

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



FOR THE YEAR ENDED JUNE 30, 2011



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FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
JACOB KENNEDY
State Auditors

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, 2011

Scope

We have audited the basic financial statements of Moore County as of and for the year ended June 30, 2011.

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 six findings and recommendations, which we have reviewed with Moore County's management. Detailed findings, recommendations, and management's response are included in the Single Audit section of this report.

Findings and Best Practices

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

OFFICE OF METROPOLITAN MAYOR

- ◆ General Fund appropriations exceeded estimated available funding by \$156,723.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ A county road list was not submitted to the Metropolitan Council for approval.
-

OFFICE OF METROPOLITAN CLERK

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICE OF SHERIFF

- ◆ Confidential funds and law enforcement equipment valued at \$1,391 were stolen.
-

OTHER 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 PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices 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 Metropolitan Moore County.

- Moore County should adopt a central system of accounting and budgeting.
- Moore County should establish an Audit Committee.

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials
June 30, 2011

Officials

Sloan Stewart, Metropolitan Mayor
Milton Ferrell, Highway Superintendent
Chad Moorehead, Director of Schools
Lynn Harrison, Trustee
Wayne Harrison, Assessor of Property
Nancy Hatfield, Metropolitan Clerk
Heather Smith, Circuit, General Sessions, and Juvenile Courts Clerk
Tammy Roberts, Clerk and Master
Pam Wells, Register
Mark Logan, Sheriff

Metropolitan Council

| | |
|-------------------------|------------------|
| Coleman March, Chairman | |
| Arvis Bobo | Jason Weddington |
| Parks Norman | Gordon Millsaps |
| Tommy Brown | William Pydrom |
| Penny Walker | Marty Copeland |
| Jackie Burton | Glenn Searcy |
| Neil Becker | R.D. McKenzie |
| David Maynard | Wayne Brandon |

Board of Education

| | |
|---------------------------|----------------|
| Lorrie McKenzie, Chairman | |
| Wayne Rhoton | Richard Riddle |
| Scott Lund | 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
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

September 21, 2011

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, 2011, 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 thereon 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 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, 2011, 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, 2011, 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 September 21, 2011, 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.

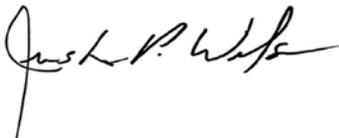
As described in Note V.C., the metropolitan government has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 68 through 74 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Assets
June 30, 2011

| | Primary Government | | Total | Component Unit Metropolitan School Department |
|--|----------------------------|---------------------------------|---------------|--|
| | Governmental Activities | Business- type Activities | | |
| <u>ASSETS</u> | | | | |
| Cash and Cash Equivalents | \$ 300 | \$ 242,457 | \$ 242,757 | \$ 92 |
| Equity in Pooled Cash and Investments | 2,373,428 | 0 | 2,373,428 | 800,601 |
| Inventories | 0 | 48,268 | 48,268 | 16,392 |
| Accounts Receivable | 131,711 | 80,411 | 212,122 | 0 |
| Allowance for Uncollectibles | (9,361) | (1,613) | (10,974) | 0 |
| Grant Receivable | 0 | 5,677 | 5,677 | 0 |
| Prepaid Insurance | 0 | 7,585 | 7,585 | 0 |
| Other Receivables | 0 | 11,684 | 11,684 | 0 |
| Due from Other Governments | 341,288 | 0 | 341,288 | 225,987 |
| Unbilled Charges for Services | 0 | 71,721 | 71,721 | 0 |
| Property Taxes Receivable | 2,414,025 | 0 | 2,414,025 | 2,114,469 |
| Allowance for Uncollectible Property Taxes | (60,346) | 0 | (60,346) | (53,779) |
| Restricted Assets: | | | | |
| Customer Deposits | 0 | 510 | 510 | 0 |
| Revenue Bond Future Debt Service Account | 0 | 60,996 | 60,996 | 0 |
| Capital Assets: | | | | |
| Assets Not Depreciated: | | | | |
| Land | 393,779 | 92,459 | 486,238 | 39,342 |
| Construction in Progress | 118,920 | 62,916 | 181,836 | 0 |
| Assets Net of Accumulated Depreciation: | | | | |
| Buildings and Improvements | 1,289,265 | 0 | 1,289,265 | 12,451,508 |
| Other Capital Assets | 1,436,964 | 12,079,960 | 13,516,924 | 353,288 |
| Infrastructure | 1,430,884 | 0 | 1,430,884 | 0 |
| Total Assets | \$ 9,860,857 | \$ 12,763,031 | \$ 22,623,888 | \$ 15,947,900 |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 89,022 | \$ 87,687 | \$ 176,709 | \$ 4,449 |
| Accrued Payroll | 0 | 16,625 | 16,625 | 0 |
| Payroll Deductions Payable | 7,006 | 0 | 7,006 | 165,360 |

(Continued)

Exhibit A

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

| | Primary Government | | Component Unit Metropolitan School Department |
|---|----------------------------|---------------------------------|--|
| | Governmental Activities | Business- type Activities | |
| | | Total | |
| <u>LIABILITIES (CONT.)</u> | | | |
| Accrued Interest Payable | \$ 9,228 | \$ 8,627 | \$ 0 |
| Other Current Liabilities | 0 | 50,080 | 0 |
| Accrued Leave - Current | 0 | 14,339 | 0 |
| Deferred Revenue - Current Property Taxes | 2,297,806 | 0 | 2,008,216 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 517,383 | 202,363 | 33,782 |
| Due in More Than One Year (net of unamortized loan costs) | 10,707,480 | 5,271,522 | 673,282 |
| Total Liabilities | \$ 13,627,925 | \$ 5,651,243 | \$ 2,885,089 |
| <u>NET ASSETS</u> | | | |
| Invested in Capital Assets, | | | |
| Net of Related Debt | \$ 2,086,031 | \$ 6,725,360 | \$ 8,811,391 |
| Restricted for: | | | |
| Solid Waste | 212,298 | 0 | 212,298 |
| Debt Service | 862,365 | 60,996 | 923,361 |
| Highway/Public Works | 609,749 | 0 | 609,749 |
| Drug Control | 53,613 | 0 | 53,613 |
| Central Cafeteria | 0 | 0 | 0 |
| Federal Projects | 0 | 0 | 0 |
| Other Purposes | 37,232 | 0 | 37,232 |
| Unrestricted | (7,628,356) | 325,432 | (7,302,924) |
| Total Net Assets (Deficit) | \$ (3,767,068) | \$ 7,111,788 | \$ 3,344,720 |

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, 2011

| 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 | Primary Government | | Total | |
| | | | Operating Contributions | Grants and Contributions | | | Governmental Activities | Business-type Activities | | |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$ 500,010 | \$ 47,699 | \$ 18,604 | \$ 0 | \$ 0 | \$ (433,707) | \$ 0 | \$ (433,707) | \$ 0 | 0 |
| Finance | 268,075 | 174,119 | 0 | 0 | 0 | (93,956) | 0 | (93,956) | 0 | 0 |
| Administration of Justice | 282,313 | 99,736 | 9,000 | 0 | 0 | (173,577) | 0 | (173,577) | 0 | 0 |
| Public Safety | 1,458,363 | 135,470 | 64,382 | 0 | 0 | (1,258,511) | 0 | (1,258,511) | 0 | 0 |
| Public Health and Welfare | 935,513 | 400,195 | 113,411 | 0 | 0 | (421,907) | 0 | (421,907) | 0 | 0 |
| Social, Cultural, and Recreational Services | 401,252 | 8,798 | 500 | 0 | 0 | (391,954) | 0 | (391,954) | 0 | 0 |
| Agriculture and Natural Resources | 69,557 | 0 | 0 | 0 | 0 | (69,557) | 0 | (69,557) | 0 | 0 |
| Other Operations | 12,302 | 0 | 0 | 0 | 0 | (12,302) | 0 | (12,302) | 0 | 0 |
| Highways/Public Works | 1,336,144 | 0 | 1,162,321 | 195,360 | 0 | 21,537 | 0 | 21,537 | 0 | 0 |
| Interest on Long-term Debt | 65,504 | 0 | 0 | 0 | 0 | (65,504) | 0 | (65,504) | 0 | 0 |
| Other Debt Service | 63,687 | 0 | 0 | 0 | 0 | (63,687) | 0 | (63,687) | 0 | 0 |
| Total Governmental Activities | \$ 5,392,720 | \$ 866,017 | \$ 1,368,218 | \$ 195,360 | \$ (2,963,125) | \$ 0 | \$ (2,963,125) | \$ 0 | \$ (2,963,125) | 0 |
| Business-type Activities: | | | | | | | | | | |
| Water and Sewer Department | \$ 1,728,646 | \$ 1,615,049 | \$ 0 | \$ 21,337 | \$ 0 | \$ (92,260) | \$ (92,260) | \$ (92,260) | \$ 0 | 0 |
| Total Business-type Activities | \$ 1,728,646 | \$ 1,615,049 | \$ 0 | \$ 21,337 | \$ 0 | \$ (92,260) | \$ (92,260) | \$ (92,260) | \$ 0 | 0 |
| Total Primary Government | \$ 7,121,366 | \$ 2,481,066 | \$ 1,368,218 | \$ 216,697 | \$ (2,963,125) | \$ (92,260) | \$ (3,055,385) | \$ 0 | \$ 0 | 0 |
| Component Unit: | | | | | | | | | | |
| Metropolitan School Department | \$ 8,819,971 | \$ 315,514 | \$ 911,602 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (7,592,855) | 0 |
| Total Component Unit | \$ 8,819,971 | \$ 315,514 | \$ 911,602 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ (7,592,855) | 0 |

