes to the financial statements
08.02	173	Material audit adjustments were required for proper financial statement presentation

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.14	181	A central system of accounting and budgeting had not been adopted
08.15	181	Duties were not segregated adequately in the Offices of Metropolitan Executive; Director of Schools; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE 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 the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unqualified.
2. The audit of the financial statements of the metropolitan government disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of the metropolitan government.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.760) was determined to be a major program.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The metropolitan government did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the highway superintendent is paraphrased in this report

### **METROPOLITAN MOORE COUNTY AND METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT**

**FINDING 09.01      **METROPOLITAN MOORE COUNTY AND THE METROPOLITAN MOORE COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS****  
(Internal Control – Material Weakness Under Government Auditing Standards)

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

### **RECOMMENDATION**

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

**FINDING 09.02**

**THE HIGHWAY/PUBLIC WORKS AND EDUCATION CAPITAL PROJECTS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, certain general ledger account balances of the Highway/Public Works and the Education Capital Projects funds of Metropolitan Moore County and the Metropolitan Moore County School Department were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Metropolitan Moore County and the School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because Metropolitan Moore County's and the School Department's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if Metropolitan Moore County and the School Department have ineffective controls over the maintenance of their accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

**RECOMMENDATION**

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

**MANAGEMENT'S RESPONSE – HIGHWAY SUPERINTENDENT**

We intend to correct this error.

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**OFFICE OF METROPOLITAN EXECUTIVE**

**FINDING 09.03**

**DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF CAPITAL ASSET RECORDS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of the capital asset records revealed the following deficiencies. These deficiencies can be attributed in part to the lack of management oversight and the lack of technical skills to maintain accounting records in accordance with generally accepted accounting principles. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

- A. Land with a historical cost of \$75,000 was not recorded in prior years. Additionally, a building on the land had been assigned an incorrect useful life, resulting in expensing \$13,464 of excess depreciation.
- B. Additions of eight assets with historical costs of \$821,178 were not recorded on the capital asset records for the current year.
- C. Two assets were entered twice resulting in the overstatement of equipment by \$67,121.

**RECOMMENDATION**

Management should provide the necessary oversight to ensure that its capital asset records are accurately maintained in compliance with generally accepted accounting principles.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 09.04**      **A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

Metropolitan officials had not adopted a central system of accounting and budgeting. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting and budgeting processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The absence of a central system of accounting and budgeting has been a management decision by the Metropolitan Council resulting in decentralization and some duplication of effort.

**RECOMMENDATION**

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

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FINDING 09.05

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF METROPOLITAN EXECUTIVE; DIRECTOR OF SCHOOLS; TRUSTEE; METROPOLITAN CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Metropolitan Executive; Director of Schools; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of 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.

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

There were no findings and questioned costs for federal programs.

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2009**

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