

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



FOR THE YEAR ENDED JUNE 30, 2010



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FOR THE YEAR ENDED JUNE 30, 2010

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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This financial report is available at www.tn.gov/comptroller

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Moore County as of and for the year ended June 30, 2010.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is unqualified.

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

METROPOLITAN MOORE COUNTY AND METROPOLITAN SCHOOL DEPARTMENT

- ◆ Metropolitan Moore County and the Metropolitan School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF METROPOLITAN MAYOR

- ◆ Competitive bids were not solicited for the purchase of an emergency vehicle.
 - ◆ The contractor for the Metro Moore Lynchburg Park lighting project was allowed to use the county's tax-exempt status.
 - ◆ General Fund appropriations exceeded estimated available funding by \$310,062.
-

OFFICE OF TRUSTEE

- ◆ The trustee did not require one depository to adequately collateralize funds.
-

OTHER FINDINGS

- ◆ Moore County has a material recurring audit finding.
 - ◆ Duties were not segregated adequately in the Offices of Metropolitan Mayor; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
-

BEST PRACTICE

Moore County does not have a central system of accounting and budgeting. The Division of County Audit strongly believes that a central system of accounting and budgeting is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Moore County.

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials

June 30, 2010

Officials

Sloan Stewart, Metropolitan Executive
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	Marty Copeland
Jackie Burton	Glenn Searcy
Neil Becker	Gerald Wilkerson
Robin Holt	Norman Parks

Board of Education

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

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

December 14, 2010

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor 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, 2010, 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. Those financial statements were audited by other auditors, whose report there on has 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, are based solely on the report of 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 report of the other auditors provide a reasonable basis for our opinions.

The financial statements of the Moore County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Moore County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Moore County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of the metropolitan government, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, based on our audit and the report 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, each major fund, and the aggregate remaining fund information of the metropolitan government, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 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.A., the metropolitan government has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

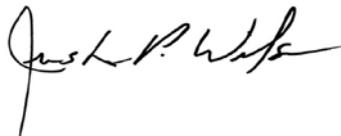
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 69 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	
	\$	200	\$	\$
Cash and Cash Equivalents		2,389,880	263,658	263,858
Equity in Pooled Cash and Investments		0	0	2,389,880
Inventories		(4,537)	60,676	60,676
Internal Balances		141,040	4,537	0
Accounts Receivable		(9,182)	82,332	223,372
Allowance for Uncollectibles		351,085	(1,297)	(10,479)
Other Receivables		0	5,950	357,035
Due from Other Governments		0	0	0
Unbilled Charges for Services		0	78,095	78,095
Property Taxes Receivable		2,166,238	0	2,166,238
Allowance for Uncollectible Property Taxes		(51,646)	0	(51,646)
Restricted Assets:				
Customer Deposits		0	510	510
Revenue Bond Future Debt Service Account		0	60,996	60,996
Capital Assets:				
Assets Not Depreciated:				
Land		393,779	0	393,779
Construction in Progress		655,218	35,788	691,006
Assets Net of Accumulated Depreciation:				
Buildings and Improvements		1,339,972	0	1,339,972
Other Capital Assets		1,342,463	12,458,458	13,800,921
Infrastructure		949,092	0	949,092
Total Assets	\$	9,663,602	13,049,703	22,713,305

LIABILITIES

Accounts Payable	\$	14,142	\$	80,356	\$	94,498	\$	48,182
Accrued Payroll		3,452	14,469	17,921		0		0
Payroll Deductions Payable		0	0	0		0		160,634
Accrued Interest Payable		8,456	9,587	18,043		0		0

(Continued)

Exhibit A

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

	Primary Government		Total	Component Unit Metropolitan School Department
	Governmental Activities	Business- type Activities		
	\$	0	\$ 30,587	\$ 0
Other Current Liabilities				
Accrued Leave - Current		30,587	30,587	0
Deferred Revenue - Current Property Taxes		14,145	14,145	0
Noncurrent Liabilities:		0	2,046,411	1,944,124
Due Within One Year		2,046,411		
Due in More Than One Year (net of unamortized loan costs)		503,193	714,723	71,891
Total Liabilities	\$	11,054,905	16,525,047	768,773
	\$	13,630,559	\$ 19,461,375	\$ 2,993,604
<u>NET ASSETS</u>				
Invested in Capital Assets,				
Net of Related Debt	\$	1,975,071	\$ 8,774,340	\$ 0
Invested in Capital Assets		0	0	13,051,234
Restricted for:				
Solid Waste		137,287	137,287	0
Debt Service		927,788	988,784	0
Highway/Public Works		764,685	764,685	0
Drug Control		57,916	57,916	0
Central Cafeteria		0	0	61,843
Education Capital Projects		0	0	22,056
Local Education Reserve		0	0	20,513
Other Purposes		27,975	27,975	3,601
Unrestricted		(7,857,679)	(7,499,057)	190,775
Total Net Assets (Deficit)	\$	(3,966,957)	\$ 3,251,930	\$ 13,350,022

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, 2010

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets			Component Unit Metropolitan School Department
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Total	Governmental Activities	Primary Government Business-type Activities	Total	
			Grants and Contributions	Grants and Contributions						
Primary Government:										
Governmental Activities:										
General Government	\$ 124,796	\$ 38,028	\$ 16,380	\$ 27,279	\$ (43,109)	\$ 0	\$ (43,109)	\$ 0	\$ 0	\$ 0
Finance	267,943	167,484	1,890	0	(98,569)	0	(98,569)	0	0	0
Administration of Justice	285,153	117,246	11,550	0	(156,357)	0	(156,357)	0	0	0
Public Safety	1,474,716	94,705	97,953	0	(1,282,058)	0	(1,282,058)	0	0	0
Public Health and Welfare	881,644	342,644	53,571	13,000	(472,429)	0	(472,429)	0	0	0
Social, Cultural, and Recreational Services	161,149	5,149	500	155,500	0	0	0	0	0	0
Agriculture and Natural Resources	69,396	0	0	0	(69,396)	0	(69,396)	0	0	0
Other Operations	9,365	0	0	0	(9,365)	0	(9,365)	0	0	0
Highways/Public Works	648,969	82	1,168,887	44,787	564,787	0	564,787	0	0	0
Education	506,119	0	0	0	(506,119)	0	(506,119)	0	0	0
Interest on Long-term Debt	81,062	0	0	0	(81,062)	0	(81,062)	0	0	0
Other Debt Service	46,876	0	0	0	(46,876)	0	(46,876)	0	0	0
Total Governmental Activities	\$ 4,557,188	\$ 765,338	\$ 1,350,731	\$ 240,566	\$ (2,200,553)	\$ 0	\$ (2,200,553)	\$ 0	\$ (2,200,553)	\$ 0
Business-type Activities:										
Water and Sewer Department	\$ 1,602,972	\$ 1,587,179	\$ 0	\$ 157,346	\$ 0	\$ 141,553	\$ 141,553	\$ 141,553	\$ 141,553	\$ 0
Total Business-type Activities	\$ 1,602,972	\$ 1,587,179	\$ 0	\$ 157,346	\$ 0	\$ 141,553	\$ 141,553	\$ 141,553	\$ 141,553	\$ 0
Total Primary Government	\$ 6,160,160	\$ 2,352,517	\$ 1,350,731	\$ 397,912	\$ (2,200,553)	\$ 141,553	\$ (2,059,000)	\$ 141,553	\$ (2,059,000)	\$ 0
Component Unit:										
Metropolitan School Department	\$ 8,758,708	\$ 342,966	\$ 1,004,356	\$ 476,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,934,627)	\$ (6,934,627)
Total Component Unit	\$ 8,758,708	\$ 342,966	\$ 1,004,356	\$ 476,759	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,934,627)	\$ (6,934,627)

(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			Component Unit Metropolitan School Department	
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities			Total
			Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities		
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 1,826,416	\$ 0	\$ 1,826,416	\$ 2,053,507	
Property Taxes Levied for Debt Service					328,224	0	328,224	0	
Local Option Sales Tax					328,422	0	328,422	315,204	
Hotel/Motel Tax					5,575	0	5,575	0	
Litigation Tax					14,710	0	14,710	0	
Business Tax					22,304	0	22,304	0	
Mineral Severance Tax					6,585	0	6,585	0	
Wholesale Beer Tax					56,840	0	56,840	0	
Other Local Taxes					5,233	0	5,233	380	
Grants and Contributions Not Restricted to Specific Programs					460,701	0	460,701	4,716,816	
Unrestricted Investment Income					60,440	7,156	67,596	235	
Miscellaneous					34,941	17,864	52,805	14,646	
Insurance Recovery					0	0	0	37,192	
Total General Revenues					\$ 3,150,391	\$ 25,020	\$ 3,175,411	\$ 7,137,980	
Transfers					(596,394)	\$ 596,394	\$ 0	\$ 0	
Change in Net Assets					\$ 353,444	\$ 762,967	\$ 1,116,411	\$ 203,353	
Net Assets (Deficit), July 1, 2009					(4,320,401)	6,455,920	2,135,519	13,146,669	
Net Assets (Deficit), June 30, 2010					\$ (3,966,957)	\$ 7,218,887	\$ 3,251,930	\$ 13,350,022	

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, 2010

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Governmental	
	Works	Service	Funds	Governmental	
				Funds	Funds
<u>ASSETS</u>					
Cash	\$ 200	\$ 0	\$ 0	\$ 0	\$ 200
Equity in Pooled Cash and Investments	799,183	553,971	877,081	159,645	2,389,880
Accounts Receivable	77,278	0	20,567	43,195	141,040
Allowance for Uncollectibles	(8,446)	0	0	(736)	(9,182)
Due from Other Governments	100,086	222,750	28,249	0	351,085
Due from Other Funds	35	0	0	0	35
Property Taxes Receivable	1,604,580	28,316	330,355	202,987	2,166,238
Allowance for Uncollectible Property Taxes	(38,266)	(671)	(7,878)	(4,831)	(51,646)
Total Assets	\$ 2,534,650	\$ 804,366	\$ 1,248,374	\$ 400,260	\$ 4,987,650
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 10,173	\$ 215	\$ 0	\$ 3,754	\$ 14,142
Payroll Deductions Payable	3,452	0	0	0	3,452
Due to Other Funds	4,537	0	0	35	4,572
Deferred Revenue - Current Property Taxes	1,516,060	26,754	312,130	191,467	2,046,411
Deferred Revenue - Delinquent Property Taxes	47,556	843	9,791	6,349	64,539
Other Deferred Revenues	68,199	111,075	15,931	12,127	207,332
Total Liabilities	\$ 1,649,977	\$ 138,887	\$ 337,852	\$ 213,732	\$ 2,340,448
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 117,065	\$ 0	\$ 0	\$ 0	\$ 117,065
Reserved for Alcohol and Drug Treatment	2,318	0	0	0	2,318
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	11,439	0	0	0	11,439
Reserved for Sexual Offender Registration	1,191	0	0	0	1,191
Reserved for Courtroom Security	424	0	0	0	424
Reserved for Automation Purposes - Chancery Court	484	0	0	0	484
Reserved for Automation Purposes - County Clerk	1,290	0	0	0	1,290
Reserved for Other General Purposes	4,204	0	0	0	4,204
Unreserved, Reported In:					
General Fund	746,258	0	0	0	746,258
Special Revenue Funds	0	665,479	0	186,528	852,007
Debt Service Funds	0	0	910,522	0	910,522
Total Fund Balances	\$ 884,673	\$ 665,479	\$ 910,522	\$ 186,528	\$ 2,647,202
Total Liabilities and Fund Balances	\$ 2,534,650	\$ 804,366	\$ 1,248,374	\$ 400,260	\$ 4,987,650

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

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2010

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)		\$	2,647,202
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	393,779	
Add: construction in progress		655,218	
Add: infrastructure net of accumulated depreciation		949,093	
Add: buildings and improvements net of accumulated depreciation		1,339,972	
Add: other capital assets net of accumulated depreciation		<u>1,342,462</u>	4,680,524
(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	\$	(882,396)	
Less: other loans payable		(10,616,980)	
Less: compensated absences		(58,722)	
Less: accrued interest on notes payable		<u>(8,456)</u>	(11,566,554)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>271,871</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(3,966,957)</u>

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,897,917	\$ 34,533	\$ 657,199	\$ 203,994	\$ 2,793,643
Licenses and Permits	8,663	0	0	3,507	12,170
Fines, Forfeitures, and Penalties	40,369	0	0	12,789	53,158
Charges for Current Services	128,069	0	19,020	180,451	327,540
Other Local Revenues	83,747	48,605	0	22,756	155,108
Fees Received from County Officials	256,335	0	0	0	256,335
State of Tennessee	425,175	1,214,946	0	23,147	1,663,268
Federal Government	44,998	0	0	0	44,998
Other Governments and Citizens Groups	191,280	0	0	13,000	204,280
Total Revenues	\$ 3,076,553	\$ 1,298,084	\$ 676,219	\$ 459,644	\$ 5,510,500
<u>Expenditures</u>					
Current:					
General Government	\$ 459,189	\$ 0	\$ 0	\$ 17,952	\$ 477,141
Finance	195,106	0	0	0	195,106
Administration of Justice	208,741	0	0	100	208,841
Public Safety	1,120,986	0	0	27,053	1,148,039
Public Health and Welfare	386,776	0	0	366,118	752,894
Social, Cultural, and Recreational Services	437,784	0	0	0	437,784
Agriculture and Natural Resources	52,851	0	0	0	52,851
Other Operations	556,651	0	0	0	556,651
Highways	0	1,035,502	0	0	1,035,502
Debt Service:					
Principal on Debt	0	0	418,409	0	418,409
Interest on Debt	0	0	81,234	0	81,234
Other Debt Service	0	0	46,876	0	46,876
Capital Projects	0	0	0	506,119	506,119
Total Expenditures	\$ 3,418,084	\$ 1,035,502	\$ 546,519	\$ 917,342	\$ 5,917,447
Excess (Deficiency) of Revenues Over Expenditures	\$ (341,531)	\$ 262,582	\$ 129,700	\$ (457,698)	\$ (406,947)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 97,000	\$ 0	\$ 0	\$ 0	\$ 97,000
Other Loans Issued	806,918	0	0	506,119	1,313,037
Transfers In	18,360	0	0	0	18,360
Transfers Out	(614,754)	0	0	0	(614,754)
Total Other Financing Sources (Uses)	\$ 307,524	\$ 0	\$ 0	\$ 506,119	\$ 813,643
Net Change in Fund Balances	\$ (34,007)	\$ 262,582	\$ 129,700	\$ 48,421	\$ 406,696
Fund Balance, July 1, 2009	918,680	402,897	780,822	138,107	2,240,506
Fund Balance, June 30, 2010	\$ 884,673	\$ 665,479	\$ 910,522	\$ 186,528	\$ 2,647,202

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, 2010

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)		\$ 406,696
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,336,428	
Less: current year depreciation expense	<u>(400,031)</u>	936,397
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		8,400
(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, 2010	\$ 271,871	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(283,745)</u>	(11,874)
(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: note proceeds	\$ (97,000)	
Less: other loan proceeds	(1,313,037)	
Add: principal payments on notes	113,409	
Add: principal payments on other loans	<u>305,000</u>	(991,628)
(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	\$ 172	
Change in compensated absences payable	<u>5,281</u>	5,453
Change in net assets of governmental activities (Exhibit B)		<u>\$ 353,444</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, 2010