(Continued)

Exhibit B

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

| Functions/Programs | Program Revenues | | | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit Metropolitan School Department |
|--|------------------|-------------------------|--|--|---|---|---|-----------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Business-type Activities | Total | Net (Expense) Revenue and Changes in Net Assets | | |
| | | | | | | | Governmental Activities | Business-type Activities | |
| General Revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property Taxes Levied for General Purposes | | | | | \$ 1,843,846 | \$ 1,843,846 | \$ 1,843,846 | \$ 2,070,368 | |
| Property Taxes Levied for Debt Service | | | | | 332,413 | 0 | 332,413 | 0 | |
| Local Option Sales Tax | | | | | 312,323 | 0 | 312,323 | 321,821 | |
| Litigation Tax | | | | | 22,101 | 0 | 22,101 | 0 | |
| Business Tax | | | | | 20,717 | 0 | 20,717 | 0 | |
| Wholesale Beer Tax | | | | | 67,969 | 0 | 67,969 | 0 | |
| Other Local Taxes | | | | | 8,304 | 0 | 8,304 | 431 | |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 464,099 | 0 | 464,099 | 4,701,254 | |
| Unrestricted Investment Income | | | | | 60,849 | 5,051 | 65,900 | 259 | |
| Miscellaneous | | | | | 7,400 | 3,103 | 10,503 | 5,936 | |
| Total General Revenues | | | | | \$ 3,140,021 | \$ 8,154 | \$ 3,148,175 | \$ 7,100,069 | |
| Transfers | | | | | \$ 22,993 | \$ (22,993) | \$ 0 | \$ 0 | |
| Change in Net Assets | | | | | \$ 199,889 | \$ (107,099) | \$ 92,790 | \$ (492,786) | |
| Net Assets (Deficit), July 1, 2010 | | | | | (3,966,957) | 7,218,887 | 3,251,930 | 13,350,022 | |
| Prior-period Adjustment | | | | | 0 | 0 | 0 | 205,575 | |
| Net Assets (Deficit), June 30, 2011 | | | | | \$ (3,767,068) | \$ 7,111,788 | \$ 3,344,720 | \$ 13,062,811 | |

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, 2011

| | Major Funds | | | Nonmajor | Total |
|--|---------------------|------------------------------|----------------------------|--|---------------------|
| | General | Highway / Public Works | General Debt Service | Funds Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 300 | \$ 0 | \$ 0 | \$ 0 | \$ 300 |
| Equity in Pooled Cash and Investments | 720,713 | 442,959 | 970,795 | 238,961 | 2,373,428 |
| Accounts Receivable | 67,707 | 0 | 20,912 | 43,092 | 131,711 |
| Allowance for Uncollectibles | (8,470) | 0 | 0 | (891) | (9,361) |
| Due from Other Governments | 121,072 | 191,180 | 29,036 | 0 | 341,288 |
| Property Taxes Receivable | 1,648,898 | 29,098 | 527,479 | 208,550 | 2,414,025 |
| Allowance for Uncollectible Property Taxes | (41,938) | (740) | (12,394) | (5,274) | (60,346) |
| Total Assets | <u>\$ 2,508,282</u> | <u>\$ 662,497</u> | <u>\$ 1,535,828</u> | <u>\$ 484,438</u> | <u>\$ 5,191,045</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| <u>Liabilities</u> | | | | | |
| Accounts Payable | \$ 82,964 | \$ 3,218 | \$ 0 | \$ 2,840 | \$ 89,022 |
| Payroll Deductions Payable | 4,151 | 0 | 0 | 2,855 | 7,006 |
| Deferred Revenue - Current Property Taxes | 1,566,040 | 27,636 | 506,660 | 197,470 | 2,297,806 |
| Deferred Revenue - Delinquent Property Taxes | 40,160 | 709 | 8,268 | 5,699 | 54,836 |
| Other Deferred Revenues | 89,995 | 95,000 | 14,518 | 25,321 | 224,834 |
| Total Liabilities | <u>\$ 1,783,310</u> | <u>\$ 126,563</u> | <u>\$ 529,446</u> | <u>\$ 234,185</u> | <u>\$ 2,673,504</u> |
| <u>Fund Balances</u> | | | | | |
| Restricted: | | | | | |
| Restricted for Finance | \$ 1,800 | \$ 0 | \$ 0 | \$ 0 | \$ 1,800 |
| Restricted for Administration of Justice | 14,762 | 0 | 0 | 0 | 14,762 |
| Restricted for Public Safety | 1,549 | 0 | 0 | 53,613 | 55,162 |
| Restricted for Public Health and Welfare | 1,847 | 0 | 0 | 184,587 | 186,434 |
| Restricted for Other Operations | 4,247 | 0 | 0 | 0 | 4,247 |
| Restricted for Highways/Public Works | 0 | 535,934 | 0 | 0 | 535,934 |
| Restricted for Debt Service | 0 | 0 | 848,807 | 0 | 848,807 |
| Restricted for Other Purposes | 0 | 0 | 0 | 12,053 | 12,053 |
| Committed: | | | | | |
| Committed for Debt Service | 0 | 0 | 157,575 | 0 | 157,575 |
| Assigned: | | | | | |
| Assigned for Public Safety | 18,038 | 0 | 0 | 0 | 18,038 |
| Assigned for Social, Cultural, and Recreational Services | 36,580 | 0 | 0 | 0 | 36,580 |
| Assigned for Capital Outlay | 31 | 0 | 0 | 0 | 31 |
| Unassigned | 646,118 | 0 | 0 | 0 | 646,118 |
| Total Fund Balances | <u>\$ 724,972</u> | <u>\$ 535,934</u> | <u>\$ 1,006,382</u> | <u>\$ 250,253</u> | <u>\$ 2,517,541</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,508,282</u> | <u>\$ 662,497</u> | <u>\$ 1,535,828</u> | <u>\$ 484,438</u> | <u>\$ 5,191,045</u> |

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2011

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) | | \$ | 2,517,541 |
| (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 | | 118,920 | |
| Add: infrastructure net of accumulated depreciation | | 1,430,884 | |
| Add: buildings and improvements net of accumulated depreciation | | 1,289,265 | |
| Add: other capital assets net of accumulated depreciation | | <u>1,436,964</u> | 4,669,812 |
| (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 | \$ | (793,554) | |
| Less: other loans payable | | (10,355,980) | |
| Less: compensated absences payable | | (75,329) | |
| Less: accrued interest on notes | | <u>(9,228)</u> | (11,234,091) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>279,670</u> |
| Net assets (deficit) of governmental activities (Exhibit A) | | \$ | <u><u>(3,767,068)</u></u> |