Major
Enterprise
Fund

Water
and
Sewer
Department

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 263,658
Inventories	60,676
Due from Other Funds	4,537
Accounts Receivable	82,332
Allowance for Uncollectibles	(1,297)
Other Receivables	5,950
Unbilled Charges for Services	78,095
Total Current Assets	<u>\$ 493,951</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 510
Revenue Bond Future Debt Service Account	60,996
Capital Assets:	
Assets not Depreciated:	
Construction in Progress	35,788
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	12,458,458
Total Noncurrent Assets	<u>\$ 12,555,752</u>
Total Assets	<u>\$ 13,049,703</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 80,356
Accrued Payroll	14,469
Accrued Leave	14,145
Accrued Interest Payable	9,587
Current Portion of Long-term Liabilities	211,530
Deferred Fees	9,346
Customer Deposits	21,241
Total Current Liabilities	<u>\$ 360,674</u>
Noncurrent Liabilities:	
Due in More Than One Year (net of unamortized loans costs)	\$ 5,470,142
Total Noncurrent Liabilities	<u>\$ 5,470,142</u>
Total Liabilities	<u>\$ 5,830,816</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 6,799,269
Restricted for Debt Service	60,996
Unrestricted	358,622
Total Net Assets	<u>\$ 7,218,887</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, 2010

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,587,179
Total Operating Revenues	<u>\$ 1,587,179</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 956,784
Depreciation	426,232
Total Operating Expenses	<u>\$ 1,383,016</u>
Operating Income (Loss)	<u>\$ 204,163</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 7,156
Interest Expense	(226,908)
Loss on Retirement of Capital Assets	(11,408)
Total Nonoperating Revenues (Expenses)	<u>\$ (231,160)</u>
Income Before Contributions, Grants, and Transfers	\$ (26,997)
Tap Fees in Excess of Costs	17,865
Transfers from Metropolitan Government	614,754
Transfers to Metropolitan Government	(18,360)
Grants	<u>175,705</u>
Change in Net Assets	\$ 762,967
Net Assets, July 1, 2009	<u>6,455,920</u>
Net Assets, June 30, 2010	<u><u>\$ 7,218,887</u></u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

	Major Enterprise Fund
	<u>Water and Sewer Department</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,623,992
Payments to Suppliers	(462,068)
Payments to Employees	(514,728)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 647,196</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (1,015,268)
Capital Contributions	242,937
Principal Payments on Long-term Debt	(220,235)
Interest Payments on Long-term Debt	(227,706)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,220,272)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers from Metropolitan Government	\$ 614,754
Transfers to Metropolitan Government	(18,360)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>596,394</u>
<u>Cash Flows from Investing Activities</u>	
Redemption of Certificate of Deposit, Net of Reinvestment	\$ (37)
Investment Income	7,156
Net Cash Provided By (Used In) Investing Activities	<u>\$ 7,119</u>
Increase (Decrease) in Cash	\$ 30,437
Cash, July 1, 2009	<u>137,388</u>
Cash, June 30, 2010	<u><u>\$ 167,825</u></u>

(Continued)

Exhibit D-3

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

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Reconciliation of Net Operating Income (Loss)</u> to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	\$ 204,163
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	426,232
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	11,240
(Increase) Decrease in Other Receivables	(8,480)
(Increase) Decrease in Other Accrued Revenue	7,279
(Increase) Decrease in Inventories	(4,188)
Increase (Decrease) in Accounts Payable	27,747
Increase (Decrease) in Accrued Wages and Payroll	2,244
Increase (Decrease) in Accrued Vacation Pay	(186)
Increase (Decrease) in Customer Deposits and Deferred Fees	<u>(18,855)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 647,196</u>
<u>Reconciliation of Cash With Statement of Net Assets</u>	
Cash and Cash Equivalents per Net Assets	\$ 263,658
Revenue Bond Future Debt Service Account per Net Assets	60,996
Certificates of Deposit	<u>(156,829)</u>
Cash, June 30, 2010	<u>\$ 167,825</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, 2010

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 37,126
Accounts Receivable	<u>72</u>
Total Assets	<u>\$ 37,198</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	<u>\$ 37,198</u>
Total Liabilities	<u>\$ 37,198</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, 2010**

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 financial statements of the Moore County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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 \$469,382 were contributed by the metropolitan government to the School Department during the year ended June 30, 2010.

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 and the major enterprise fund 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.

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund types:

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

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

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

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

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

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.

Capital Projects Fund – The Education Capital Projects Fund accounts for the receipt of debt issued by the metropolitan government and contributed to the discretely presented Metropolitan School Department for building construction and renovations.

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 funds (excluding the Water and Sewer Fund, enterprise fund) and the discretely presented Metropolitan School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service, General, and General Purpose School funds. 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

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

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

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

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

an estimated allowance for uncollectible taxes is reported as deferred revenue as of June 30.

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

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

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

5. Compensated Absences

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

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. A liability for annual and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

In 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 and the proprietary fund in the fund financial statements, equity is classified as net assets and displayed in three components.

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

As of June 30, 2010, the metropolitan government had \$8,793,923 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, 2010:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Pool Project	\$ 120,350
Law Enforcement Equipment	14,288
Courthouse Lighting Project	5,130

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. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments submitted to and approved by the Metropolitan Council for the General Fund resulted in appropriations exceeding estimated funding by \$310,062.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The metropolitan government (excluding the Water and Sewer Fund, enterprise fund) and the Metropolitan 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

The metropolitan government had no pooled and nonpooled investments as of June 30, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 383,779	\$ 10,000	\$ 0	\$ 393,779
Construction in Progress	0	655,218	0	655,218
Total Capital Assets Not Depreciated	\$ 383,779	\$ 665,218	\$ 0	\$ 1,048,997
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,240,688	\$ 6,204	\$ 0	\$ 2,246,892
Other Capital Assets	3,492,874	225,333	(173,399)	3,544,808
Roads and Bridges	740,521	448,073	0	1,188,594
Total Capital Assets Depreciated	\$ 6,474,083	\$ 679,610	\$ (173,399)	\$ 6,980,294
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 862,681	\$ 44,239	\$ 0	\$ 906,920
Other Capital Assets	2,080,073	295,671	(173,399)	2,202,345
Roads and Bridges	179,381	60,121	0	239,502
Total Accumulated Depreciation	\$ 3,122,135	\$ 400,031	\$ (173,399)	\$ 3,348,767
Total Capital Assets Depreciated, Net	\$ 3,351,948	\$ 279,579	\$ 0	\$ 3,631,527
Governmental Activities Capital Assets, Net	\$ 3,735,727	\$ 944,797	\$ 0	\$ 4,680,524

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

Governmental Activities:

General Government	\$	16,526
Administration of Justice		1,621
Public Safety		157,805
Public Health and Welfare		62,299
Social, Cultural, and Recreational Services		33,294
Highway/Public Works		<u>128,486</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>400,031</u></u>
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Discretely Presented Metropolitan School Department**Governmental Activities:**

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 39,342	\$ 0	\$ 39,342
Construction in Progress	8,118,705	505,351	<u>8,624,056</u>
Total Capital Assets Not Depreciated	<u>\$ 8,158,047</u>	<u>\$ 505,351</u>	<u>\$ 8,663,398</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 10,358,034	\$ 0	\$ 10,358,034
Other Capital Assets	1,023,223	59,782	<u>1,083,005</u>
Total Capital Assets Depreciated	<u>\$ 11,381,257</u>	<u>\$ 59,782</u>	<u>\$ 11,441,039</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 5,935,513	\$ 212,808	\$ 6,148,321
Other Capital Assets	609,177	74,672	<u>683,849</u>
Total Accumulated Depreciation	<u>\$ 6,544,690</u>	<u>\$ 287,480</u>	<u>\$ 6,832,170</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,836,567</u>	<u>\$ (227,698)</u>	<u>\$ 4,608,869</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,994,614</u>	<u>\$ 277,653</u>	<u>\$ 13,272,267</u>

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

Governmental Activities:

Instruction	\$ 208,755
Support Services	64,299
Operation of Non-Instructional Services	<u>14,426</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 287,480</u>

C. Construction Commitments

At June 30, 2010, the metropolitan government had uncompleted construction contracts of approximately \$116,500 in the General Fund for improvements to the Moore County Park. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 35
Water and Sewer	General	4,537

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

Metropolitan Government

Transfers Out	Transfers In	
	Water and Sewer Fund	General Fund
General Fund	\$ 614,754	\$ 0
Water and Sewer Fund	0	18,360
Total	\$ 614,754	\$ 18,360

Discretely Presented Metropolitan School Department

Transfer Out	Transfer In Nonmajor Governmental Funds
General Purpose School Fund	\$ 20,000

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 Purpose School 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, 2010, were as follows:

Year Ending June 30	Governmental Funds	
2011	\$	29,101
2012		29,100
2013		29,100
2014		29,101
2015		29,100
2016-2020		130,951
Total Minimum Lease Payments	\$	276,453
Less: Amount Representing Interest		(55,420)
Present Value of Minimum Lease Payments	\$	221,033

F. Long-term Debt

Primary Government

Notes and Other Loans

The metropolitan government 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 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2010, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Outlay Notes	2.83 to 4.75 %	\$ 1,292,000	\$ 882,396
Other Loans	variable	11,216,980	10,616,980

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, 2010, the

metropolitan government had borrowed \$8,300,000 and \$2,916,980, 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, 2010, the variable interest rate was .39 percent, and other fees totaled approximately .25 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2010, the variable interest rate was .4 percent, and other fees totaled approximately .25 percent (letter of credit), .08 percent 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, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 163,704	\$ 31,057	\$ 194,761
2012	164,051	24,880	188,931
2013	170,653	19,961	190,614
2014	118,859	14,843	133,702
2015	74,736	10,072	84,808
2016-2020	190,393	20,053	210,446
Total	\$ 882,396	\$ 120,866	\$ 1,003,262

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 316,000	\$ 41,828	\$ 37,142	\$ 394,970
2012	327,000	40,582	36,097	403,679
2013	339,000	39,294	35,015	413,309
2014	351,000	37,958	33,894	422,852
2015	365,000	36,574	32,733	434,307
2016-2020	2,029,000	160,260	144,682	2,333,942
2021-2025	2,429,000	117,229	108,562	2,654,791
2026-2030	2,352,980	67,295	64,521	2,484,796
2031-2034	2,108,000	25,401	26,316	2,159,717
Total	\$ 10,616,980	\$ 566,421	\$ 518,962	\$ 11,702,363

There is \$910,522 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$2,003, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2009	\$ 898,805	\$ 9,608,943	\$ 64,003
Additions	97,000	1,313,037	90,580
Deductions	(113,409)	(305,000)	(95,861)
Balance, June 30, 2010	<u>\$ 882,396</u>	<u>\$ 10,616,980</u>	<u>\$ 58,722</u>
Balance Due Within One Year	<u>\$ 163,704</u>	<u>\$ 316,000</u>	<u>\$ 23,489</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 11,558,098
Less: Balance Due Within One Year	<u>(503,193)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,054,905</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, 2010, was as follows:

Governmental Activities:	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 238,999	\$ 200,500	\$ 305,913
Additions	0	67,732	173,727
Deductions	(17,966)	(49,025)	(79,216)
Balance, June 30, 2010	<u>\$ 221,033</u>	<u>\$ 219,207</u>	<u>\$ 400,424</u>
Balance Due Within One Year	<u>\$ 18,843</u>	<u>\$ 53,048</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 840,664
Less: Due Within One Year	<u>(71,891)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 768,773</u>

Debt per capita for capital leases totaled \$39, 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, 2010, were \$7,979 and \$3,584, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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.

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. Risk Financing Activities

The Metropolitan Government of Lynchburg, Moore County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left the LOGIC members exposed to significant claim liabilities for their policy years. In 2003, the LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2009, the LOGIC board of directors made a second assessment of its members. The Metropolitan Government of Lynchburg, Moore County's share of this second assessment totaled \$34,167.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three

characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. The metropolitan government and the Metropolitan School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that the metropolitan government and/or the Metropolitan School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with the metropolitan government's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. The metropolitan government had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that the metropolitan government may enter into derivative transactions in subsequent years.

D. Change in Administration

On August 18, 2009, Sloan Stewart replaced David Parks as Metropolitan Mayor.

E. Subsequent Events

The title county executive was changed to county mayor by referendum on August 5, 2010.

On August 9, 2010, the metropolitan government issued a \$100,000 capital outlay note for park construction.

On August 31, 2010, Trixie Harrison left the Office of Circuit, General Sessions, and Juvenile Courts Clerk and was succeeded by Heather Smith, and Barbara Durm left the Office of Register and was succeeded by Pam Wells.

F. Contingent Liabilities

The metropolitan government is involved in several pending lawsuits. The metropolitan government's attorney estimates that the potential claims against the county not covered by insurance 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.

G. Retirement Commitments

Employees

Plan Description

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

all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Metropolitan Government Employees

The metropolitan government requires employees to contribute five percent of earnable compensation. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, 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, 2010, the metropolitan government's annual pension cost of \$47,236 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$47,236	100%	\$0
6-30-09	46,869	100	0
6-30-08	48,154	100	0

School Department Employees

For the year ended June 30, 2010, the School Department's annual pension cost of \$59,225 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$59,225	100%	\$0
6-30-09	54,338	100	0
6-30-08	64,003	100	0

Funded Status and Funding Progress

Metropolitan Government Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 78.15 percent funded. The actuarial accrued liability for benefits was \$1.1 million, and the actuarial value of assets was \$.86 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.24 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.44 million, and the ratio of the UAAL to the covered payroll was 54.81 percent.

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

The TCRS uses the frozen entry age cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

School Department Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 94.83 percent funded. The actuarial accrued liability for benefits was \$2.64 million, and the actuarial value of assets was \$2.51 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.14 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.98 million, and the ratio of the UAAL to the covered payroll was 13.88 percent.

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

The TCRS uses the frozen entry age cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

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/Schools.

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, 2010, 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, 2010, 2009, and 2008, were \$240,410, \$236,606, and \$224,336, respectively, equal to the required contributions for each year.

H. 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 \$79,216 for postemployment health care during the year ended June 30, 2010.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 173,000
Interest on the NPO	13,766
Adjustment to the ARC	(13,039)
Annual OPEB cost	<hr/> \$ 173,727
Amount of contribution	(79,216)
Increase/decrease in NPO	\$ 94,511
Net OPEB obligation, 7-1-09	<hr/> 305,913
 Net OPEB obligation, 6-30-10	 <hr/> <hr/> \$ 400,424

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 210,000	31%	\$ 144,296
6-30-09	"	212,173	24	305,913
6-30-10	"	173,727	46	400,424

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:

(dollars in thousands)

	<u>Local Education Group Insurance Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 1,536
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,536
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,721
UAAL as a % of covered payroll	33%

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, 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 four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

I. 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 mayor 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 mayor 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 mayor 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 the bid requirements for the Office of Metropolitan Mayor 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. A change in classification of certificates of deposit for the beginning of the year has been made to reflect consistency with this policy.

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 proprietary 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 7-1-09	Additions	Deductions	Balance 6-30-10
Capital Assets Not Depreciated or Amortized:				
Land and Land Rights	\$ 76,512	\$ 0	\$ 0	\$ 76,512
Construction in Progress	589,730	0	(553,942)	35,788
Total Capital Assets Not Depreciated or Amortized	<u>\$ 666,242</u>	<u>\$ 0</u>	<u>\$ (553,942)</u>	<u>\$ 112,300</u>
Other Capital Assets:				
General	\$ 209,672	\$ 9,077	\$ 0	\$ 218,749
Water	11,753,187	1,513,572	(17,517)	13,249,242
Sewer	1,691,910	19,588	(9,512)	1,701,986
Maintenance	229,112	14,610	0	243,722
Acquisition Adjustment	227,368	73,731	0	301,099
Utility Plant	<u>\$ 14,111,249</u>	<u>\$ 1,630,578</u>	<u>\$ (27,029)</u>	<u>\$ 15,714,798</u>
Less Accumulated Depreciation/Amortization for:				
General	\$ 55,480	\$ 9,274	\$ 0	\$ 64,754
Water	1,724,836	339,482	(12,514)	2,051,804
Sewer	1,021,335	40,630	(3,107)	1,058,858
Maintenance	97,366	20,435	0	117,801
Acquisition Adjustment	24,580	15,054	0	39,634
Total Accumulated Depreciation/Amortization	<u>\$ 2,923,597</u>	<u>\$ 424,875</u>	<u>\$ (15,621)</u>	<u>\$ 3,332,851</u>
Other Capital Assets, net	<u>\$ 11,187,652</u>	<u>\$ 1,205,703</u>	<u>\$ (11,408)</u>	<u>\$ 12,381,947</u>
Capital Assets, net	<u><u>\$ 11,853,894</u></u>	<u><u>\$ 1,205,703</u></u>	<u><u>\$ (565,350)</u></u>	<u><u>\$ 12,494,247</u></u>

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2010:

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use:	\$ 161,829	\$ 101,829	\$ 263,658
Restricted Funds:			
Bond Reserve Fund	5,996	55,000	60,996
Total	<u>\$ 167,825</u>	<u>\$ 156,829</u>	<u>\$ 324,654</u>

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$204,466 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 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 department.

Types of Investments Authorized: State statutes authorize the entity to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the metropolitan government's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements. The entity has no policy that would further limit its investments.

E. Due from Other Funds

The General Fund has agreed to provide funding for installation of fire hydrants. At June 30, 2010, the department had incurred \$4,537 toward this project, which will be reimbursed by the General Fund.

F. Revenue Bonds

A summary of transactions for the year ended June 30, 2010, includes the following:

	<u>Bonds</u>
Balance, July 1, 2009	\$ 4,448,641
Deductions	<u>(58,504)</u>
Balance, June 30, 2010	<u>\$ 4,390,137</u>
Balance Due Within One Year	<u>\$ 61,133</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	\$ 39,457
Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029	18,197
Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	69,789
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	253,701
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	316,677
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	192,841
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	1,008,751
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	1,938,305
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	<u>552,419</u>
Total	<u>\$ 4,390,137</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, 2010, are as follows:

Year	Principal	Interest
2011	\$ 61,133	\$ 191,275
2012	63,907	188,501
2013	66,804	185,604
2014	69,839	182,569
2015	73,008	179,400
2016-2020	417,961	844,080
2021-2025	522,262	739,778
2026-2030	648,643	609,258
2031-2035	758,873	456,605
2036-2040	791,555	282,165
2041-2045	820,802	112,998
2046	95,350	4,314
Total	\$ 4,390,137	\$ 3,976,547

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. As part of the bond funds, Debt Service Reserve Accounts are also 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, 2010.

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

	Balance 6-30-09	Balance 6-30-10
Revenue	\$ 229,358	\$ 258,561
Operation and Maintenance	1,792	1,829
Bond	60,996	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
2011	\$ 12,887	\$ 1,174	\$ 8,772	\$ 114
2012	13,309	751	0	0
2013	13,745	315	0	0
2014	2,258	6	0	0
Total	<u>\$ 42,199</u>	<u>\$ 2,246</u>	<u>\$ 8,772</u>	<u>\$ 114</u>

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

Year Ending June 30				
	Principal	Interest	Principal	Interest
2011	\$ 32,445	\$ 6,233	\$ 7,745	\$ 1,282
2012	33,615	5,062	7,969	1,057
2013	34,831	3,848	8,200	827
2014	36,087	2,592	8,435	590
2015	37,389	1,290	8,681	346
2016	15,942	160	7,356	93
Total	<u>\$ 190,309</u>	<u>\$ 19,185</u>	<u>\$ 48,386</u>	<u>\$ 4,195</u>

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

Metropolitan Lynchburg, Moore County, Tennessee, (the primary government) has borrowed funds under the State of Tennessee's revolving loan program for the department's construction projects. The principal and interest payments required under the terms of the loan, which are secured by

the department's revenues and have a stated interest rate of 2.95 percent, are as follows:

Year	Principal	Interest
2011	\$ 39,395	\$ 20,053
2012	40,573	18,875
2013	41,786	17,662
2014	43,036	16,412
2015	44,322	15,125
2016-2020	242,304	54,936
2021-2025	246,385	16,726
Total	\$ 697,801	\$ 159,789

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	
	Principal	Interest
2011	\$ 20,833	\$ 833
Total	\$ 20,833	\$ 833

Year	Winchester Utilities		
	Principal	Principal	Principal
2011	\$ 18,103	\$ 14,206	\$ 11,376
2012	18,103	14,206	11,376
2013	18,103	14,206	11,375
2014	18,103	14,206	11,375
2015	18,103	14,207	11,375
2016-2018	24,138	39,068	45,502
Total	\$ 114,653	\$ 110,099	\$ 102,379

The obligations bear interest rates of four percent and zero percent, respectively.

Notes payable activity for the year ended June 30, 2010, is as follows:

Balance 7-1-09	Draws	Repayments	Balance 6-30-10
\$ 1,383,409	\$ 113,755	\$ (161,731)	\$ 1,335,433

The department capitalized no 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 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, 2010, totaled \$82,331. Deposits from these customers, totaling \$21,241 at June 30, 2010, 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 Funding

The department has been approved for funding of \$1,615,000 from the State Revolving Loan Fund for sewer system improvements. Personnel reviewing the department's request recommended the department generate additional revenue to service the loan. The department plans to implement rate increases over a three-year period to generate the additional revenue needed. The first rate increase was implemented January 2010.

M. Transfers

The Metropolitan government provided \$614,754 to the department to complete a water service expansion project. Also, surcharges to customers benefiting from the expansion were collected by the department and transferred to the metropolitan government. The amount transferred to the metropolitan government's General Fund for the year totaled \$18,360.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,897,917	\$ 0	\$ 0	\$ 1,897,917	\$ 1,793,000	\$ 1,793,000	\$ 104,917
Licenses and Permits	8,663	0	0	8,663	8,500	8,500	163
Fines, Forfeitures, and Penalties	40,369	0	0	40,369	17,300	17,300	23,069
Charges for Current Services	128,069	0	0	128,069	130,000	130,000	(1,931)
Other Local Revenues	83,747	0	0	83,747	81,186	244,318	(160,571)
Fees Received from County Officials	256,335	0	0	256,335	236,000	236,000	20,335
State of Tennessee	425,175	0	0	425,175	396,894	425,785	(610)
Federal Government	44,998	0	0	44,998	68,217	68,217	(23,219)
Other Governments and Citizens Groups	191,280	0	0	191,280	0	30,650	160,630
Total Revenues	\$ 3,076,553	\$ 0	\$ 0	\$ 3,076,553	\$ 2,731,097	\$ 2,953,770	\$ 122,783
<u>Expenditures</u>							
General Government							
County Commission	\$ 133,261	\$ 0	\$ 0	\$ 133,261	\$ 127,500	\$ 138,889	\$ 5,628
County Mayor/Executive	110,611	0	440	111,051	108,073	112,323	1,272
County Attorney	6,273	0	0	6,273	6,273	6,273	0
Election Commission	59,439	0	0	59,439	59,476	59,476	37
Register of Deeds	62,100	0	0	62,100	66,635	66,235	4,135
Planning	12,724	0	0	12,724	13,535	13,535	811
County Buildings	68,807	0	125	68,932	76,800	76,800	7,868
Preservation of Records	5,974	0	0	5,974	6,703	6,703	729
Finance							
Property Assessor's Office	67,811	0	0	67,811	70,656	70,456	2,645
County Trustee's Office	61,957	0	0	61,957	65,217	63,817	1,860
County Clerk's Office	65,338	0	0	65,338	66,716	65,716	378

(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 7/1/2009	Add: Encumbrances 6/30/2010	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	\$ 68,296	\$ 0	\$ 0	\$ 68,296	\$ 76,842	\$ 76,142	\$ 7,846
General Sessions Court	63,048	0	0	63,048	63,395	63,395	347
Chancery Court	55,700	0	0	55,700	58,182	57,882	2,182
Juvenile Court	9,000	0	0	9,000	9,000	9,000	0
Judicial Commissioners	12,697	0	0	12,697	12,980	12,980	283
<u>Public Safety</u>							
Sheriff's Department	696,438	0	0	696,438	719,999	729,173	32,735
Administration of the Sexual Offender Registry	1,356	0	0	1,356	50	1,356	0
Jail	256,160	0	0	256,160	272,501	272,447	16,287
Commissary	1,257	0	0	1,257	1,275	1,257	0
Fire Prevention and Control	109,174	0	0	109,174	103,330	112,830	3,656
Other Emergency Management	56,601	0	0	56,601	68,217	68,217	11,616
<u>Public Health and Welfare</u>							
Local Health Center	61,784	0	0	61,784	45,940	119,440	57,656
Rabies and Animal Control	1,085	0	0	1,085	2,100	2,100	1,015
Ambulance/Emergency Medical Services	318,335	0	0	318,335	338,936	342,768	24,433
Alcohol and Drug Programs	3,072	0	0	3,072	2,250	4,469	1,397
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	77,897	0	0	77,897	80,149	80,149	2,252
Parks and Fair Boards	352,887	(108,548)	116,500	360,839	63,117	491,436	130,597
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	47,026	0	0	47,026	56,972	56,972	9,946

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture and Natural Resources (Cont.)</u>							
Forest Service	\$ 350	\$ 0	\$ 0	\$ 350	\$ 350	\$ 350	\$ 0
Soil Conservation	5,475	0	0	5,475	5,763	5,763	288
<u>Other Operations</u>							
Tourism	7,179	0	0	7,179	7,200	9,200	2,021
Other Economic and Community Development	0	0	0	0	600,000	0	0
Veterans' Services	1,568	0	0	1,568	1,568	1,568	0
Employee Benefits	547,904	0	0	547,904	567,000	567,000	19,096
<u>Capital Projects</u>							
Public Utility Projects	0	0	0	0	0	43,323	43,323
Total Expenditures	\$ 3,418,084	\$ (108,548)	\$ 117,065	\$ 3,426,601	\$ 3,834,200	\$ 3,818,940	\$ 392,339
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (341,531)	\$ 108,548	\$ (117,065)	\$ (350,048)	\$ (1,103,103)	\$ (865,170)	\$ 515,122
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 97,000	\$ 0	\$ 0	\$ 97,000	\$ 97,000	\$ 97,000	\$ 0
Other Loans Issued	806,918	0	0	806,918	600,000	600,000	206,918
Insurance Recovery	0	0	0	0	0	4,633	(4,633)
Transfers In	18,360	0	0	18,360	30,000	18,360	0
Transfers Out	(614,754)	0	0	(614,754)	0	(614,754)	0
Total Other Financing Sources (Uses)	\$ 307,524	\$ 0	\$ 0	\$ 307,524	\$ 727,000	\$ 105,239	\$ 202,285
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2009	\$ (34,007)	\$ 108,548	\$ (117,065)	\$ (42,524)	\$ (376,103)	\$ (759,931)	\$ 717,407
Fund Balance, June 30, 2010	\$ 884,673	\$ 0	\$ (117,065)	\$ 767,608	\$ 73,766	\$ (310,062)	\$ 1,077,670

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 34,533	\$ 51,886	\$ 51,886	\$ (17,353)
Other Local Revenues	48,605	5,000	5,000	43,605
State of Tennessee	1,214,946	1,178,550	1,178,550	36,396
Total Revenues	<u>\$ 1,298,084</u>	<u>\$ 1,235,436</u>	<u>\$ 1,235,436</u>	<u>\$ 62,648</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 166,991	\$ 162,011	\$ 169,861	\$ 2,870
Highway and Bridge Maintenance	528,680	585,151	585,151	56,471
Operation and Maintenance of Equipment	161,230	208,228	208,228	46,998
Other Charges	53,466	61,600	61,600	8,134
Employee Benefits	23,670	26,000	26,000	2,330
Capital Outlay	101,465	246,000	246,000	144,535
Total Expenditures	<u>\$ 1,035,502</u>	<u>\$ 1,288,990</u>	<u>\$ 1,296,840</u>	<u>\$ 261,338</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 262,582</u>	<u>\$ (53,554)</u>	<u>\$ (61,404)</u>	<u>\$ 323,986</u>
Net Change in Fund Balance	\$ 262,582	\$ (53,554)	\$ (61,404)	\$ 323,986
Fund Balance, July 1, 2009	402,897	383,429	383,429	19,468
Fund Balance, June 30, 2010	<u>\$ 665,479</u>	<u>\$ 329,875</u>	<u>\$ 322,025</u>	<u>\$ 343,454</u>

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, 2010

(Dollar amounts in thousands)

Member	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
Metropolitan Government Employees	7-1-09	\$ 861	\$ 1,102	\$ 241	78.15 %	\$ 439	54.81 %
"	7-1-07	763	966	203	78.99	390	52.05
School Department Employees	7-1-09	2,505	2,642	137	94.83	985	13.88
"	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 frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

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, 2010

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-07	\$ 0	\$ 1,668	\$ 1,668	0 %	\$ 4,638	36 %
"	7-1-09	0	1,536	1,536	0	4,721	33

* An additional actuarial valuation will be reported as the data becomes available.

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010**

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the 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 generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS

The budget and subsequent amendments submitted to and approved by the Metropolitan Council for the General Fund resulted in appropriations exceeding estimated available funding by \$310,062.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used in the acquisition or construction of major capital projects.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by the metropolitan government that is subsequently contributed to the discretely presented Metropolitan School Department for general capital expenditures.