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

| | Major Funds | | | Nonmajor Funds | Total Governmental Funds |
|--|---------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | General | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>Revenues</u> | | | | | |
| Local Taxes | \$ 1,894,880 | \$ 29,341 | \$ 683,545 | \$ 210,910 | \$ 2,818,676 |
| Licenses and Permits | 15,236 | 0 | 0 | 2,801 | 18,037 |
| Fines, Forfeitures, and Penalties | 38,904 | 0 | 0 | 2,861 | 41,765 |
| Charges for Current Services | 135,329 | 0 | 22,994 | 191,115 | 349,438 |
| Other Local Revenues | 100,550 | 11,630 | 0 | 45,391 | 157,571 |
| Fees Received from County Officials | 261,741 | 0 | 0 | 0 | 261,741 |
| State of Tennessee | 503,355 | 1,373,756 | 0 | 15,258 | 1,892,369 |
| Federal Government | 21,435 | 0 | 0 | 0 | 21,435 |
| Other Governments and Citizens Groups | 785 | 0 | 0 | 0 | 785 |
| Total Revenues | \$ 2,972,215 | \$ 1,414,727 | \$ 706,539 | \$ 468,336 | \$ 5,561,817 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| General Government | \$ 490,477 | \$ 0 | \$ 0 | \$ 18,100 | \$ 508,577 |
| Finance | 202,364 | 0 | 0 | 0 | 202,364 |
| Administration of Justice | 213,309 | 0 | 0 | 0 | 213,309 |
| Public Safety | 1,057,393 | 0 | 0 | 8,055 | 1,065,448 |
| Public Health and Welfare | 411,720 | 0 | 0 | 355,874 | 767,594 |
| Social, Cultural, and Recreational Services | 351,617 | 0 | 0 | 0 | 351,617 |
| Agriculture and Natural Resources | 54,631 | 0 | 0 | 0 | 54,631 |
| Other Operations | 528,398 | 0 | 0 | 0 | 528,398 |
| Highways | 0 | 1,544,272 | 0 | 0 | 1,544,272 |
| Debt Service: | | | | | |
| Principal on Debt | 0 | 0 | 504,842 | 0 | 504,842 |
| Interest on Debt | 0 | 0 | 64,732 | 0 | 64,732 |
| Other Debt Service | 0 | 0 | 63,687 | 0 | 63,687 |
| Total Expenditures | \$ 3,309,909 | \$ 1,544,272 | \$ 633,261 | \$ 382,029 | \$ 5,869,471 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (337,694) | \$ (129,545) | \$ 73,278 | \$ 86,307 | \$ (307,654) |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Notes Issued | \$ 100,000 | \$ 0 | \$ 0 | \$ 0 | \$ 100,000 |
| Other Loans Issued | 55,000 | 0 | 0 | 0 | 55,000 |
| Transfers In | 22,993 | 0 | 22,582 | 0 | 45,575 |
| Transfers Out | 0 | 0 | 0 | (22,582) | (22,582) |
| Total Other Financing Sources (Uses) | \$ 177,993 | \$ 0 | \$ 22,582 | \$ (22,582) | \$ 177,993 |
| Net Change in Fund Balances | \$ (159,701) | \$ (129,545) | \$ 95,860 | \$ 63,725 | \$ (129,661) |
| Fund Balance, July 1, 2010 | 884,673 | 665,479 | 910,522 | 186,528 | 2,647,202 |
| Fund Balance, June 30, 2011 | \$ 724,972 | \$ 535,934 | \$ 1,006,382 | \$ 250,253 | \$ 2,517,541 |

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, 2011

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) | | \$ (129,661) |
| | | |
| (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 | \$ 357,664 | |
| Less: current-year depreciation expense | <u>(368,376)</u> | (10,712) |
| | | |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2011 | \$ 279,670 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2010 | <u>(271,871)</u> | 7,799 |
| | | |
| (3) 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 | \$ (100,000) | |
| Less: other loan proceeds | (55,000) | |
| Add: principal payments on notes | 188,842 | |
| Add: principal payments on other loans | <u>316,000</u> | 349,842 |
| | | |
| (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 accrued interest payable | \$ (772) | |
| Change in compensated absences payable | <u>(16,607)</u> | (17,379) |
| | | |
| Change in net assets of governmental activities (Exhibit B) | | <u>\$ 199,889</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, 2011

| | Major Enterprise Fund <u>Water and Sewer Department</u> |
|--|--|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 242,457 |
| Inventories | 48,268 |
| Accounts Receivable | 80,411 |
| Allowance for Uncollectibles | (1,613) |
| Grant Receivable | 5,677 |
| Prepaid Insurance | 7,585 |
| Other Receivables | 11,684 |
| Unbilled Charges for Services | 71,721 |
| Total Current Assets | <u>\$ 466,190</u> |
| Noncurrent Assets: | |
| Restricted Assets: | |
| Customer Deposits | \$ 510 |
| Revenue Bond Future Debt Service Account | 60,996 |
| Capital Assets: | |
| Assets Not Depreciated: | |
| Land | 92,459 |
| Construction in Progress | 62,916 |
| Assets Net of Accumulated Depreciation: | |
| Utility Plant in Service | 12,079,960 |
| Total Noncurrent Assets | <u>\$ 12,296,841</u> |
| Total Assets | <u>\$ 12,763,031</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Accounts Payable | \$ 87,687 |
| Accrued Payroll | 16,625 |
| Accrued Leave | 14,339 |
| Accrued Interest Payable | 8,627 |
| Current Portion of Long-term Liabilities | 202,363 |
| Deferred Fees | 27,719 |
| Customer Deposits | 22,361 |
| Total Current Liabilities | <u>\$ 379,721</u> |
| Noncurrent Liabilities: | |
| Due in More Than One Year (net of unamortized loans costs) | \$ 5,271,522 |
| Total Noncurrent Liabilities | <u>\$ 5,271,522</u> |
| Total Liabilities | <u>\$ 5,651,243</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 6,725,360 |
| Restricted for Debt Service | 60,996 |
| Unrestricted | <u>325,432</u> |
| Total Net Assets | <u>\$ 7,111,788</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, 2011

| | Major Enterprise Fund <hr/> Water and Sewer Department <hr/> |
|---|---|
| <u>Operating Revenues</u> | |
| Charges for Current Services | \$ 1,615,049 |
| Total Operating Revenues | <u>\$ 1,615,049</u> |
| <u>Operating Expenses</u> | |
| Public Health and Welfare | \$ 1,066,114 |
| Depreciation | 442,456 |
| Total Operating Expenses | <u>\$ 1,508,570</u> |
| Operating Income (Loss) | <u>\$ 106,479</u> |
| <u>Nonoperating Revenues (Expenses)</u> | |
| Investment Income | \$ 5,051 |
| Interest Expense | (220,075) |
| Loss on Retirement of Capital Assets | (1,078) |
| Total Nonoperating Revenues (Expenses) | <u>\$ (216,102)</u> |
| Income (Loss) Before Contributions, Grants, and Transfers | \$ (109,623) |
| Tap Fees in Excess of Costs | 4,181 |
| Contributions from Developers | 11,218 |
| Transfers to Metropolitan Government | (22,993) |
| Grants | <u>10,118</u> |
| Change in Net Assets | \$ (107,099) |
| Net Assets, July 1, 2010 | <u>7,218,887</u> |
| Net Assets, June 30, 2011 | <u><u>\$ 7,111,788</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, 2011

| | Major Enterprise Fund <hr/> Water and Sewer Department <hr/> |
|---|---|
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from Customers and Users | \$ 1,640,178 |
| Payments to Suppliers | (555,313) |
| Payments to Employees | (517,303) |
| Net Cash Provided By (Used In) Operating Activities | <hr/> \$ 567,562 <hr/> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Purchases of Capital Assets | \$ (160,482) |
| Capital Contributions | 19,841 |
| Proceeds from Capital Debt | 17,764 |
| Principal Payments on Long-term Debt | (226,908) |
| Interest Payments on Long-term Debt | (221,036) |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <hr/> \$ (570,821) <hr/> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Transfers to Metropolitan Government | <hr/> \$ (22,993) <hr/> |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <hr/> \$ (22,993) <hr/> |
| <u>Cash Flows from Investing Activities</u> | |
| Certificate of Deposit Interest, Reinvested | \$ (37) |
| Investment Income | 5,051 |
| Net Cash Provided By (Used In) Investing Activities | <hr/> \$ 5,014 <hr/> |
| Increase (Decrease) in Cash | \$ (21,238) |
| Cash, July 1, 2010 | <hr/> 167,825 <hr/> |
| Cash, June 30, 2011 | <hr/> <hr/> \$ 146,587 <hr/> <hr/> |