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Urban Services</u>	<u>Solid Waste / Sanitation</u>	<u>Drug Control</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 5,848	\$ 95,999	\$ 57,798	\$ 159,645
Accounts Receivable	0	43,077	118	43,195
Allowance for Uncollectibles	0	(736)	0	(736)
Property Taxes Receivable	14,213	188,774	0	202,987
Allowance for Uncollectible Property Taxes	(329)	(4,502)	0	(4,831)
Total Assets	<u>\$ 19,732</u>	<u>\$ 322,612</u>	<u>\$ 57,916</u>	<u>\$ 400,260</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 3,754	\$ 0	\$ 3,754
Due to Other Funds	0	35	0	35
Deferred Revenue - Current Property Taxes	13,107	178,360	0	191,467
Deferred Revenue - Delinquent Property Taxes	754	5,595	0	6,349
Other Deferred Revenues	0	12,127	0	12,127
Total Liabilities	<u>\$ 13,861</u>	<u>\$ 199,871</u>	<u>\$ 0</u>	<u>\$ 213,732</u>
<u>Fund Balances</u>				
Unreserved	\$ 5,871	\$ 122,741	\$ 57,916	\$ 186,528
Total Fund Balances	<u>\$ 5,871</u>	<u>\$ 122,741</u>	<u>\$ 57,916</u>	<u>\$ 186,528</u>
Total Liabilities and Fund Balances	<u>\$ 19,732</u>	<u>\$ 322,612</u>	<u>\$ 57,916</u>	<u>\$ 400,260</u>

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds						Capital Projects Fund		Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Education Capital Projects			
						Education Capital Projects	Total		
<u>Revenues</u>									
Local Taxes	\$ 18,004	\$ 185,990	\$ 0	\$ 0	\$ 203,994	\$ 0	\$ 0	203,994	
Licenses and Permits	3,507	0	0	0	3,507	0	0	3,507	
Fines, Forfeitures, and Penalties	0	0	12,789	0	12,789	0	0	12,789	
Charges for Current Services	0	180,441	0	10	180,451	0	0	180,451	
Other Local Revenues	0	22,756	0	0	22,756	0	0	22,756	
State of Tennessee	1,385	21,762	0	0	23,147	0	0	23,147	
Other Governments and Citizens Groups	0	13,000	0	0	13,000	0	0	13,000	
Total Revenues	\$ 22,896	\$ 423,949	\$ 12,789	\$ 10	\$ 459,644	\$ 0	\$ 0	\$ 459,644	
<u>Expenditures</u>									
Current:									
General Government	\$ 17,902	\$ 0	\$ 0	\$ 50	\$ 17,952	\$ 0	\$ 0	\$ 17,952	
Administration of Justice	0	0	0	100	100	0	0	100	
Public Safety	0	0	27,043	10	27,053	0	0	27,053	
Public Health and Welfare	0	366,118	0	0	366,118	0	0	366,118	
Capital Projects	0	0	0	0	0	506,119	0	506,119	
Total Expenditures	\$ 17,902	\$ 366,118	\$ 27,043	\$ 160	\$ 411,223	\$ 506,119	\$ 0	\$ 917,342	
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,994	\$ 57,831	\$ (14,254)	\$ (150)	\$ 48,421	\$ (506,119)	\$ (457,698)		
<u>Other Financing Sources (Uses)</u>									
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 506,119	\$ 0	\$ 506,119	
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 506,119	\$ 0	\$ 506,119	
Net Change in Fund Balances	\$ 4,994	\$ 57,831	\$ (14,254)	\$ (150)	\$ 48,421	\$ 0	\$ 0	\$ 48,421	
Fund Balance, July 1, 2009	877	64,910	72,170	150	138,107	0	0	138,107	
Fund Balance, June 30, 2010	\$ 5,871	\$ 122,741	\$ 57,916	\$ 0	\$ 186,528	\$ 0	\$ 0	\$ 186,528	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 18,004	\$ 13,529	\$ 13,529	\$ 4,475
Licenses and Permits	3,507	2,503	2,503	1,004
Other Local Revenues	0	85	85	(85)
State of Tennessee	1,385	0	0	1,385
Total Revenues	<u>\$ 22,896</u>	<u>\$ 16,117</u>	<u>\$ 16,117</u>	<u>\$ 6,779</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 17,902	\$ 17,510	\$ 18,228	\$ 326
Total Expenditures	<u>\$ 17,902</u>	<u>\$ 17,510</u>	<u>\$ 18,228</u>	<u>\$ 326</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,994</u>	<u>\$ (1,393)</u>	<u>\$ (2,111)</u>	<u>\$ 7,105</u>
Net Change in Fund Balance	\$ 4,994	\$ (1,393)	\$ (2,111)	\$ 7,105
Fund Balance, July 1, 2009	877	1,879	2,111	(1,234)
Fund Balance, June 30, 2010	<u>\$ 5,871</u>	<u>\$ 486</u>	<u>\$ 0</u>	<u>\$ 5,871</u>

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 185,990	\$ 180,010	\$ 180,010	\$ 5,980
Charges for Current Services	180,441	180,000	180,000	441
Other Local Revenues	22,756	12,000	12,000	10,756
State of Tennessee	21,762	30,677	30,677	(8,915)
Other Governments and Citizens Groups	13,000	0	13,000	0
Total Revenues	<u>\$ 423,949</u>	<u>\$ 402,687</u>	<u>\$ 415,687</u>	<u>\$ 8,262</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 24,072	\$ 29,237	\$ 29,237	\$ 5,165
Recycling Center	342,046	359,914	372,914	30,868
Total Expenditures	<u>\$ 366,118</u>	<u>\$ 389,151</u>	<u>\$ 402,151</u>	<u>\$ 36,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 57,831</u>	<u>\$ 13,536</u>	<u>\$ 13,536</u>	<u>\$ 44,295</u>
Net Change in Fund Balance	\$ 57,831	\$ 13,536	\$ 13,536	\$ 44,295
Fund Balance, July 1, 2009	<u>64,910</u>	<u>43,339</u>	<u>43,339</u>	<u>21,571</u>
Fund Balance, June 30, 2010	<u>\$ 122,741</u>	<u>\$ 56,875</u>	<u>\$ 56,875</u>	<u>\$ 65,866</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,789	\$ 1,100	\$ 1,100	\$ 11,689
Total Revenues	\$ 12,789	\$ 1,100	\$ 1,100	\$ 11,689
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 27,043	\$ 19,375	\$ 35,543	\$ 8,500
Total Expenditures	\$ 27,043	\$ 19,375	\$ 35,543	\$ 8,500
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,254)	\$ (18,275)	\$ (34,443)	\$ 20,189
Net Change in Fund Balance	\$ (14,254)	\$ (18,275)	\$ (34,443)	\$ 20,189
Fund Balance, July 1, 2009	72,170	70,319	70,319	1,851
Fund Balance, June 30, 2010	\$ 57,916	\$ 52,044	\$ 35,876	\$ 22,040

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 657,199	\$ 608,230	\$ 608,230	\$ 48,969
Charges for Current Services	19,020	14,940	14,940	4,080
Total Revenues	<u>\$ 676,219</u>	<u>\$ 623,170</u>	<u>\$ 623,170</u>	<u>\$ 53,049</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 180,409	\$ 227,622	\$ 194,622	\$ 14,213
Education	238,000	205,000	238,000	0
<u>Interest on Debt</u>				
General Government	48,466	163,858	173,009	124,543
Education	32,768	257,612	211,193	178,425
<u>Other Debt Service</u>				
General Government	16,047	12,000	18,439	2,392
Education	30,829	0	30,829	0
Total Expenditures	<u>\$ 546,519</u>	<u>\$ 866,092</u>	<u>\$ 866,092</u>	<u>\$ 319,573</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 129,700</u>	<u>\$ (242,922)</u>	<u>\$ (242,922)</u>	<u>\$ 372,622</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 9,740	\$ 9,740	\$ (9,740)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 9,740</u>	<u>\$ 9,740</u>	<u>\$ (9,740)</u>
Net Change in Fund Balance	\$ 129,700	\$ (233,182)	\$ (233,182)	\$ 362,882
Fund Balance, July 1, 2009	780,822	557,849	557,849	222,973
Fund Balance, June 30, 2010	<u>\$ 910,522</u>	<u>\$ 324,667</u>	<u>\$ 324,667</u>	<u>\$ 585,855</u>

Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 89,870	\$ 1,005,733	\$ 1,058,477	\$ 37,126
Accounts Receivable	0	72	0	72
Total Assets	<u>\$ 89,870</u>	<u>\$ 1,005,805</u>	<u>\$ 1,058,477</u>	<u>\$ 37,198</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 89,870	\$ 1,005,805	\$ 1,058,477	\$ 37,198
Total Liabilities	<u>\$ 89,870</u>	<u>\$ 1,005,805</u>	<u>\$ 1,058,477</u>	<u>\$ 37,198</u>

Metropolitan School Department

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

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

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

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

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

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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,050,226	\$ 20,426	\$ 618,335	\$ 469,382	\$ (3,942,083)
Support Services	3,009,603	31,008	0	2,538	(2,976,057)
Operation of Non-Instructional Services	687,745	291,532	386,021	4,839	(5,353)
Interest on Long-term Debt	11,134	0	0	0	(11,134)
Total Governmental Activities	\$ 8,758,708	\$ 342,966	\$ 1,004,356	\$ 476,759	\$ (6,934,627)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,053,507
Local Option Sales Tax					315,204
Other Local Taxes					380
Grants and Contributions Not Restricted to Specific Programs					4,716,816
Unrestricted Investment Income					235
Miscellaneous					14,646
Insurance Recovery					37,192
Total General Revenues					\$ 7,137,980
Change in Net Assets					\$ 203,353
Net Assets, July 1, 2009					13,146,669
Net Assets, June 30, 2010					\$ 13,350,022

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2010

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 783,542	\$ 88,933	\$ 872,475
Inventories	0	29,813	29,813
Due from Other Governments	102,389	57,808	160,197
Property Taxes Receivable	2,057,678	0	2,057,678
Allowance for Uncollectible Property Taxes	(48,804)	0	(48,804)
Total Assets	<u>\$ 2,894,805</u>	<u>\$ 176,554</u>	<u>\$ 3,071,359</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 418	\$ 47,764	\$ 48,182
Payroll Deductions Payable	138,918	21,716	160,634
Deferred Revenue - Current Property Taxes	1,944,124	0	1,944,124
Deferred Revenue - Delinquent Property Taxes	61,250	0	61,250
Other Deferred Revenues	23,510	0	23,510
Total Liabilities	<u>\$ 2,168,220</u>	<u>\$ 69,480</u>	<u>\$ 2,237,700</u>
<u>Fund Balances</u>			
Other Local Education Reserves	\$ 20,513	\$ 0	\$ 20,513
Reserved for Career Ladder - Extended Contract	426	0	426
Reserved for Title I Grants to Local Education Agencies	0	1,435	1,435
Reserved for Special Education - Grants to States	0	1,394	1,394
Other Federal Reserves	0	340	340
Unreserved, Reported In:			
General Fund	705,646	0	705,646
Special Revenue Funds	0	81,849	81,849
Capital Projects Funds	0	22,056	22,056
Total Fund Balances	<u>\$ 726,585</u>	<u>\$ 107,074</u>	<u>\$ 833,659</u>
Total Liabilities and Fund Balances	<u>\$ 2,894,805</u>	<u>\$ 176,554</u>	<u>\$ 3,071,359</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, 2010

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)		\$	833,659
(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		8,624,056	
Add: buildings and improvements net of accumulated depreciation		4,209,713	
Add: other capital assets net of accumulated depreciation		<u>399,156</u>	13,272,267
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: lease payable	\$	(221,033)	
Less: other postemployment benefits liability		(400,424)	
Less: compensated absences payable		<u>(219,207)</u>	(840,664)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>84,760</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,350,022</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, 2010

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,350,489	\$ 0	\$ 2,350,489
Licenses and Permits	620	0	620
Charges for Current Services	74,600	260,840	335,440
Other Local Revenues	21,487	235	21,722
State of Tennessee	4,723,945	5,283	4,729,228
Federal Government	0	966,819	966,819
Other Governments and Citizens Groups	0	469,382	469,382
Total Revenues	<u>\$ 7,171,141</u>	<u>\$ 1,702,559</u>	<u>\$ 8,873,700</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,062,471	\$ 521,918	\$ 4,584,389
Support Services	2,847,182	186,849	3,034,031
Operation of Non-Instructional Services	130,333	503,958	634,291
Capital Outlay	81,602	0	81,602
Debt Service:			
Principal on Debt	17,966	0	17,966
Interest on Debt	11,134	0	11,134
Capital Projects	0	542,543	542,543
Total Expenditures	<u>\$ 7,150,688</u>	<u>\$ 1,755,268</u>	<u>\$ 8,905,956</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,453</u>	<u>\$ (52,709)</u>	<u>\$ (32,256)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 0	\$ 37,192	\$ 37,192
Transfers In	0	20,000	20,000
Transfers Out	(20,000)	0	(20,000)
Total Other Financing Sources (Uses)	<u>\$ (20,000)</u>	<u>\$ 57,192</u>	<u>\$ 37,192</u>
Net Change in Fund Balances	\$ 453	\$ 4,483	\$ 4,936
Fund Balance, July 1, 2009	726,132	102,591	828,723
Fund Balance, June 30, 2010	<u>\$ 726,585</u>	<u>\$ 107,074</u>	<u>\$ 833,659</u>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2010

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)	\$	4,936
(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	\$ 565,133	
Less: current year depreciation expense	<u>(287,480)</u>	277,653
(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, 2010	\$ 84,760	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(68,744)</u>	16,016
(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.		
Add: principal payments on lease		17,966
(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	\$ (94,511)	
Change in compensated absences payable	<u>(18,707)</u>	<u>(113,218)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 203,353</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, 2010

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
Equity in Pooled Cash and Investments Inventories	\$ 20,249	\$ 46,628	\$ 66,877	\$ 22,056	\$ 88,933	
Due from Other Governments	0	29,813	29,813	0	29,813	
	57,808	0	57,808	0	57,808	
Total Assets	\$ 78,057	\$ 76,441	\$ 154,498	\$ 22,056	\$ 176,554	

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts Payable	\$ 47,473	\$ 291	\$ 47,764	\$ 0	\$ 47,764	
Payroll Deductions Payable	7,415	14,301	21,716	0	21,716	
Total Liabilities	\$ 54,888	\$ 14,592	\$ 69,480	\$ 0	\$ 69,480	
Fund Balances						
Reserved for Title I Grants to Local Education Agencies	\$ 1,435	\$ 0	\$ 1,435	\$ 0	\$ 1,435	
Reserved for Special Education - Grants to States	1,394	0	1,394	0	1,394	
Other Federal Reserves	340	0	340	0	340	
Unreserved	20,000	61,849	81,849	22,056	103,905	
Total Fund Balances	\$ 23,169	\$ 61,849	\$ 85,018	\$ 22,056	\$ 107,074	
Total Liabilities and Fund Balances	\$ 78,057	\$ 76,441	\$ 154,498	\$ 22,056	\$ 176,554	

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, 2010

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 260,840	\$ 260,840	\$ 0	\$ 260,840
Other Local Revenues	0	235	235	0	235
State of Tennessee	0	5,283	5,283	0	5,283
Federal Government	701,922	264,897	966,819	0	966,819
Other Governments and Citizens Groups	0	0	0	469,382	469,382
Total Revenues	<u>\$ 701,922</u>	<u>\$ 531,255</u>	<u>\$ 1,233,177</u>	<u>\$ 469,382</u>	<u>\$ 1,702,559</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 521,918	\$ 0	\$ 521,918	\$ 0	\$ 521,918
Support Services	186,849	0	186,849	0	186,849
Operation of Non-Instructional Services	0	503,958	503,958	0	503,958
Capital Projects	0	0	0	542,543	542,543
Total Expenditures	<u>\$ 708,767</u>	<u>\$ 503,958</u>	<u>\$ 1,212,725</u>	<u>\$ 542,543</u>	<u>\$ 1,755,268</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,845)</u>	<u>\$ 27,297</u>	<u>\$ 20,452</u>	<u>\$ (73,161)</u>	<u>\$ (52,709)</u>
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 37,192	\$ 37,192
Transfers In	20,000	0	20,000	0	20,000
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>	<u>\$ 37,192</u>	<u>\$ 57,192</u>
Net Change in Fund Balances	\$ 13,155	\$ 27,297	\$ 40,452	\$ (35,969)	\$ 4,483
Fund Balance, July 1, 2009	10,014	34,552	44,566	58,025	102,591
Fund Balance, June 30, 2010	<u>\$ 23,169</u>	<u>\$ 61,849</u>	<u>\$ 85,018</u>	<u>\$ 22,056</u>	<u>\$ 107,074</u>

Exhibit J-8

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
General Purpose School Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,350,489	\$ 2,260,274	\$ 2,293,360	\$ 57,129
Licenses and Permits	620	650	447	173
Charges for Current Services	74,600	31,280	72,561	2,039
Other Local Revenues	21,487	12,500	21,167	320
State of Tennessee	4,723,945	4,644,521	4,721,326	2,619
Total Revenues	\$ 7,171,141	\$ 6,949,225	\$ 7,108,861	\$ 62,280
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,346,734	\$ 3,290,350	\$ 3,363,563	\$ 16,829
Alternative Instruction Program	81,394	80,979	81,541	147
Special Education Program	381,477	481,964	381,477	0
Vocational Education Program	252,866	288,500	253,184	318
<u>Support Services</u>				
Attendance	7,540	7,579	7,550	10
Health Services	41,471	48,478	41,748	277
Other Student Support	300,897	302,398	301,275	378
Regular Instruction Program	367,031	378,735	367,506	475
Special Education Program	2,862	3,850	2,868	6
Vocational Education Program	15,044	30,025	15,047	3
Other Programs	11,563	0	10,878	(685)
Board of Education	155,884	171,307	160,139	4,255
Director of Schools	128,382	134,441	134,172	5,790
Office of the Principal	449,958	421,858	452,752	2,794
Fiscal Services	77,993	78,025	78,002	9
Operation of Plant	738,512	677,820	743,029	4,517
Maintenance of Plant	176,065	185,211	183,339	7,274
Transportation	373,980	541,478	380,780	6,800
<u>Operation of Non-Instructional Services</u>				
Community Services	13,622	21,605	16,602	2,980
Early Childhood Education	116,711	90,284	116,710	(1)
<u>Capital Outlay</u>				
Regular Capital Outlay	81,602	40,000	90,000	8,398
<u>Principal on Debt</u>				
Education	17,966	0	17,966	0
<u>Interest on Debt</u>				
Education	11,134	0	11,134	0
Total Expenditures	\$ 7,150,688	\$ 7,274,887	\$ 7,211,262	\$ 60,574
Excess (Deficiency) of Revenues Over Expenditures	\$ 20,453	\$ (325,662)	\$ (102,401)	\$ 122,854
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (20,000)	\$ 0	\$ (20,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (20,000)	\$ 0	\$ (20,000)	\$ 0
Net Change in Fund Balance	\$ 453	\$ (325,662)	\$ (122,401)	\$ 122,854
Fund Balance, July 1, 2009	726,132	560,575	560,575	165,557
Fund Balance, June 30, 2010	\$ 726,585	\$ 234,913	\$ 438,174	\$ 288,411

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 701,922	\$ 319,162	\$ 773,345	\$ (71,423)
Total Revenues	<u>\$ 701,922</u>	<u>\$ 319,162</u>	<u>\$ 773,345</u>	<u>\$ (71,423)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 223,733	\$ 209,844	\$ 234,323	\$ 10,590
Special Education Program	288,608	15,854	339,317	50,709
Vocational Education Program	9,577	10,697	11,007	1,430
<u>Support Services</u>				
Health Services	18,198	0	22,150	3,952
Other Student Support	19,500	9,526	19,500	0
Regular Instruction Program	73,362	72,591	81,140	7,778
Special Education Program	13,929	0	13,966	37
Vocational Education Program	570	650	650	80
Transportation	61,290	0	61,290	0
Total Expenditures	<u>\$ 708,767</u>	<u>\$ 319,162</u>	<u>\$ 783,343</u>	<u>\$ 74,576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,845)</u>	<u>\$ 0</u>	<u>\$ (9,998)</u>	<u>\$ 3,153</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 20,000	\$ 0	\$ 0	\$ 20,000
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,000</u>
Net Change in Fund Balance	\$ 13,155	\$ 0	\$ (9,998)	\$ 23,153
Fund Balance, July 1, 2009	<u>10,014</u>	<u>9,998</u>	<u>9,998</u>	<u>16</u>
Fund Balance, June 30, 2010	<u><u>\$ 23,169</u></u>	<u><u>\$ 9,998</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 23,169</u></u>

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 260,840	\$ 274,000	\$ 284,000	\$ (23,160)
Other Local Revenues	235	650	650	(415)
State of Tennessee	5,283	5,500	5,500	(217)
Federal Government	264,897	196,000	216,000	48,897
Total Revenues	<u>\$ 531,255</u>	<u>\$ 476,150</u>	<u>\$ 506,150</u>	<u>\$ 25,105</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 503,958	\$ 484,413	\$ 514,413	\$ 10,455
Total Expenditures	<u>\$ 503,958</u>	<u>\$ 484,413</u>	<u>\$ 514,413</u>	<u>\$ 10,455</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,297</u>	<u>\$ (8,263)</u>	<u>\$ (8,263)</u>	<u>\$ 35,560</u>
Net Change in Fund Balance	\$ 27,297	\$ (8,263)	\$ (8,263)	\$ 35,560
Fund Balance, July 1, 2009	<u>34,552</u>	<u>30,949</u>	<u>30,949</u>	<u>3,603</u>
Fund Balance, June 30, 2010	<u><u>\$ 61,849</u></u>	<u><u>\$ 22,686</u></u>	<u><u>\$ 22,686</u></u>	<u><u>\$ 39,163</u></u>

MISCELLANEOUS SCHEDULES

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, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
Payable through General Debt Service Fund	\$							
Health Department Building								
Fire Truck	70,000	4.75	12-14-01	12-14-10	4,841	0	0	4,841
Land	200,000	3.94	1-27-06	1-23-14	130,105	0	23,315	106,790
Garbage Truck	225,000	3.38	11-16-05	11-16-14	154,991	0	22,095	132,896
Fire Truck	120,000	3.58	6-22-07	6-22-13	82,785	0	18,438	64,347
Park	180,000	3.58	1-2-08	1-2-17	161,563	0	17,017	144,546
Ambulance	300,000	4.015	6-23-08	6-23-20	280,048	0	17,556	262,492
Patrol Cars	100,000	2.83	6-25-08	6-25-14	84,472	0	14,988	69,484
	97,000	2.09	3-2-10	3-2-13	0	97,000	0	97,000
Total Notes Payable					\$ 898,805	\$ 97,000	\$ 113,409	\$ 882,396
<u>OTHER LOANS PAYABLE</u>								
Payable through General Debt Service Fund								
School Construction	8,300,000	Variable	7-17-07	5-25-34	7,594,881	506,119	205,000	7,896,000
School Construction/Public Water	(1)	Variable	6-9-08	5-25-28	2,014,062	806,918	100,000	2,720,980
Total Other Loans Payable					\$ 9,608,943	\$ 1,313,037	\$ 305,000	\$ 10,616,980
<u>DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
Payable through General Purpose School Fund								
TAC Energy Management System	244,766	4.79	9-17-08	12-15-19	238,999	0	17,966	221,033
Total Capital Leases Payable					\$ 238,999	\$ 0	\$ 17,966	\$ 221,033

(1) Total amount approved was \$3,000,000, of which \$83,020 remains available for draws as of June 30, 2010.

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	Notes		
	Principal	Interest	Total
2011	\$ 163,704	\$ 31,057	\$ 194,761
2012	164,051	24,880	188,931
2013	170,653	19,961	190,614
2014	118,859	14,843	133,702
2015	74,736	10,072	84,808
2016	48,404	7,345	55,749
2017	50,025	5,485	55,510
2018	28,433	3,564	31,997
2019	29,575	2,422	31,997
2020	33,956	1,237	35,193
Total	\$ 882,396	\$ 120,866	\$ 1,003,262

Year Ending June 30	Other Loans		
	Principal	Interest	Fees
2011	\$ 316,000	\$ 41,828	\$ 37,142
2012	327,000	40,582	36,097
2013	339,000	39,294	35,015
2014	351,000	37,958	33,894
2015	365,000	36,574	32,733
2016	377,000	35,136	31,525
2017	391,000	33,650	30,278
2018	405,000	32,109	28,984
2019	421,000	30,512	27,644
2020	435,000	28,853	26,251
2021	451,000	27,138	24,812
2022	469,000	25,361	23,320
2023	485,000	23,512	21,768
2024	503,000	21,600	20,163
2025	521,000	19,618	18,499
2026	540,000	17,564	16,775
2027	560,000	15,435	14,988
2028	497,980	13,228	13,050
2029	372,000	11,266	10,468
2030	383,000	9,802	9,240
2031	396,000	8,295	7,976
2032	408,000	6,737	6,670
2033	421,000	5,131	5,323
2034	435,000	3,475	3,934
	448,000	1,763	2,413
Total	\$ 10,616,980	566,421	518,962

(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		Total
	Principal	Interest	
2011	\$ 18,843	\$ 10,258	\$ 29,101
2012	19,762	9,338	29,100
2013	20,726	8,374	29,100
2014	21,738	7,363	29,101
2015	22,798	6,302	29,100
2016	23,911	5,190	29,101
2017	25,077	4,023	29,100
2018	26,301	2,799	29,100
2019	27,584	1,516	29,100
2020	14,293	257	14,550
Total	\$ 221,033	\$ 55,420	\$ 276,453

Exhibit K-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Water and Sewer Department	Water and Sewer Department General	Funds for project Surcharges to help retire debt	\$ 614,754 18,360
Total Transfers Primary Government			\$ <u>633,114</u>
<u>DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Operations	\$ <u>20,000</u>
Total Transfers Discretely Presented Moore County School Department			\$ <u>20,000</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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Mayor: David Parks (7-1-09 through 8-17-09)	Section 8-24-102, <u>TCA</u> and Metropolitan Council	\$ 8,801	\$ 25,000	RLI Insurance Company
Sloan Stewart (8-18-09 through 6-30-10)	Section 8-24-102, <u>TCA</u> and Metropolitan Council	51,549	25,000	RLI Insurance Company
Highway Superintendent Director of Schools	Section 8-24-102, <u>TCA</u> State Board of Education and Metropolitan Board of Education	60,350	100,000	RLI Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	74,412 (1)	50,000	Western Surety Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,251	306,000	RLI Insurance Company
Metropolitan Clerk	Section 8-24-102, <u>TCA</u>	52,251	10,000	"
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>	57,477 (2)	25,000	"
<u>Employee Bonds</u>				
Metropolitan Employees			150,000	Tennessee Risk Management Trust
School Department Employees			150,000	"

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

(2) Does not include a law enforcement training supplement of \$600.

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds							Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 1,533,838	\$ 12,207	\$ 180,576	\$ 0	\$ 0	\$ 27,086	\$ 316,538	\$ 2,070,245	
Trustee's Collections - Prior Year	36,852	665	4,399	0	0	613	5,869	48,398	
Circuit/Clerk & Master Collections - Prior Years	7,057	0	334	0	0	147	461	7,999	
Interest and Penalty	5,677	91	681	0	0	102	1,016	7,567	
Payments in-Lieu-of Taxes - T.V.A.	48,937	4,960	0	0	0	0	0	53,897	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	160,975	0	0	0	0	0	160,975	321,950	
Hotel/Motel Tax	5,575	0	0	0	0	0	0	5,575	
Litigation Tax - General	14,710	0	0	0	0	0	0	14,710	
Litigation Tax - Jail, Workhouse, or Courthouse	4,594	0	0	0	0	0	0	4,594	
Business Tax	22,304	0	0	0	0	0	0	22,304	
Mineral Severance Tax	0	0	0	0	0	6,585	0	6,585	
<u>Statutory Local Taxes</u>									
Wholesale Beer Tax	56,840	0	0	0	0	0	0	56,840	
Interstate Telecommunications Tax	558	81	0	0	0	0	0	639	
Other Statutory Local Taxes	0	0	0	0	0	0	172,340	172,340	
Total Local Taxes	\$ 1,897,917	\$ 18,004	\$ 185,990	\$ 0	\$ 0	\$ 34,533	\$ 657,199	\$ 2,793,643	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	5,908	3,507	0	0	0	0	0	9,415	
Permits	2,755	0	0	0	0	0	0	2,755	
Building Permits	8,663	3,507	0	0	0	0	0	12,170	
Total Licenses and Permits	\$ 17,333	\$ 7,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,347	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	4,044	0	0	0	0	0	0	4,044	
Officers Costs	1,383	0	0	0	0	0	0	1,383	
Game and Fish Fines	27	0	0	0	0	0	0	27	

(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	
Fines, Forfeitures, and Penalties (Cont.)								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 5,950	\$ 0	\$ 0	\$ 0	\$ 5,950
Drug Court Fees	218	0	0	0	0	0	0	218
Jail Fees	2,049	0	0	0	0	0	0	2,049
DUI Treatment Fines	234	0	0	0	0	0	0	234
Data Entry Fee - Circuit Court	184	0	0	0	0	0	0	184
Courtroom Security Fee	225	0	0	0	0	0	0	225
<u>General Sessions Court</u>								
Fines	10,385	0	0	0	0	0	0	10,385
Officers Costs	8,717	0	0	0	0	0	0	8,717
Game and Fish Fines	112	0	0	0	0	0	0	112
Drug Control Fines	0	0	0	4,273	0	0	0	4,273
Drug Court Fees	864	0	0	66	0	0	0	930
Jail Fees	7,993	0	0	0	0	0	0	7,993
DUI Treatment Fines	1,677	0	0	0	0	0	0	1,677
Data Entry Fee - General Sessions Court	758	0	0	0	0	0	0	758
<u>Juvenile Court</u>								
Drug Control Fines	0	0	0	2,500	0	0	0	2,500
<u>Chancery Court</u>								
Officers Costs	438	0	0	0	0	0	0	438
Data Entry Fee - Chancery Court	136	0	0	0	0	0	0	136
<u>Other Fines, Forfeitures, and Penalties</u>								
Other Fines, Forfeitures, and Penalties	925	0	0	0	0	0	0	925
Total Fines, Forfeitures, and Penalties	\$ 40,369	\$ 0	\$ 0	\$ 12,789	\$ 0	\$ 0	\$ 0	\$ 53,158
<u>Charges for Current Services</u>								
General Service Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,020	\$ 19,020
Surcharge - Host Agency	0	0	180,441	0	0	0	0	180,441
Solid Waste Disposal Fees	117,388	0	0	0	0	0	0	117,388
Patient Charges								