(Continued)

Exhibit D-3

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

| | Major Enterprise Fund <hr/> Water and Sewer Department <hr/> |
|---|---|
| <u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u> | |
| Operating Income (Loss) | \$ 106,479 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities: | |
| Depreciation and Amortization Expense | 442,456 |
| Changes in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | 2,236 |
| (Increase) Decrease in Other Assets | (8,782) |
| (Increase) Decrease in Other Accrued Revenue | 6,374 |
| (Increase) Decrease in Inventories | 12,408 |
| Increase (Decrease) in Accounts Payable | (15,452) |
| Increase (Decrease) in Accrued Wages and Payroll | 2,156 |
| Increase (Decrease) in Accrued Vacation Pay | 194 |
| Increase (Decrease) in Customer Deposits and Deferred Fees | 19,493 |
| | <hr/> |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 567,562</u> |
| <u>Reconciliation of Cash with Statement of Net Assets</u> | |
| Cash and Cash Equivalents per Net Assets | \$ 242,457 |
| Revenue Bond Future Debt Service Account per Net Assets | 60,996 |
| Certificates of Deposit | (156,866) |
| | <hr/> |
| Cash, June 30, 2011 | <u>\$ 146,587</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, 2011

| | <u>Agency Fund</u> |
|-------------------------------------|------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 54,634 |
| Accounts Receivable | 463 |
| Cash Shortage | <u>1,391</u> |
| Total Assets | <u>\$ 56,488</u> |
| <u>LIABILITIES</u> | |
| Due to Litigants, Heirs, and Others | <u>\$ 56,488</u> |
| Total Liabilities | <u>\$ 56,488</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, 2011**

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 Metropolitan 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. No debt was contributed by the metropolitan government to the School Department during the year ended June 30, 2011.

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 special revenue fund accounts for transactions of the metropolitan government’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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 type:

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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.

It is the metropolitan government's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the metropolitan government's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 metropolitan government'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 Purpose School, and General 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. Inventories are offset in the nonspendable fund balance account in governmental funds.

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. In prior years, the School Department had an informal policy of paying noncertified employees their accumulated balances at termination. During the 2010-11 year, the School Department revised this policy. The School Department will now only pay for accumulated sick leave balances in excess of 30 days that have accrued during the current year. Sick leave may only be paid in December or June. Therefore, no further liability for accrued sick leave exists. A prior-period adjustment has been reported to remove the prior accumulated sick leave liability. A liability for annual leave 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, 2011, the metropolitan government had \$8,565,753 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Metropolitan Council, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the metropolitan government's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The metropolitan government's Budget Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

8. **Prior-period Adjustment**

The liability for accrued sick leave of the Metropolitan School Department was restated \$205,575 from the prior year because of a change in policy.

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. Cash Shortage

Confidential funds and law enforcement equipment valued at \$1,391 were reported stolen from the Moore County Sheriff's Department. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. 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 \$156,723.

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, 2011.

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

| | Balance 7-1-10 | Increases | Decreases | Balance 6-30-11 |
|--|---------------------|-------------------|---------------------|---------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 393,779 | \$ 0 | \$ 0 | \$ 393,779 |
| Construction in Progress | 655,218 | 83,770 | (620,068) | 118,920 |
| Total Capital Assets Not Depreciated | \$ 1,048,997 | \$ 83,770 | \$ (620,068) | \$ 512,699 |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 2,246,892 | \$ 0 | \$ 0 | \$ 2,246,892 |
| Other Capital Assets | 3,544,808 | 324,446 | (122,166) | 3,747,088 |
| Roads and Bridges | 1,188,594 | 569,516 | 0 | 1,758,110 |
| Total Capital Assets Depreciated | \$ 6,980,294 | \$ 893,962 | \$ (122,166) | \$ 7,752,090 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 906,920 | \$ 50,707 | \$ 0 | \$ 957,627 |
| Other Capital Assets | 2,202,345 | 229,945 | (122,166) | 2,310,124 |
| Roads and Bridges | 239,502 | 87,724 | 0 | 327,226 |
| Total Accumulated Depreciation | \$ 3,348,767 | \$ 368,376 | \$ (122,166) | \$ 3,594,977 |
| Total Capital Assets Depreciated, Net | \$ 3,631,527 | \$ 525,586 | \$ 0 | \$ 4,157,113 |
| Governmental Activities Capital Assets, Net | \$ 4,680,524 | \$ 609,356 | \$ (620,068) | \$ 4,669,812 |

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 | 124,958 |
| Public Health and Welfare | 64,028 |
| Social, Cultural, and Recreational Services | 20,888 |
| Highway/Public Works | <u>140,355</u> |

Total Depreciation Expense - Governmental Activities \$ 368,376

Discretely Presented Metropolitan School Department**Governmental Activities:**

| | Balance 7-1-10 | Increases | Decreases | Balance 6-30-11 |
|--|----------------------|---------------------|-----------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 39,342 | \$ 0 | \$ 0 | \$ 39,342 |
| Construction in Progress | 8,624,056 | 0 | (8,624,056) | 0 |
| Total Capital Assets Not Depreciated | <u>\$ 8,663,398</u> | <u>\$ 0</u> | <u>\$ (8,624,056)</u> | <u>\$ 39,342</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 10,358,034 | \$ 8,639,294 | \$ 0 | \$ 18,997,328 |
| Other Capital Assets | 1,083,005 | 12,043 | (27,474) | 1,067,574 |
| Total Capital Assets Depreciated | <u>\$ 11,441,039</u> | <u>\$ 8,651,337</u> | <u>\$ (27,474)</u> | <u>\$ 20,064,902</u> |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 6,148,321 | \$ 397,499 | \$ 0 | \$ 6,545,820 |
| Other Capital Assets | 683,849 | 57,911 | (27,474) | 714,286 |
| Total Accumulated Depreciation | <u>\$ 6,832,170</u> | <u>\$ 455,410</u> | <u>\$ (27,474)</u> | <u>\$ 7,260,106</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 4,608,869</u> | <u>\$ 8,195,927</u> | <u>\$ 0</u> | <u>\$ 12,804,796</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 13,272,267</u> | <u>\$ 8,195,927</u> | <u>\$ (8,624,056)</u> | <u>\$ 12,844,138</u> |

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

Governmental Activities:

| | |
|---|-------------------|
| Instruction | \$ 376,587 |
| Support Services | 68,735 |
| Operation of Non-Instructional Services | <u>10,088</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 455,410</u> |

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government

| Transfers Out | Transfers In | |
|-----------------------------|------------------|---------------------------|
| | General Fund | General Debt Service Fund |
| Nonmajor governmental funds | \$ 0 | \$ 22,582 |
| Water and Sewer Fund | <u>22,993</u> | <u>0</u> |
| Total | <u>\$ 22,993</u> | <u>\$ 22,582</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

D. 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.

The asset acquired through the capital lease is as follows:

| Asset | Metropolitan School Department |
|--------------------------------|--------------------------------|
| Equipment | \$ 244,766 |
| Less: Accumulated Depreciation | <u>(68,329)</u> |
| Total Book Value | <u>\$ 176,437</u> |

Future minimum lease payments and the net present value of these lease payments as of June 30, 2011, were as follows:

| Year Ending June 30 | Governmental Funds |
|--|-----------------------|
| 2012 | \$ 29,100 |
| 2013 | 29,100 |
| 2014 | 29,101 |
| 2015 | 29,100 |
| 2016 | 29,101 |
| 2017-2020 | 101,851 |
| Total Minimum Lease Payments | \$ 247,353 |
| Less: Amount Representing Interest | <u>(45,163)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 202,190</u> |

E. 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 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2011, for governmental activities are as follows:

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-11 |
|----------------------|------------------|--------------------------------|--------------------|
| Capital Outlay Notes | 2.09 to 4.015 % | \$ 1,322,000 | \$ 793,554 |
| Other Loans | variable | 11,271,980 | 10,355,980 |

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, 2011, the metropolitan government had borrowed \$8,300,000 and \$2,971,980, 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, 2011, the variable interest rate was .25 percent, and other fees totaled approximately .45 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2011, the variable interest rate was .25 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, 2011, including interest payments and other loan fees, are presented in the following tables:

| Year Ending June 30 | Notes | | |
|------------------------|------------|------------|------------|
| | Principal | Interest | Total |
| 2012 | \$ 160,251 | \$ 27,840 | \$ 188,091 |
| 2013 | 181,329 | 22,548 | 203,877 |
| 2014 | 130,855 | 16,554 | 147,409 |
| 2015 | 88,850 | 11,912 | 100,762 |
| 2016 | 63,116 | 8,758 | 71,874 |
| 2017-2020 | 169,153 | 14,151 | 183,304 |
| Total | \$ 793,554 | \$ 101,763 | \$ 895,317 |

| Year Ending June 30 | Other Loans | | | |
|------------------------|---------------|------------|------------|---------------|
| | Principal | Interest | Other Fees | Total |
| 2012 | \$ 327,000 | \$ 25,535 | \$ 51,605 | \$ 404,140 |
| 2013 | 339,000 | 24,729 | 50,089 | 413,818 |
| 2014 | 351,000 | 23,893 | 48,519 | 423,412 |
| 2015 | 365,000 | 23,028 | 46,896 | 434,924 |
| 2016 | 377,000 | 22,128 | 45,211 | 444,339 |
| 2017-2021 | 2,103,000 | 95,989 | 198,694 | 2,397,683 |
| 2022-2026 | 2,518,000 | 68,084 | 146,822 | 2,732,906 |
| 2027-2031 | 2,263,980 | 36,626 | 84,591 | 2,385,197 |
| 2032-2035 | 1,712,000 | 10,720 | 27,037 | 1,749,757 |
| Total | \$ 10,355,980 | \$ 330,732 | \$ 699,464 | \$ 11,386,176 |

There is \$1,006,382 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$1,753, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

| | Notes | Other Loans | Compensated Absences |
|-----------------------------|-------------------|----------------------|-------------------------|
| Balance, July 1, 2010 | \$ 882,396 | \$ 10,616,980 | \$ 58,722 |
| Additions | 100,000 | 55,000 | 113,359 |
| Deductions | (188,842) | (316,000) | (96,752) |
| Balance, June 30, 2011 | <u>\$ 793,554</u> | <u>\$ 10,355,980</u> | <u>\$ 75,329</u> |
| Balance Due Within One Year | <u>\$ 160,251</u> | <u>\$ 327,000</u> | <u>\$ 30,132</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2011 | \$ 11,224,863 |
| Less: Balance Due Within One Year | <u>(517,383)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 10,707,480</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, 2011, was as follows:

| Governmental Activities: | Capital Leases | Compensated Absences | Other Postemployment Benefits |
|-----------------------------|-------------------|-------------------------|-------------------------------------|
| Balance, July 1, 2010 | \$ 221,033 | \$ 219,207 | \$ 400,424 |
| Prior-period Adjustment | 0 | (205,575) | 0 |
| Additions | 0 | 15,943 | 176,951 |
| Deductions | (18,843) | (15,555) | (86,521) |
| Balance, June 30, 2011 | <u>\$ 202,190</u> | <u>\$ 14,020</u> | <u>\$ 490,854</u> |
| Balance Due Within One Year | <u>\$ 19,762</u> | <u>\$ 14,020</u> | <u>\$ 0</u> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|-------------------|
| Total Noncurrent Liabilities, June 30, 2011 | \$ 707,064 |
| Less: Due Within One Year | <u>(33,782)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 673,282</u> |

Debt per capita for capital leases totaled \$32, based on the 2010 federal census.

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$11,937 and \$5,327, 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. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. The metropolitan government and Metropolitan School Department have implemented provisions of this statement in the financial statements of this report for its governmental funds.

C. Contingent Liabilities

The metropolitan government is involved in several pending lawsuits. The metropolitan government's attorney has not responded to requests to provide estimates of the potential claims not covered by insurance. However,

management believes that any claims resulting from such litigation would not materially affect the metropolitan 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.

D. Changes in Administration

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.

E. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

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

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

Funding Policy

Metropolitan Government Employees

The metropolitan government requires employees to contribute five percent of their earnable compensation to the plan. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 10.68 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county 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 their earnable compensation to the plan. The department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 6.18 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the 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, 2011, the metropolitan government's annual pension cost of \$47,170 to TCRS was equal to the metropolitan government's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 2.5 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 ten-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, 2009, was 13 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 |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-11 | \$47,170 | 100% | \$0 |
| 6-30-10 | 47,236 | 100 | 0 |
| 6-30-09 | 46,869 | 100 | 0 |

School Department Employees

For the year ended June 30, 2011, the School Department’s annual pension cost of \$63,927 to TCRS was equal to the School Department’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 2.5 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 ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six 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 |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-11 | \$63,937 | 100% | \$0 |
| 6-30-10 | 59,225 | 100 | 0 |
| 6-30-09 | 54,338 | 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 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was zero, 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Department Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 94.83 percent funded. The actuarial accrued liability for benefits was \$3 million, and the actuarial value of assets was \$3 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$1 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

SCHOOL TEACHERS

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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 salary 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$344,533, \$240,410, and \$236,606, respectively, equal to the required contributions for each year.

2. Deferred Compensation

The metropolitan government offers its employees a deferred compensation plan established pursuant to IRC Section 457. The metropolitan government contributes 2.38 percent of the costs of administering and funding this program. All other costs of administering and funding this program are the responsibility of plan participants. The Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 establishes participation, contribution, and withdrawal provisions for the plan.

F. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for employees of local education agencies. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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 \$86,521 for postemployment health care during the year ended June 30, 2011.

Annual OPEB Cost and Net OPEB Obligation

| | |
|------------------------------|--|
| | Local Education Group Insurance Plan |
| | <hr/> |
| ARC | \$ 176,000 |
| Interest on the NPO | 18,019 |
| Adjustment to the ARC | (17,068) |
| Annual OPEB cost | <hr/> \$ 176,951 |
| Amount of contribution | (86,521) |
| Increase/decrease in NPO | <hr/> \$ 90,430 |
| Net OPEB obligation, 7-1-10 | <hr/> 400,424 |
| | |
| Net OPEB obligation, 6-30-11 | <hr/> <hr/> \$ 490,854 |

| Fiscal Year Ended | Plan | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------------|-----------------------|------------------------|---|---------------------------------------|
| <hr/> | | | | |
| 6-30-09 | Local Education Group | \$ 212,173 | 24% | \$ 305,913 |
| 6-30-10 | " | 173,727 | 46 | 400,424 |
| 6-30-11 | " | 176,951 | 49 | 490,854 |

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:
(dollars in thousands)

| | |
|---|--|
| | Local Education Group Insurance Plan |
| | <hr/> |
| Actuarial valuation date | 7-1-10 |
| Actuarial accrued liability (AAL) | \$ 1,554 |
| Actuarial value of plan assets | \$ 0 |
| Unfunded actuarial accrued liability (UAAL) | \$ 1,554 |
| 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, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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.

G. Purchasing Law

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The charter further provides for the metropolitan 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.