(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	
Charges for Current Services (Cont.)								
<u>Fees</u>								
Recreation Fees	\$ 3,502	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,502
Copy Fees	246	0	0	0	0	0	0	246
Library Fees	1,247	0	0	0	0	0	0	1,247
Vending Machine Collections	229	0	0	0	0	0	0	229
Constitutional Officers' Fees and Commissions	0	0	0	0	10	0	0	10
Data Processing Fee - Register	1,968	0	0	0	0	0	0	1,968
Data Processing Fee - Sheriff	1,017	0	0	0	0	0	0	1,017
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	0	1,200
Data Processing Fee - County Clerk	602	0	0	0	0	0	0	602
<u>Education Charges</u>								
TBI Criminal Background Fees	670	0	0	0	0	0	0	670
Total Charges for Current Services	\$ 128,069	\$ 0	\$ 180,441	\$ 0	\$ 10	\$ 0	\$ 19,020	\$ 327,540
Other Local Revenues								
<u>Recurring Items</u>								
Investment Income	\$ 60,440	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,440
Lease/Rentals	11,236	0	0	0	0	0	0	11,236
Sale of Materials and Supplies	0	0	82	0	0	0	0	82
Commissary Sales	7,801	0	0	0	0	0	0	7,801
Sale of Recycled Materials	0	0	22,167	0	0	0	0	22,167
Refund of Telecommunication & Internet Fees (E-Rate)	811	0	0	0	0	0	0	811
Miscellaneous Refunds	726	0	507	0	0	6,430	0	7,663
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	0	42,175	0	42,175
Damages Recovered from Individuals	358	0	0	0	0	0	0	358
<u>Other Local Revenues</u>								
Total Other Local Revenues	\$ 83,747	\$ 0	\$ 22,756	\$ 0	\$ 0	\$ 48,605	\$ 0	\$ 155,108

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
Fees Received from County Officials									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 46,178	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,178	
Circuit Court Clerk	18,125	0	0	0	0	0	0	18,125	
General Sessions Court Clerk	24,221	0	0	0	0	0	0	24,221	
Clerk and Master	19,198	0	0	0	0	0	0	19,198	
Juvenile Court Clerk	1,094	0	0	0	0	0	0	1,094	
Register	22,163	0	0	0	0	0	0	22,163	
Sheriff	4,652	0	0	0	0	0	0	4,652	
Trustee	120,704	0	0	0	0	0	0	120,704	
Total Fees Received from County Officials	\$ 256,335	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 256,335	
State of Tennessee									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 11,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,550	
State Reappraisal Grant	1,890	0	0	0	0	0	0	1,890	
Solid Waste Grants	0	0	2,918	0	0	0	0	2,918	
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	7,800	
<u>Health and Welfare Grants</u>									
Public Works Grants	31,809	0	0	0	0	0	0	31,809	
<u>Bridge Program</u>									
State Aid Program	0	0	0	0	0	40,042	0	40,042	
Litter Program	0	0	0	0	0	14,328	0	14,328	
<u>Other State Revenues</u>									
Income Tax	60,965	0	0	0	0	0	0	60,965	
Beer Tax	21,628	0	0	0	0	0	0	21,628	
Alcoholic Beverage Tax	8,076	0	0	0	0	0	0	8,076	
State Revenue Sharing - T. V. A.	131,820	1,385	0	0	0	0	0	133,205	
Contracted Prisoner Boarding	97,790	0	0	0	0	0	0	97,790	
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,155,077	0	1,155,077	

(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		
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues (Cont.)</u>								
Petroleum Special Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,499	\$ 0	\$ 5,499
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
State Shared Sales Tax - Cities	35,067	0	0	0	0	0	0	35,067
Other State Revenues	400	0	0	0	0	0	0	400
Total State of Tennessee	\$ 425,175	\$ 1,385	\$ 21,762	\$ 0	\$ 0	\$ 1,214,946	\$ 0	\$ 1,663,268
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 43,462	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,462
Other Federal through State	1,536	0	0	0	0	0	0	1,536
Total Federal Government	\$ 44,998	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,998
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,000
Citizens Groups	161,280	0	13,000	0	0	0	0	174,280
Donations	\$ 191,280	\$ 0	\$ 13,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 204,280
Total Other Governments and Citizens Groups	\$ 3,076,553	\$ 22,896	\$ 423,949	\$ 12,789	\$ 10	\$ 1,298,084	\$ 676,219	\$ 5,510,500
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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,971,622	\$ 0	\$ 0	\$ 0	1,971,622
Trustee's Collections - Prior Year	40,298	0	0	0	40,298
Circuit/Clerk & Master Collections - Prior Years	10,032	0	0	0	10,032
Interest and Penalty	7,313	0	0	0	7,313
<u>County Local Option Taxes</u>					
Local Option Sales Tax	320,814	0	0	0	320,814
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	410	0	0	0	410
Total Local Taxes	\$ 2,350,489	\$ 0	\$ 0	\$ 0	2,350,489
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 620	\$ 0	\$ 0	\$ 0	620
Total Licenses and Permits	\$ 620	\$ 0	\$ 0	\$ 0	620
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 12,900	\$ 0	\$ 0	\$ 0	12,900
Lunch Payments - Children	0	0	167,651	0	167,651
Lunch Payments - Adults	0	0	19,076	0	19,076
Income from Breakfast	0	0	19,320	0	19,320
A la carte Sales	0	0	54,793	0	54,793
Contract for Instructional Staff Support with Other LEAs	25,899	0	0	0	25,899
Receipts from Individual Schools	2,589	0	0	0	2,589
Community Service Fees - Children	30,692	0	0	0	30,692
TBI Criminal Background Fees	2,520	0	0	0	2,520
Total Charges for Current Services	\$ 74,600	\$ 0	\$ 260,840	\$ 0	335,440
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 235	\$ 0	235
Sale of Recycled Materials	92	0	0	0	92
Refund of Telecommunication & Internet Fees (E-Rate)	7,434	0	0	0	7,434
Miscellaneous Refunds	11,228	0	0	0	11,228
<u>Nonrecurring Items</u>					
Sale of Equipment	2,635	0	0	0	2,635
Damages Recovered from Individuals	36	0	0	0	36
<u>Other Local Revenues</u>					
Other Local Revenues	62	0	0	0	62
Total Other Local Revenues	\$ 21,487	\$ 0	\$ 235	\$ 0	21,722
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 11,563	\$ 0	\$ 0	\$ 0	11,563
<u>State Education Funds</u>					
Basic Education Program	4,244,600	0	0	0	4,244,600
Basic Education Program - ARRA	177,400	0	0	0	177,400
Early Childhood Education	90,810	0	0	0	90,810

(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>State Education Funds (Cont.)</u>					
Driver Education	\$ 3,857	\$ 0	\$ 0	\$ 0	3,857
Other State Education Funds	0	0	5,283	0	5,283
Coordinated School Health - ARRA	85,000	0	0	0	85,000
Statewide Student Management System (SSMS) - ARRA	2,424	0	0	0	2,424
Career Ladder Program	50,142	0	0	0	50,142
Career Ladder - Extended Contract - ARRA	8,900	0	0	0	8,900
<u>Other State Revenues</u>					
Beer Tax	46,549	0	0	0	46,549
Safe Schools - ARRA	2,700	0	0	0	2,700
Total State of Tennessee	\$ 4,723,945	\$ 0	\$ 5,283	\$ 0	4,729,228
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 189,348	\$ 0	189,348
Breakfast	0	0	70,710	0	70,710
USDA Food Service Equipment Grant - ARRA	0	0	4,839	0	4,839
Vocational Education - Basic Grants to States	0	13,327	0	0	13,327
Other Vocational	0	310	0	0	310
Title I Grants to Local Education Agencies	0	239,355	0	0	239,355
Special Education - Grants to States	0	378,303	0	0	378,303
Special Education Preschool Grants	0	14,805	0	0	14,805
Safe and Drug-free Schools - State Grants	0	2,538	0	0	2,538
Eisenhower Professional Development State Grants	0	48,198	0	0	48,198
Other Federal through State	0	5,086	0	0	5,086
Total Federal Government	\$ 0	\$ 701,922	\$ 264,897	\$ 0	966,819
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 469,382	\$ 469,382
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 469,382	\$ 469,382
Total	\$ 7,171,141	\$ 701,922	\$ 531,255	\$ 469,382	\$ 8,873,700

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, 2010

General Fund

General Government

County Commission

Other Per Diem and Fees	\$ 3,400	
Audit Services	1,722	
Dues and Memberships	1,000	
Operating Lease Payments	1,800	
Liability Insurance	57,521	
Trustee's Commission	39,955	
Workers' Compensation Insurance	27,863	
Total County Commission		\$ 133,261

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Accountants/Bookkeepers	29,273	
Longevity Pay	1,000	
Communication	999	
Data Processing Services	4,914	
Dues and Memberships	4,434	
Legal Notices, Recording, and Court Costs	1,420	
Postal Charges	5,597	
Printing, Stationery, and Forms	1,022	
Premiums on Corporate Surety Bonds	88	
Other Charges	782	
Office Equipment	732	
Total County Mayor/Executive		110,611

County Attorney

County Official/Administrative Officer	\$ 6,273	
Total County Attorney		6,273

Election Commission

County Official/Administrative Officer	\$ 47,026	
Election Commission	500	
Communication	703	
Dues and Memberships	100	
Legal Notices, Recording, and Court Costs	108	
Maintenance and Repair Services - Office Equipment	3,200	
Postal Charges	203	
Printing, Stationery, and Forms	43	
Travel	2,037	
Other Contracted Services	5,408	
Office Supplies	111	
Total Election Commission		59,439

(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	4,384	
Communication	316	
Dues and Memberships	300	
Maintenance Agreements	2,172	
Printing, Stationery, and Forms	810	
Office Equipment	1,867	
Total Register of Deeds		\$ 62,100

Planning

County Official/Administrative Officer	\$ 4,510	
Communication	322	
Contracts with Government Agencies	7,750	
Legal Notices, Recording, and Court Costs	102	
Office Supplies	40	
Total Planning		12,724

County Buildings

Custodial Personnel	\$ 16,500	
Maintenance and Repair Services - Buildings	18,304	
Pest Control	530	
Custodial Supplies	6,130	
Electricity	13,086	
Natural Gas	5,544	
Office Supplies	4,092	
Water and Sewer	4,580	
Other Supplies and Materials	41	
Total County Buildings		68,807

Preservation of Records

Part-time Personnel	\$ 3,478	
Communication	539	
Data Processing Services	200	
Maintenance Agreements	301	
Postal Charges	44	
Office Supplies	1,412	
Total Preservation of Records		5,974

(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		10,455	
Other Per Diem and Fees		170	
Communication		314	
Data Processing Services		1,988	
Legal Notices, Recording, and Court Costs		56	
Travel		569	
Other Contracted Services		2,008	
Total Property Assessor's Office			\$ 67,811

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		2,906	
In-Service Training		350	
Communication		363	
Data Processing Services		4,232	
Dues and Memberships		360	
Legal Notices, Recording, and Court Costs		288	
Printing, Stationery, and Forms		86	
Travel		1,050	
Office Supplies		71	
Total County Trustee's Office			61,957

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		10,830	
Communication		330	
Dues and Memberships		360	
Printing, Stationery, and Forms		717	
Office Equipment		850	
Total County Clerk's Office			65,338

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		6,725	
Jury and Witness Expense		1,545	
Communication		318	
Data Processing Services		3,575	
Dues and Memberships		370	

(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 (Cont.)

Circuit Court (Cont.)

Legal Notices, Recording, and Court Costs	\$	283	
Maintenance Agreements		2,176	
Printing, Stationery, and Forms		703	
Other Contracted Services		279	
Office Equipment		71	
Total Circuit Court			\$ 68,296

General Sessions Court

Judge(s)	\$	62,195	
Travel		853	
Total General Sessions Court			63,048

Chancery Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		1,342	
Communication		284	
Dues and Memberships		365	
Printing, Stationery, and Forms		294	
Travel		70	
Periodicals		393	
Premiums on Corporate Surety Bonds		409	
Office Equipment		292	
Total Chancery Court			55,700

Juvenile Court

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

Judicial Commissioners

County Official/Administrative Officer	\$	12,180	
Communication		517	
Total Judicial Commissioners			12,697

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Supervisor/Director		35,357	
Deputy(ies)		217,249	
Investigator(s)		33,454	
Sergeant(s)		32,546	

(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.)

Sheriff's Department (Cont.)

Dispatchers/Radio Operators	\$ 119,781	
Longevity Pay	24,000	
Other Salaries and Wages	16,034	
In-Service Training	7,900	
Communication	6,054	
Contracts with Private Agencies	1,325	
Dues and Memberships	134	
Maintenance and Repair Services - Equipment	954	
Maintenance and Repair Services - Vehicles	17,868	
Medical and Dental Services	46	
Postal Charges	692	
Printing, Stationery, and Forms	2,241	
Travel	1,575	
Other Contracted Services	7,415	
Drugs and Medical Supplies	324	
Gasoline	31,200	
Office Supplies	1,929	
Uniforms	2,090	
Other Charges	630	
Data Processing Equipment	2,033	
Law Enforcement Equipment	5,752	
Motor Vehicles	70,378	
Total Sheriff's Department		\$ 696,438

Administration of the Sexual Offender Registry

Contracts with Government Agencies	\$ 50	
Other Contracted Services	1,134	
Other Supplies and Materials	172	
Total Administration of the Sexual Offender Registry		1,356

Jail

Foremen	\$ 24,870
Guards	105,483
Secretary(ies)	23,223
Longevity Pay	4,000
Other Salaries and Wages	6,846
In-Service Training	1,152
Contracts with Government Agencies	4,330
Maintenance and Repair Services - Buildings	3,019
Maintenance and Repair Services - Equipment	1,089

(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 (Cont.)

Medical and Dental Services	\$ 10,261	
Pest Control	247	
Custodial Supplies	2,891	
Drugs and Medical Supplies	8,497	
Electricity	17,022	
Food Preparation Supplies	430	
Food Supplies	24,804	
Natural Gas	3,489	
Prisoners Clothing	1,509	
Uniforms	1,373	
Water and Sewer	11,021	
Other Charges	604	
Total Jail		\$ 256,160

Commissary

Printing, Stationery, and Forms	\$ 179	
Drugs and Medical Supplies	310	
Food Supplies	550	
Office Supplies	218	
Total Commissary		1,257

Fire Prevention and Control

Part-time Personnel	\$ 12,180	
In-Service Training	2,227	
Communication	2,348	
Maintenance Agreements	5,305	
Maintenance and Repair Services - Buildings	9,400	
Maintenance and Repair Services - Vehicles	19,266	
Pest Control	247	
Electricity	2,689	
Gasoline	3,434	
Natural Gas	5,314	
Office Supplies	358	
Water and Sewer	698	
Excess Risk Insurance	1,480	
Other Equipment	44,228	
Total Fire Prevention and Control		109,174

Other Emergency Management

Other Supplies and Materials	\$ 56,601	
Total Other Emergency Management		56,601

(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

Local Health Center

Medical Personnel	\$ 23,523	
Overtime Pay	24	
Communication	2,056	
Contracts with Government Agencies	14,000	
Contracts with Private Agencies	9,600	
Maintenance and Repair Services - Buildings	344	
Pest Control	247	
Travel	684	
Other Contracted Services	200	
Office Supplies	133	
Utilities	5,773	
Water and Sewer	60	
Other Supplies and Materials	1,433	
Other Charges	<u>3,707</u>	
Total Local Health Center		\$ 61,784

Rabies and Animal Control

Other Supplies and Materials	\$ 1,085	
Total Rabies and Animal Control		1,085

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 40,000	
Paraprofessionals	146,553	
Part-time Personnel	24,341	
Longevity Pay	9,000	
Overtime Pay	28,110	
Other Salaries and Wages	1,485	
In-Service Training	1,134	
Communication	1,562	
Data Processing Services	7,550	
Dues and Memberships	1,405	
Maintenance and Repair Services - Buildings	1,088	
Maintenance and Repair Services - Equipment	3,599	
Maintenance and Repair Services - Vehicles	4,619	
Pest Control	247	
Drugs and Medical Supplies	6,634	
Electricity	3,498	
Gasoline	5,749	
Natural Gas	1,711	
Office Supplies	588	

(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.)