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 7-1-10 | Additions | Deductions | Balance 6-30-11 |
|--|-------------------|------------|-------------|--------------------|
| Capital Assets Not Depreciated or Amortized: | | | | |
| Land and Land Rights | \$ 76,512 | \$ 15,947 | \$ 0 | \$ 92,459 |
| Construction in Progress | 35,788 | 27,128 | 0 | 62,916 |
| Total Capital Assets Not Depreciated or Amortized | \$ 112,300 | \$ 43,075 | \$ 0 | \$ 155,375 |
| Other Capital Assets: | | | | |
| General | \$ 218,749 | \$ 12,900 | \$ (693) | \$ 230,956 |
| Water | 13,249,242 | 111,630 | (5,203) | 13,355,669 |
| Sewer | 1,701,986 | 0 | 0 | 1,701,986 |
| Maintenance | 243,722 | 18,075 | (15,200) | 246,597 |
| Acquisition Adjustment | 301,099 | 0 | 0 | 301,099 |
| Utility Plant | \$ 15,714,798 | \$ 142,605 | \$ (21,096) | \$ 15,836,307 |

Business-type Activities (Cont.):

| | Balance 7-1-10 | Additions | Deductions | Balance 6-30-11 |
|---|-----------------------------|----------------------------|--------------------------|-----------------------------|
| Less Accumulated Depreciation/ Amortization for: | | | | |
| General | \$ 64,754 | \$ 10,329 | \$ (461) | \$ 74,622 |
| Water | 2,051,804 | 350,950 | (4,438) | 2,398,316 |
| Sewer | 1,058,858 | 41,654 | 0 | 1,100,512 |
| Maintenance | 117,801 | 23,111 | (12,704) | 128,208 |
| Acquistion Adjustment | 39,634 | 15,055 | 0 | 54,689 |
| Total Accumulated Depreciation/ Amortization | <u>\$ 3,332,851</u> | <u>\$ 441,099</u> | <u>\$ (17,603)</u> | <u>\$ 3,756,347</u> |
| Other Capital Assets, net | <u>\$ 12,381,947</u> | <u>\$ (298,494)</u> | <u>\$ (3,493)</u> | <u>\$ 12,079,960</u> |
| Business-type Activities Capital Assets, net | <u><u>\$ 12,494,247</u></u> | <u><u>\$ (255,419)</u></u> | <u><u>\$ (3,493)</u></u> | <u><u>\$ 12,235,335</u></u> |

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2011:

| | Cash Equivalents | Certificates of Deposit | Total |
|-----------------------|--------------------------|----------------------------|--------------------------|
| Cash for General Use: | \$ 140,591 | \$ 101,866 | \$ 242,457 |
| Restricted Funds: | | | |
| Bond Reserve Fund | 5,996 | 55,000 | 60,996 |
| Total | <u><u>\$ 146,587</u></u> | <u><u>\$ 156,866</u></u> | <u><u>\$ 303,453</u></u> |

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$177,660 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. Revenue Bonds

A summary of transactions for the year ended June 30, 2011, includes the following:

| | <u>Bonds</u> |
|-----------------------------|---------------------|
| Balance, July 1, 2010 | \$ 4,390,137 |
| Deductions | <u>(61,163)</u> |
| Balance, June 30, 2011 | <u>\$ 4,328,974</u> |
| Balance Due Within One Year | <u>\$ 63,632</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 | \$ 38,429 |
| Series 1992A Water Revenue and Tax Bonds, 6.375%, payable \$138 per month including principal and interest with final maturity in 2029 | 17,686 |
| Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032 | 68,040 |
| Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036 | 248,445 |

| | |
|---|----------------------------|
| Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038 | \$ 311,067 |
| Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040 | 189,791 |
| Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045 | 995,545 |
| Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046 | 1,913,396 |
| Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047 | <u>546,575</u> |
| Total | <u><u>\$ 4,328,974</u></u> |

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2011, are as follows:

| Year | Principal | Interest |
|-----------|----------------------------|----------------------------|
| 2012 | \$ 63,632 | \$ 188,776 |
| 2013 | 66,804 | 185,604 |
| 2014 | 69,839 | 182,569 |
| 2015 | 73,008 | 179,400 |
| 2016 | 76,326 | 176,083 |
| 2017-2021 | 436,981 | 825,059 |
| 2022-2026 | 546,102 | 715,938 |
| 2027-2031 | 672,816 | 579,820 |
| 2032-2036 | 772,463 | 422,980 |
| 2037-2041 | 789,680 | 248,404 |
| 2042-2046 | 731,651 | 79,560 |
| 2047 | <u>29,672</u> | <u>1,354</u> |
| Total | <u><u>\$ 4,328,974</u></u> | <u><u>\$ 3,785,547</u></u> |

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to pay the principal and interest on the bonds as such payments are due. 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, 2011.

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

| | <u>Balance 6-30-11</u> |
|---------------------------|----------------------------|
| Revenue | \$ 240,591 |
| Operation and Maintenance | 1,866 |
| Bond | 60,996 |

F. Notes Payable

Interest rates and repayment schedules for the 3.23 percent loan the department has with Farmers Bank are as follows:

| Year Ending June 30 | <u>Office Building</u> | |
|------------------------|------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ 13,309 | \$ 751 |
| 2013 | 13,745 | 315 |
| 2014 | 2,250 | 6 |
| Total | <u>\$ 29,304</u> | <u>\$ 1,072</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 |
|------------------------|-------------------|------------------|------------------|-----------------|
| 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 | 15,893 | 160 | 7,347 | 93 |
| Total | <u>\$ 157,815</u> | <u>\$ 12,952</u> | <u>\$ 40,632</u> | <u>\$ 2,913</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 |
|-----------|-------------------|-------------------|
| 2012 | \$ 40,152 | \$ 18,875 |
| 2013 | 41,786 | 17,662 |
| 2014 | 43,036 | 16,412 |
| 2015 | 44,322 | 15,125 |
| 2016 | 45,648 | 13,800 |
| 2017-2021 | 249,549 | 47,691 |
| 2022-2025 | 193,996 | 10,171 |
| Total | <u>\$ 658,489</u> | <u>\$ 139,736</u> |

Principal and interest payments, as a percentage of pledged revenue, totaled four percent for the year for this loan.

The department has borrowed \$17,764 on a second loan to finance sewer system improvements. As the project is still in process, the repayment schedule has not been finalized, but the obligation will be non-interest bearing.

The department has purchased water lines from Winchester Utilities under three agreements, which require the following payments:

| Year | Winchester Utilities | | |
|-----------|----------------------|-----------|-----------|
| | Principal | Principal | Principal |
| 2012 | \$ 18,103 | \$ 14,206 | \$ 11,376 |
| 2013 | 18,103 | 14,206 | 11,375 |
| 2014 | 18,103 | 14,206 | 11,375 |
| 2015 | 18,103 | 14,206 | 11,375 |
| 2016 | 18,103 | 14,206 | 11,375 |
| 2017-2018 | 6,035 | 24,863 | 34,128 |
| Total | \$ 96,550 | \$ 95,893 | \$ 91,004 |

The obligations are non-interest bearing.

Notes payable activity for the year ended June 30, 2011, is as follows:

| Balance 7-1-10 | Draws | Repayments | Balance 6-30-11 |
|-------------------|-----------|--------------|--------------------|
| \$ 1,335,433 | \$ 17,764 | \$ (165,746) | \$ 1,187,451 |

The department capitalized no interest cost during the current year.

G. Risk Management

The department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The department obtains insurance covering the above risks of loss through 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 creation of the TN-RMT provides for it to be self-sustaining through member premiums.

H. Income Taxes

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

I. Significant Concentrations

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2011, totaled \$80,411. Deposits from these customers, totaling \$22,361 at June 30, 2011, are held as security for these accounts receivable.

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

J. Environmental Contingency

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

K. Loan 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 has implemented rate increases in January 2010 and January 2011 to generate the additional revenue needed. The next rate increase is scheduled for January 2012.

L. Transfers

In prior years, the metropolitan government provided funding to the department to complete a water service expansion project. Surcharges to customers benefiting from the expansion have been collected by the department and transferred to the metropolitan government. The amount transferred to the metropolitan government's General Fund for the year totaled \$22,993.

M. Commitments

In March 2011, the utility board awarded a contract for cleaning, televising, and smoke testing of its sewer lines, totaling \$51,440 to Boatman Construction Company, Inc. As of June 30, 2011, \$10,088 had been incurred under this contract.

**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, 2011

| | Actual (GAAP Basis) | Less: Encumbrances 7/1/2010 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------------|-----------------------------------|---|---------------------|---------------------|--|
| | | | | Original | Final | |
| Revenues | | | | | | |
| Local Taxes | \$ 1,894,880 | \$ 0 | \$ 1,894,880 | \$ 1,844,630 | \$ 1,844,630 | \$ 50,250 |
| Licenses and Permits | 15,236 | 0 | 15,236 | 9,500 | 13,375 | 1,861 |
| Fines, Forfeitures, and Penalties | 38,904 | 0 | 38,904 | 21,500 | 21,500 | 17,404 |
| Charges for Current Services | 135,329 | 0 | 135,329 | 133,300 | 135,714 | (385) |
| Other Local Revenues | 100,550 | 0 | 100,550 | 87,800 | 95,137 | 5,413 |
| Fees Received from County Officials | 261,741 | 0 | 261,741 | 239,000 | 239,000 | 22,741 |
| State of Tennessee | 503,355 | 0 | 503,355 | 457,392 | 494,831 | 8,524 |
| Federal Government | 21,435 | 0 | 21,435 | 12,000 | 24,500 | (3,065) |
| Other Governments and Citizens Groups | 785 | 0 | 785 | 0 | 0 | 785 |
| Total Revenues | \$ 2,972,215 | \$ 0 | \$ 2,972,215 | \$ 2,805,122 | \$ 2,868,687 | \$ 103,528 |
| Expenditures | | | | | | |
| General Government | | | | | | |
| County Commission | \$ 127,909 | \$ 0 | \$ 127,909 | \$ 140,289 | \$ 128,789 | \$ 880 |
| County Mayor/Executive | 116,761 | (440) | 116,321 | 109,225 | 120,725 | 4,404 |
| County Attorney | 6,367 | 0 | 6,367 | 6,367 | 6,367 | 0 |
| Election Commission | 71,307 | 0 | 71,307 | 74,426 | 74,426 | 3,119 |
| Register of Deeds | 61,952 | 0 | 61,952 | 63,614 | 63,614 | 1,662 |
| Planning | 16,638 | 0 | 16,638 | 13,603 | 17,478 | 840 |
| County Buildings | 80,681 | (125) | 80,556 | 73,100 | 98,100 | 17,544 |
| Preservation of Records | 8,862 | 0 | 8,862 | 6,756 | 10,196 | 1,334 |
| Finance | | | | | | |
| Property Assessor's Office | 73,058 | 0 | 73,058 | 70,613 | 74,013 | 955 |
| County Trustee's Office | 64,656 | 0 | 64,656 | 67,362 | 67,362 | 2,706 |
| County Clerk's Office | 64,650 | 0 | 64,650 | 65,717 | 65,717 | 1,067 |

(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 7/1/2010 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------------|-----------------------------------|---|------------------|---------|--|
| | | | | Original | Final | |
| | \$ | 0 | \$ | \$ | \$ | |
| <u>Expenditures (Cont.)</u> | | | | | | |
| <u>Administration of Justice</u> | | | | | | |
| Circuit Court | 73,204 | 0 | 73,204 | 77,873 | 77,873 | 4,669 |
| General Sessions Court | 62,383 | 0 | 62,383 | 63,395 | 63,395 | 1,012 |
| Chancery Court | 55,906 | 0 | 55,906 | 57,638 | 57,638 | 1,732 |
| Juvenile Court | 9,000 | 0 | 9,000 | 9,000 | 9,000 | 0 |
| Judicial Commissioners | 12,816 | 0 | 12,816 | 13,946 | 13,946 | 1,130 |
| <u>Public Safety</u> | | | | | | |
| Sheriff's Department | 649,952 | 0 | 649,952 | 660,725 | 665,724 | 15,772 |
| Administration of the Sexual Offender Registry | 642 | 0 | 642 | 644 | 694 | 52 |
| Jail | 265,051 | 0 | 265,051 | 283,688 | 283,688 | 18,637 |
| Commissary | 1,153 | 0 | 1,153 | 1,400 | 1,400 | 247 |
| Fire Prevention and Control | 108,350 | 0 | 108,350 | 103,513 | 108,368 | 18 |
| Other Emergency Management | 32,245 | 0 | 32,245 | 16,400 | 32,245 | 0 |
| <u>Public Health and Welfare</u> | | | | | | |
| Local Health Center | 87,503 | 0 | 87,503 | 106,532 | 106,532 | 19,029 |
| Rabies and Animal Control | 945 | 0 | 945 | 2,100 | 2,100 | 1,155 |
| Ambulance/Emergency Medical Services | 317,881 | 0 | 317,881 | 328,506 | 330,606 | 12,725 |
| Alcohol and Drug Programs | 2,891 | 0 | 2,891 | 1,150 | 2,900 | 9 |
| Regional Mental Health Center | 2,500 | 0 | 2,500 | 2,500 | 2,500 | 0 |
| <u>Social, Cultural, and Recreational Services</u> | | | | | | |
| Senior Citizens Assistance | 8,500 | 0 | 8,500 | 8,500 | 8,500 | 0 |
| Libraries | 83,928 | 0 | 83,928 | 82,776 | 86,177 | 2,249 |
| Parks and Fair Boards | 259,189 | (116,500) | 142,689 | 73,310 | 288,610 | 145,921 |
| <u>Agriculture and Natural Resources</u> | | | | | | |
| Agriculture Extension Service | 48,754 | 0 | 48,754 | 57,610 | 57,610 | 8,856 |

(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 7/1/2010 | 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 | \$ 350 | \$ 350 | \$ 350 | \$ 0 |
| Soil Conservation | 5,527 | 0 | 5,527 | 5,763 | 5,763 | 236 |
| <u>Other Operations</u> | | | | | | |
| Tourism | 4,138 | 0 | 4,138 | 7,200 | 7,200 | 3,062 |
| Veterans' Services | 1,568 | 0 | 1,568 | 1,568 | 1,568 | 0 |
| Other Charges | 6,039 | 0 | 6,039 | 7,500 | 7,500 | 1,461 |
| Employee Benefits | 516,653 | 0 | 516,653 | 628,380 | 628,380 | 111,727 |
| Total Expenditures | \$ 3,309,909 | \$ (117,065) | \$ 3,192,844 | \$ 3,293,039 | \$ 3,577,054 | \$ 384,210 |
| <u>Excess (Deficiency) of Revenues</u> | | | | | | |
| Over Expenditures | \$ (337,694) | \$ 117,065 | \$ (220,629) | \$ (487,917) | \$ (708,367) | \$ 487,738 |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Notes Issued | \$ 100,000 | \$ 0 | \$ 100,000 | \$ 0 | \$ 0 | \$ 100,000 |
| Other Loans Issued | 55,000 | 0 | 55,000 | 0 | 0 | 55,000 |
| Transfers In | 22,993 | 0 | 22,993 | 30,000 | 30,000 | (7,007) |
| Total Other Financing Sources (Uses) | \$ 177,993 | \$ 0 | \$ 177,993 | \$ 30,000 | \$ 30,000 | \$ 147,993 |
| Net Change in Fund Balance | \$ (159,701) | \$ 117,065 | \$ (42,636) | \$ (457,917) | \$ (678,367) | \$ 635,731 |
| Fund Balance, July 1, 2010 | 884,673 | (117,065) | 767,608 | 521,644 | 521,644 | 245,964 |
| Fund Balance, June 30, 2011 | \$ 724,972 | \$ 0 | \$ 724,972 | \$ 63,727 | \$ (156,723) | \$ 881,695 |

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 29,341 | \$ 48,856 | \$ 48,856 | \$ (19,515) |
| Other Local Revenues | 11,630 | 2,500 | 2,500 | 9,130 |
| State of Tennessee | 1,373,756 | 1,380,620 | 1,380,620 | (6,864) |
| Total Revenues | <u>\$ 1,414,727</u> | <u>\$ 1,431,976</u> | <u>\$ 1,431,976</u> | <u>\$ (17,249)</u> |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 163,956 | \$ 164,561 | \$ 166,561 | \$ 2,605 |
| Highway and Bridge Maintenance | 576,916 | 668,600 | 668,600 | 91,684 |
| Operation and Maintenance of Equipment | 145,084 | 178,745 | 178,745 | 33,661 |
| Other Charges | 53,599 | 60,800 | 60,800 | 7,201 |
| Employee Benefits | 27,916 | 26,000 | 28,000 | 84 |
| Capital Outlay | 576,801 | 419,500 | 701,500 | 124,699 |
| Total Expenditures | <u>\$ 1,544,272</u> | <u>\$ 1,518,206</u> | <u>\$ 1,804,206</u> | <u>\$ 259,934</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (129,545)</u> | <u>\$ (86,230)</u> | <u>\$ (372,230)</u> | <u>\$ 242,685</u> |
| Net Change in Fund Balance | \$ (129,545) | \$ (86,230) | \$ (372,230) | \$ 242,685 |
| Fund Balance, July 1, 2010 | <u>665,479</u> | <u>391,350</u> | <u>391,350</u> | <u>274,129</u> |
| Fund Balance, June 30, 2011 | <u>\$ 535,934</u> | <u>\$ 305,120</u> | <u>\$ 19,120</u> | <u>\$ 516,814</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, 2011