Uniforms	\$ 1,575	
Water and Sewer	1,264	
Other Supplies and Materials	174	
Refunds	432	
Motor Vehicles	26,017	
Total Ambulance/Emergency Medical Services		\$ 318,335

Alcohol and Drug Programs

Drug Treatment	\$ 575	
Other Supplies and Materials	2,497	
Total Alcohol and Drug Programs		3,072

Regional Mental Health Center

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

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Supervisor/Director	\$ 25,375	
Part-time Personnel	29,150	
Longevity Pay	2,000	
Communication	1,253	
Data Processing Services	1,045	
Dues and Memberships	45	
Maintenance and Repair Services - Buildings	1,339	
Pest Control	247	
Postal Charges	950	
Printing, Stationery, and Forms	59	
Travel	552	
Custodial Supplies	856	
Electricity	4,292	
Instructional Supplies and Materials	520	
Library Books/Media	4,203	
Natural Gas	2,110	
Office Supplies	1,025	
Periodicals	535	

(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.)

Water and Sewer	\$ 1,247	
Office Equipment	1,094	
Total Libraries		\$ 77,897

Parks and Fair Boards

Supervisor/Director	\$ 8,719	
Attendants	4,453	
Communication	627	
Dues and Memberships	340	
Maintenance and Repair Services - Buildings	8,788	
Maintenance and Repair Services - Equipment	7,574	
Rentals	651	
Electricity	8,909	
General Construction Materials	272,169	
Natural Gas	406	
Water and Sewer	9,287	
Chemicals	264	
Other Supplies and Materials	30,700	
Total Parks and Fair Boards		352,887

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 31,239	
Part-time Personnel	6,801	
Communication	883	
Data Processing Services	1,000	
Travel	6,257	
Office Supplies	416	
Other Charges	430	
Total Agriculture Extension Service		47,026

Forest Service

Contracts with Government Agencies	\$ 350	
Total Forest Service		350

Soil Conservation

Communication	\$ 312	
Matching Share	5,163	
Total Soil Conservation		5,475

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations

Tourism

Dues and Memberships	\$ 3,000	
Electricity	867	
Natural Gas	326	
Water and Sewer	986	
Other Charges	2,000	
Total Tourism		\$ 7,179

Veterans' Services

County Official/Administrative Officer	\$ 1,568	
Total Veterans' Services		1,568

Employee Benefits

Social Security	\$ 119,956	
State Retirement	40,047	
Employee and Dependent Insurance	372,878	
Unemployment Compensation	1,488	
Local Retirement	13,535	
Total Employee Benefits		<u>547,904</u>

Total General Fund \$ 3,418,084

Urban Services Fund

General Government

Other General Administration

Electricity	\$ 17,481	
Trustee's Commission	421	
Total Other General Administration		<u>\$ 17,902</u>

Total Urban Services Fund 17,902

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$ 2,600
Laborers	11,225
Social Security	1,010
Unemployment Compensation	35
Maintenance and Repair Services - Vehicles	1,796
Gasoline	1,060
Instructional Supplies and Materials	5,741

(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.)

Waste Pickup (Cont.)

Other Supplies and Materials	\$ 605	
Total Waste Pickup		\$ 24,072

Recycling Center

County Official/Administrative Officer	\$ 2,186	
Assistant(s)	2,659	
Laborers	95,810	
Longevity Pay	4,000	
Other Salaries and Wages	3,495	
Social Security	7,657	
Medical Insurance	40,066	
Unemployment Compensation	314	
Local Retirement	498	
Communication	535	
Contracts with Private Agencies	82,004	
Maintenance and Repair Services - Buildings	780	
Maintenance and Repair Services - Vehicles	23,305	
Postal Charges	38	
Other Contracted Services	12,575	
Diesel Fuel	24,954	
Office Supplies	43	
Tires and Tubes	4,624	
Utilities	1,300	
Trustee's Commission	5,413	
Vehicle and Equipment Insurance	10,336	
Workers' Compensation Insurance	3,899	
Motor Vehicles	12,668	
Solid Waste Equipment	2,887	
Total Recycling Center		<u>342,046</u>

Total Solid Waste/Sanitation Fund \$ 366,118

Drug Control Fund

Public Safety

Drug Enforcement

In-Service Training	\$ 3,500
Communication	2,409
Confidential Drug Enforcement Payments	1,500
Maintenance and Repair Services - Vehicles	556
Gasoline	2,900

(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Law Enforcement Supplies	\$	453	
Uniforms		182	
Trustee's Commission		1	
Law Enforcement Equipment		254	
Motor Vehicles		12,868	
Other Equipment		2,420	
Total Drug Enforcement			\$ 27,043

Total Drug Control Fund \$ 27,043

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Other Charges	\$	50	
Total Register of Deeds			\$ 50

Administration of Justice

General Sessions Court

Other Charges	\$	50	
Total General Sessions Court			50

Juvenile Court

Other Charges	\$	50	
Total Juvenile Court			50

Public Safety

Sheriff's Department

Bank Charges	\$	10	
Total Sheriff's Department			10

Total Constitutional Officers - Fees Fund 160

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,350	
Assistant(s)		38,546	
Secretary(ies)		30,856	
Longevity Pay		2,000	
Social Security		8,169	

(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.)

Administration (Cont.)

State Retirement	\$ 8,103	
Life Insurance	302	
Unemployment Compensation	614	
Employer Medicare	1,910	
Data Processing Services	4,321	
Postal Charges	198	
Printing, Stationery, and Forms	355	
Office Supplies	387	
Other Charges	3,751	
Data Processing Equipment	1,328	
Office Equipment	5,801	
Total Administration		\$ 166,991

Highway and Bridge Maintenance

Equipment Operators	\$ 113,911
Truck Drivers	123,008
Laborers	85,955
Longevity Pay	17,000
Social Security	19,562
State Retirement	3,245
Employee and Dependent Insurance	99,751
Life Insurance	1,113
Unemployment Compensation	3,325
Employer Medicare	4,575
Contracts with Private Agencies	12,320
Dues and Memberships	1,780
Rentals	1,276
Asphalt	1,227
Asphalt - Cold Mix	8,586
Asphalt - Hot Mix	173
Concrete	1,675
Crushed Stone	6,998
Riprap	7,335
Pipe	1,384
Road Signs	4,629
Salt	80
Sand	377
Structural Steel	191
Chemicals	32
Other Charges	5,027

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Communication Equipment	\$ 222	
Maintenance Equipment	3,923	
Total Highway and Bridge Maintenance		\$ 528,680

Operation and Maintenance of Equipment

Mechanic(s)	\$ 55,357	
Longevity Pay	5,000	
Social Security	3,430	
State Retirement	1,233	
Employee and Dependent Insurance	20,446	
Life Insurance	147	
Unemployment Compensation	365	
Employer Medicare	802	
Custodial Supplies	500	
Diesel Fuel	26,931	
Equipment and Machinery Parts	9,724	
Garage Supplies	6,150	
Gasoline	9,677	
Lubricants	1,678	
Small Tools	683	
Vehicle Parts	12,058	
Other Charges	4,629	
Maintenance Equipment	2,420	
Total Operation and Maintenance of Equipment		161,230

Other Charges

Advertising	\$ 226	
Communication	2,227	
Electricity	2,835	
Propane Gas	3,205	
Water and Sewer	471	
Liability Insurance	16,079	
Trustee's Commission	12,206	
Vehicle and Equipment Insurance	16,079	
Other Charges	138	
Total Other Charges		53,466

Employee Benefits

Unemployment Compensation	\$ 272	
Workers' Compensation Insurance	23,398	
Total Employee Benefits		23,670

(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.)

Capital Outlay

Bridge Construction	\$ 42,781	
Building Improvements	901	
Highway Equipment	22,252	
Motor Vehicles	35,531	
Total Capital Outlay		\$ 101,465

Total Highway/Public Works Fund \$ 1,035,502

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 113,409	
Principal on Other Loans	67,000	
Total General Government		\$ 180,409

Education

Principal on Other Loans	\$ 238,000	
Total Education		238,000

Interest on Debt

General Government

Interest on Notes	\$ 42,329	
Interest on Other Loans	6,137	
Total General Government		48,466

Education

Interest on Other Loans	\$ 32,768	
Total Education		32,768

Other Debt Service

General Government

Trustee's Commission	\$ 9,608	
Other Debt Service	6,439	
Total General Government		16,047

Education

Other Debt Service	\$ 30,829	
Total Education		30,829

Total General Debt Service Fund 546,519

(Continued)

Exhibit K-7

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	<u>\$ 506,119</u>	
Total Education Capital Projects		<u>\$ 506,119</u>
Total Education Capital Projects Fund		<u>\$ 506,119</u>
Total Governmental Funds - Primary Government		<u><u>\$ 5,917,447</u></u>

Exhibit K-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,242,365	
Career Ladder Program	33,016	
Career Ladder Extended Contracts	9,240	
Homebound Teachers	19,041	
Educational Assistants	61,478	
Other Salaries and Wages	6,169	
Certified Substitute Teachers	4,895	
Non-certified Substitute Teachers	47,160	
Social Security	143,109	
State Retirement	150,508	
Medical Insurance	386,013	
Unemployment Compensation	3,252	
Employer Medicare	33,469	
Maintenance and Repair Services - Equipment	1,022	
Instructional Supplies and Materials	29,318	
Textbooks	107,409	
Other Supplies and Materials	3,805	
Other Charges	7,953	
Regular Instruction Equipment	57,512	
Total Regular Instruction Program		\$ 3,346,734

Alternative Instruction Program

Teachers	\$ 46,376	
Educational Assistants	16,144	
Social Security	3,686	
State Retirement	3,852	
Medical Insurance	10,383	
Unemployment Compensation	91	
Employer Medicare	862	
Total Alternative Instruction Program		81,394

Special Education Program

Teachers	\$ 205,813
Career Ladder Program	5,000
Homebound Teachers	9,332
Educational Assistants	63,708
Certified Substitute Teachers	1,170
Non-certified Substitute Teachers	3,410
Social Security	16,895

(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.)

State Retirement	\$ 17,418	
Medical Insurance	53,905	
Unemployment Compensation	422	
Employer Medicare	3,951	
Contracts with Private Agencies	190	
Instructional Supplies and Materials	263	
Total Special Education Program		\$ 381,477

Vocational Education Program

Teachers	\$ 184,026	
Career Ladder Program	1,914	
Social Security	11,019	
State Retirement	11,937	
Medical Insurance	29,915	
Unemployment Compensation	194	
Employer Medicare	2,577	
Instructional Supplies and Materials	4,294	
Other Supplies and Materials	6,523	
Other Charges	467	
Total Vocational Education Program		252,866

Support Services

Attendance

Supervisor/Director	\$ 6,392	
Social Security	389	
State Retirement	410	
Medical Insurance	254	
Unemployment Compensation	4	
Employer Medicare	91	
Total Attendance		7,540

Health Services

Medical Personnel	\$ 35,550	
Social Security	2,204	
State Retirement	2,282	
Unemployment Compensation	69	
Employer Medicare	515	
Other Supplies and Materials	627	
Other Charges	224	
Total Health Services		41,471

(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		127,808	
Clerical Personnel		2,000	
Other Salaries and Wages		25,907	
Social Security		9,374	
State Retirement		10,041	
Medical Insurance		17,643	
Unemployment Compensation		185	
Employer Medicare		2,192	
Communication		599	
Contracts with Government Agencies		34,012	
Evaluation and Testing		1,397	
Other Contracted Services		20,000	
Other Supplies and Materials		36,836	
In Service/Staff Development		5,172	
Other Charges		5,992	
Other Equipment		739	
Total Other Student Support			\$ 300,897

Regular Instruction Program

Supervisor/Director	\$	106,737	
Career Ladder Program		1,000	
Librarians		77,051	
Educational Assistants		14,800	
Other Salaries and Wages		71,185	
Social Security		15,911	
State Retirement		16,524	
Medical Insurance		48,838	
Unemployment Compensation		333	
Employer Medicare		3,721	
Travel		2,220	
Library Books/Media		3,747	
Other Supplies and Materials		1,400	
In Service/Staff Development		3,564	
Total Regular Instruction Program			367,031

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		122	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	108	
Medical Insurance		90	
Employer Medicare		29	
Travel		513	
Total Special Education Program			\$ 2,862

Vocational Education Program

Supervisor/Director	\$	12,897	
Career Ladder Program		280	
Social Security		817	
State Retirement		846	
Unemployment Compensation		13	
Employer Medicare		191	
Total Vocational Education Program			15,044

Other Programs

On-Behalf Payments to OPEB	\$	11,563	
Total Other Programs			11,563

Board of Education

Board and Committee Members Fees	\$	1,400	
Social Security		87	
Medical Insurance		3,100	
Employer Medicare		20	
Audit Services		3,350	
Dues and Memberships		6,533	
Liability Insurance		12,434	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		53,100	
Workers' Compensation Insurance		64,406	
In Service/Staff Development		3,956	
Criminal Investigation of Applicants - TBI		2,580	
Other Charges		4,568	
Total Board of Education			155,884

Director of Schools

County Official/Administrative Officer	\$	74,412	
Social Security		4,614	
State Retirement		4,777	

(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.)

Medical Insurance	\$	12,895	
Dental Insurance		495	
Employer Medicare		1,079	
Communication		13,133	
Travel		2,584	
Office Supplies		4,289	
Other Charges		7,334	
Administration Equipment		2,770	
Total Director of Schools			\$ 128,382

Office of the Principal

Principals	\$	119,367	
Career Ladder Program		2,958	
Assistant Principals		96,495	
Secretary(ies)		60,126	
Clerical Personnel		53,802	
Social Security		19,479	
State Retirement		20,223	
Medical Insurance		71,597	
Unemployment Compensation		455	
Employer Medicare		4,555	
Communication		901	
Total Office of the Principal			449,958

Fiscal Services

Supervisor/Director	\$	36,238	
Accountants/Bookkeepers		28,975	
Social Security		3,912	
State Retirement		3,535	
Medical Insurance		4,330	
Unemployment Compensation		88	
Employer Medicare		915	
Total Fiscal Services			77,993

Operation of Plant

Custodial Personnel	\$	164,128	
Social Security		9,314	
State Retirement		8,111	
Medical Insurance		48,815	

(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.)

Unemployment Compensation	\$	422	
Employer Medicare		2,178	
Other Contracted Services		4,400	
Electricity		240,480	
Natural Gas		44,693	
Water and Sewer		61,041	
Other Supplies and Materials		56,143	
Building and Contents Insurance		37,307	
Plant Operation Equipment		61,480	
Total Operation of Plant			\$ 738,512

Maintenance of Plant

Maintenance Personnel	\$	81,079	
Social Security		4,963	
State Retirement		4,394	
Medical Insurance		4,140	
Unemployment Compensation		147	
Employer Medicare		1,161	
Maintenance and Repair Services - Buildings		7,687	
Maintenance and Repair Services - Equipment		16,136	
Other Contracted Services		4,146	
Other Supplies and Materials		45,160	
Other Charges		5,553	
Maintenance Equipment		1,499	
Total Maintenance of Plant			176,065

Transportation

Mechanic(s)	\$	41,483	
Bus Drivers		187,001	
Social Security		13,960	
State Retirement		12,568	
Medical Insurance		7,870	
Unemployment Compensation		564	
Employer Medicare		3,265	
Medical and Dental Services		1,715	
Diesel Fuel		51,756	
Tires and Tubes		8,932	
Vehicle Parts		25,544	
Other Supplies and Materials		1,363	

(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.)

Transportation (Cont.)

Vehicle and Equipment Insurance	\$ 10,919	
Other Charges	7,040	
Total Transportation		\$ 373,980

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$ 10,260	
Social Security	636	
State Retirement	69	
Unemployment Compensation	54	
Employer Medicare	149	
Other Supplies and Materials	2,454	
Total Community Services		13,622

Early Childhood Education

Teachers	\$ 36,466	
Educational Assistants	28,901	
Social Security	3,731	
State Retirement	3,908	
Medical Insurance	20,767	
Unemployment Compensation	137	
Employer Medicare	873	
Instructional Supplies and Materials	17,340	
In Service/Staff Development	180	
Other Charges	540	
Other Equipment	3,868	
Total Early Childhood Education		116,711

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 81,602	
Total Regular Capital Outlay		81,602

Principal on Debt

Education

Principal on Capital Leases	\$ 17,966	
Total Education		17,966

(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.)

Interest on Debt

Education

Interest on Capital Leases	\$ 11,134	
Total Education		\$ 11,134

Total General Purpose School Fund \$ 7,150,688

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 90,893	
Certified Substitute Teachers	600	
Non-certified Substitute Teachers	1,100	
Social Security	5,740	
State Retirement	5,835	
Unemployment Compensation	99	
Employer Medicare	1,342	
Maintenance and Repair Services - Equipment	525	
Instructional Supplies and Materials	14,986	
Other Supplies and Materials	60	
Other Charges	37	
Regular Instruction Equipment	102,516	
Total Regular Instruction Program		\$ 223,733

Special Education Program

Teachers	\$ 104,375	
Educational Assistants	65,496	
Speech Pathologist	8,778	
Certified Substitute Teachers	325	
Non-certified Substitute Teachers	3,588	
Social Security	10,883	
State Retirement	9,972	
Medical Insurance	23,922	
Unemployment Compensation	407	
Employer Medicare	2,544	
Contracts with Private Agencies	10,790	
Maintenance and Repair Services - Equipment	32	
Instructional Supplies and Materials	33,677	
Special Education Equipment	13,819	
Total Special Education Program		288,608

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Instructional Supplies and Materials	\$	4,651	
Vocational Instruction Equipment		4,926	
Total Vocational Education Program			\$ 9,577

Support Services

Health Services

Medical Personnel	\$	14,501	
Social Security		899	
State Retirement		931	
Unemployment Compensation		22	
Employer Medicare		210	
Drugs and Medical Supplies		265	
Health Equipment		1,370	
Total Health Services			18,198

Other Student Support

Evaluation and Testing	\$	11,181	
Travel		2,885	
Other Supplies and Materials		1,049	
Other Charges		4,385	
Total Other Student Support			19,500

Regular Instruction Program

Supervisor/Director	\$	25,907	
Social Security		1,523	
State Retirement		1,663	
Medical Insurance		4,189	
Employer Medicare		356	
Travel		3,666	
Other Supplies and Materials		1,062	
In Service/Staff Development		34,996	
Total Regular Instruction Program			73,362

Special Education Program

Supervisor/Director	\$	5,000	
Clerical Personnel		2,000	
Social Security		431	
State Retirement		429	
Employer Medicare		101	

(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.)

Special Education Program (Cont.)

Travel	\$ 5,968	
Total Special Education Program		\$ 13,929

Vocational Education Program

Travel	\$ 570	
Total Vocational Education Program		570

Transportation

Transportation Equipment	\$ 61,290	
Total Transportation		<u>61,290</u>

Total School Federal Projects Fund		\$ 708,767
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 186,222	
Social Security	10,294	
State Retirement	9,257	
Medical Insurance	65,905	
Unemployment Compensation	598	
Employer Medicare	2,407	
Maintenance and Repair Services - Equipment	1,694	
Transportation - Other than Students	3,131	
Travel	3,323	
Food Supplies	199,212	
Office Supplies	1,243	
Other Supplies and Materials	14,140	
Other Charges	1,693	
Food Service Equipment	4,839	
Total Food Service		<u>\$ 503,958</u>

Total Central Cafeteria Fund		503,958
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Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$ 20,000	
Engineering Services	15,058	

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund (Cont.)</u>		
<u>Capital Projects (Cont.)</u>		
<u>Education Capital Projects (Cont.)</u>		
Building Construction	\$ 460,544	
Building Improvements	<u>46,941</u>	
Total Education Capital Projects		<u>\$ 542,543</u>
Total Education Capital Projects Fund		<u>\$ 542,543</u>
Total Governmental Funds - Metropolitan School Department		<u>\$ 8,905,956</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

December 14, 2010

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor 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, 2010, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated December 14, 2010. Our report was modified to include a reference to other auditors. Also, our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Moore County Emergency Communications District, which were not available from other auditors as of the date of this report. 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), 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.04, and 10.06.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 10.07.

Compliance and Other Matters

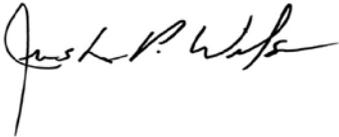
As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.02, 10.03, and 10.05.

We also noted certain matters that we reported to management of the metropolitan government in separate communications.

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

This report is intended solely for the information and use of management, the metropolitan mayor, 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 long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 14, 2010

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor 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 for the year ended June 30, 2010. The metropolitan government's major federal program is 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 provides 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, the metropolitan government complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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

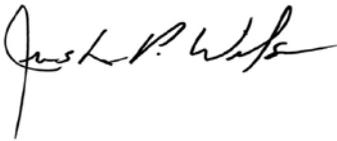
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the metropolitan government as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Moore County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the metropolitan government's basic financial statements. The

accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the metropolitan mayor, 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 70,710
National School Lunch Program	10.555	(2)	189,348 (3)
Child Nutrition Discretionary Grants Limited Availability - Recovery Act	10.579	(2)	4,839
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	35,153 (3)
Total U.S. Department of Agriculture			\$ 300,050
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-09-214634-00	\$ 1,036
Total U.S. Department of Transportation			\$ 1,036
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 500
Total U.S. Institute of Museum and Library Services			\$ 500
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 165,984
Title I Grants to Local Educational Agencies - Recovery Act	84.389	N/A	72,753
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	191,074
Special Education Preschool Grants	84.173	N/A	9,608
Special Education Grants to States - Recovery Act	84.391	N/A	189,452
Special Education - Preschool Grants - Recovery Act	84.392	N/A	4,122
Career and Technical Education - Basic Grants to States	84.048	N/A	13,653
Safe and Drug-free Schools and Communities State Grants	84.186	(2)	2,538
State Grants for Innovative Programs	84.298	N/A	5,668
Education Technology State Grants	84.318	N/A	20,326
Improving Teacher Quality State Grants	84.367	N/A	30,692
Education Technology State Grants - Recovery Act	84.386	N/A	2,897
State Fiscal Stabilization Funds Cluster:			
State Fiscal Stabilization Funds (SFSP) - Education State Grants - Recovery Act	84.394	N/A	177,400
State Fiscal Stabilization Funds (SFSP) - Government Services - Recovery Act	84.397	N/A	99,024
Total U.S. Department of Education			\$ 985,191
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 43,462
Total U.S. Department of Homeland Security			\$ 43,462
Total Expenditures of Federal Grants			\$ 1,330,239
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 1,890
Rural Local Health Services - State Department of Health	N/A	(2)	31,809
Litter Program - State Department of Transportation	N/A	0000002731	18,844
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-213007-00	2,918
Early Childhood Education - State Department of Education	N/A	(2)	90,810
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	11,550
Total State Grants			\$ 157,821

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 for CFDA No. 10.555 is \$224,501.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

METROPOLITAN MOORE COUNTY AND METROPOLITAN SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	178	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

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.05	181	Duties were not segregated adequately in the Offices of Metropolitan Mayor; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information 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 one instance of noncompliance that is 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 Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392) were 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 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 metropolitan mayor and the trustee are paraphrased in this report.

METROPOLITAN MOORE COUNTY AND METROPOLITAN SCHOOL DEPARTMENT

FINDING 10.01 **METROPOLITAN MOORE COUNTY AND THE METROPOLITAN 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 School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that Moore County and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist Moore County and the School Department in preparing their financial statements and notes as a matter of convenience as long as Moore County and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills necessary to prepare GAAP financial statements and disclosures. 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 School Department should develop the ability to produce financial statements and notes that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare Moore County's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare Moore County's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT’S RESPONSE – METROPOLITAN MAYOR

Even though we have no accountant to prepare the financial statements and footnotes, we feel that we have a sound financial reporting system. All information needed by the auditors was given in a timely manner. Governmental auditing standards are sometimes a financial burden on the county with little or no return on investment to the county.

AUDITOR’S COMMENT

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

OFFICE OF METROPOLITAN MAYOR

FINDING 10.02 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF AN EMERGENCY VEHICLE**
(Noncompliance Under Government Auditing Standards)

During the year, Moore County purchased a 2010 Ford Explorer for use by the director of the Emergency Management Agency for \$23,490; however, the county did not publicly advertise for competitive bids. Instead, the vehicle was purchased from a dealer located in Winchester, Tennessee, by negotiating with the dealer to sell the vehicle to the county at the state bid price; however, this dealer had not been awarded the state bid. Metropolitan Moore County’s purchasing procedures require competitive bids to be solicited and awarded to the lowest and best bidder for all purchases exceeding \$10,000 or for such purchases to be made from the state contract award winner.

RECOMMENDATION

County officials should purchase from the lowest and best bidder after publicly advertising and soliciting bids for all purchases exceeding \$10,000 as required by Metropolitan Moore County’s purchasing procedures or purchase from the state contract award winner.

MANAGEMENT’S RESPONSE – METROPOLITAN MAYOR

Elected officials and department supervisors have been notified that bids are required on purchases of \$10,000 or more. The metropolitan government does reserve the right to reject any or all bids and; therefore, the lowest bid or state bid may not be accepted.

**FINDING 10.03 THE CONTRACTOR FOR THE METRO MOORE LYNCHBURG
PARK LIGHTING PROJECT WAS ALLOWED TO USE THE
COUNTY'S TAX-EXEMPT STATUS**
(Noncompliance Under Government Auditing Standards)

Moore County solicited bids for the installation of lights at the Metro Moore Lynchburg Park, and the contract was awarded based on the contractor supplying materials and installation. Subsequently, Moore County used the county's tax-exempt status to purchase the materials for the contractor so the contractor could avoid paying sales tax. Section 67-6-209(b), Tennessee Code Annotated, requires contractors and subcontractors to pay sales tax on all tangible personal property that has been furnished to them.

RECOMMENDATION

Contractors should pay sales tax on all supplies and materials used in the construction of the lighting project and should not use the county's tax-exempt status to make such purchases. Moore County should report this deficiency to the state Department of Revenue and resolve this issue.

**FINDING 10.04 GENERAL FUND APPROPRIATIONS EXCEEDED ESTIMATED
AVAILABLE FUNDING**
(Internal Control – Material Weakness Under Government Auditing
Standards)

The budget and subsequent amendments submitted to and approved by the Metropolitan Council for the General Fund resulted in appropriations exceeding estimated available funding by \$310,062. Sound budgetary principles dictate that appropriations be held within estimated available funding.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the Metropolitan Council, and the Metropolitan Council should not approve such appropriations.

OFFICE OF TRUSTEE

**FINDING 10.05 THE TRUSTEE DID NOT REQUIRE ONE DEPOSITORY TO
ADEQUATELY COLLATERALIZE FUNDS**
(Material Noncompliance Under Government Auditing Standards)

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2010, funds at this depository exceeded FDIC coverage and collateral securities pledged by \$1,956,000. Section 5-8-201, Tennessee Code Annotated, provides for

county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds. This deficiency is the result of management's oversight. The failure to adequately collateralize funds could result in a loss for the county.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – TRUSTEE

Funds at this depository were not collateralized properly due to a bank error. The bank had released a collateral item in early June 2010, and while obtaining a replacement item the bank improperly coded it on their books, which resulted in the county's accounts not being properly collateralized at June 30, 2010. The bank has provided me with correspondence stating that they have put procedures in place to prevent this type of error from occurring in the future.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 10.06 **MOORE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**

(Internal Control – Material Weakness Under Government Auditing Standards)

Moore County has a material audit finding that has been reported in its annual financial report for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Metropolitan Moore County and the Metropolitan School Department do not have the resources to produce financial statements and notes to the financial statements

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial

and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Moore County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Moore County may be required to establish an Audit Committee in accordance with provisions of Section 9-3-405, TCA.

MANAGEMENT'S RESPONSE – METROPOLITAN MAYOR

An Audit Committee will be established to address the financial and other reports. My understanding is that establishing this committee will not prevent audit findings in the future.

AUDITOR'S COMMENT

As stated above, the Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance.

FINDING 10.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF METROPOLITAN MAYOR; 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 Mayor; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. The officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – METROPOLITAN MAYOR

Segregation of duties once again places a financial burden on the county to meet government auditing standards with little or no benefit to be gained by the county.

AUDITOR'S REBUTTAL

The segregation of duties is essential for all other internal controls to work properly. Without proper segregation of duties there is always a significant risk that county assets could be misappropriated and the loss not discovered for a substantial length of time. We have not recommended that the county hire additional staff or incur additional costs, but rather that officials segregate duties to the extent possible using available resources.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING HAS NOT BEEN ADOPTED

Metropolitan Moore County does not have 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. 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. The Division of County Audit strongly believes that the adoption of a central system of accounting and budgeting is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Moore County. Therefore, we recommend that metropolitan officials adopt ordinances that would provide for a central system of accounting and budgeting covering all departments.

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

There were no findings and questioned costs for federal awards.

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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