(Dollar amounts in thousands)

| Member | Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------------|--------------------------|------------------------------------|---|-----------------------------|--------------------|---------------------|---|
| Metropolitan Government Employees | 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, 2011

(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 % | \$ 4,309 | 39 % |
| " | 7-1-09 | 0 | 1,536 | 1,536 | 0 | 4,638 | 33 |
| " | 7-1-10 | 0 | 1,554 | 1,554 | 0 | 4,721 | 33 |

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011**

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 \$156,723.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|--------------------------------|------------------|--|
| | Urban Services | Solid Waste / Sanitation | Drug Control | |
| <u>ASSETS</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 12,035 | \$ 173,550 | \$ 53,376 | \$ 238,961 |
| Accounts Receivable | 0 | 42,855 | 237 | 43,092 |
| Allowance for Uncollectibles | 0 | (891) | 0 | (891) |
| Property Taxes Receivable | 14,562 | 193,988 | 0 | 208,550 |
| Allowance for Uncollectible Property Taxes | (340) | (4,934) | 0 | (5,274) |
| Total Assets | <u>\$ 26,257</u> | <u>\$ 404,568</u> | <u>\$ 53,613</u> | <u>\$ 484,438</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | \$ 0 | \$ 2,840 | \$ 0 | \$ 2,840 |
| Payroll Deductions Payable | 0 | 2,855 | 0 | 2,855 |
| Deferred Revenue - Current Property Taxes | 13,230 | 184,240 | 0 | 197,470 |
| Deferred Revenue - Delinquent Property Taxes | 974 | 4,725 | 0 | 5,699 |
| Other Deferred Revenues | 0 | 25,321 | 0 | 25,321 |
| Total Liabilities | <u>\$ 14,204</u> | <u>\$ 219,981</u> | <u>\$ 0</u> | <u>\$ 234,185</u> |
| <u>Fund Balances</u> | | | | |
| Restricted: | | | | |
| Restricted for Public Safety | \$ 0 | \$ 0 | \$ 53,613 | \$ 53,613 |
| Restricted for Public Health and Welfare | 0 | 184,587 | 0 | 184,587 |
| Restricted for Other Purposes | 12,053 | 0 | 0 | 12,053 |
| Total Fund Balances | <u>\$ 12,053</u> | <u>\$ 184,587</u> | <u>\$ 53,613</u> | <u>\$ 250,253</u> |
| Total Liabilities and Fund Balances | <u>\$ 26,257</u> | <u>\$ 404,568</u> | <u>\$ 53,613</u> | <u>\$ 484,438</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, 2011

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|---|-----------------------|--------------------------------|-----------------|---|--|
| | Urban Services | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | |
| <u>Revenues</u> | | | | | |
| Local Taxes | \$ 20,043 | \$ 190,867 | \$ 0 | \$ 0 | \$ 210,910 |
| Licenses and Permits | 2,801 | 0 | 0 | 0 | 2,801 |
| Fines, Forfeitures, and Penalties | 0 | 0 | 2,861 | 0 | 2,861 |
| Charges for Current Services | 0 | 191,094 | 0 | 21 | 191,115 |
| Other Local Revenues | 0 | 44,500 | 891 | 0 | 45,391 |
| State of Tennessee | 1,417 | 13,841 | 0 | 0 | 15,258 |
| Total Revenues | \$ 24,261 | \$ 440,302 | \$ 3,752 | \$ 21 | \$ 468,336 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| General Government | \$ 18,079 | \$ 0 | \$ 0 | \$ 21 | \$ 18,100 |
| Public Safety | 0 | 0 | 8,055 | 0 | 8,055 |
| Public Health and Welfare | 0 | 355,874 | 0 | 0 | 355,874 |
| Total Expenditures | \$ 18,079 | \$ 355,874 | \$ 8,055 | \$ 21 | \$ 382,029 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 6,182 | \$ 84,428 | \$ (4,303) | \$ 0 | \$ 86,307 |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Transfers Out | \$ 0 | \$ (22,582) | \$ 0 | \$ 0 | \$ (22,582) |
| Total Other Financing Sources (Uses) | \$ 0 | \$ (22,582) | \$ 0 | \$ 0 | \$ (22,582) |
| Net Change in Fund Balances Fund Balance, July 1, 2010 | \$ 6,182 | \$ 61,846 | \$ (4,303) | \$ 0 | \$ 63,725 |
| | 5,871 | 122,741 | 57,916 | 0 | 186,528 |
| Fund Balance, June 30, 2011 | \$ 12,053 | \$ 184,587 | \$ 53,613 | \$ 0 | \$ 250,253 |

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|-------------------------|-------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 20,043 | \$ 20,655 | \$ 20,655 | \$ (612) |
| Licenses and Permits | 2,801 | 2,600 | 2,600 | 201 |
| Other Local Revenues | 0 | 85 | 85 | (85) |
| State of Tennessee | 1,417 | 0 | 0 | 1,417 |
| Total Revenues | <u>\$ 24,261</u> | <u>\$ 23,340</u> | <u>\$ 23,340</u> | <u>\$ 921</u> |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| Other General Administration | \$ 18,079 | \$ 17,510 | \$ 18,260 | \$ 181 |
| Total Expenditures | <u>\$ 18,079</u> | <u>\$ 17,510</u> | <u>\$ 18,260</u> | <u>\$ 181</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 6,182</u> | <u>\$ 5,830</u> | <u>\$ 5,080</u> | <u>\$ 1,102</u> |
| Net Change in Fund Balance | \$ 6,182 | \$ 5,830 | \$ 5,080 | \$ 1,102 |
| Fund Balance, July 1, 2010 | <u>5,871</u> | <u>12,001</u> | <u>12,001</u> | <u>(6,130)</u> |
| Fund Balance, June 30, 2011 | <u><u>\$ 12,053</u></u> | <u><u>\$ 17,831</u></u> | <u><u>\$ 17,081</u></u> | <u><u>\$ (5,028)</u></u> |

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 190,867 | \$ 183,930 | \$ 183,930 | \$ 6,937 |
| Charges for Current Services | 191,094 | 180,000 | 180,000 | 11,094 |
| Other Local Revenues | 44,500 | 16,400 | 16,400 | 28,100 |
| State of Tennessee | 13,841 | 29,237 | 29,237 | (15,396) |
| Total Revenues | <u>\$ 440,302</u> | <u>\$ 409,567</u> | <u>\$ 409,567</u> | <u>\$ 30,735</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Waste Pickup | \$ 21,060 | \$ 29,237 | \$ 29,237 | \$ 8,177 |
| Recycling Center | 334,814 | 371,507 | 371,507 | 36,693 |
| Total Expenditures | <u>\$ 355,874</u> | <u>\$ 400,744</u> | <u>\$ 400,744</u> | <u>\$ 44,870</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 84,428</u> | <u>\$ 8,823</u> | <u>\$ 8,823</u> | <u>\$ 75,605</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (22,582) | \$ 0 | \$ (22,582) | \$ 0 |
| Total Other Financing Sources (Uses) | <u>\$ (22,582)</u> | <u>\$ 0</u> | <u>\$ (22,582)</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ 61,846 | \$ 8,823 | \$ (13,759) | \$ 75,605 |
| Fund Balance, July 1, 2010 | <u>122,741</u> | <u>141,326</u> | <u>141,326</u> | <u>(18,585)</u> |
| Fund Balance, June 30, 2011 | <u>\$ 184,587</u> | <u>\$ 150,149</u> | <u>\$ 127,567</u> | <u>\$ 57,020</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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 2,861 | \$ 1,100 | \$ 1,100 | \$ 1,761 |
| Other Local Revenues | 891 | 0 | 0 | 891 |
| Total Revenues | <u>\$ 3,752</u> | <u>\$ 1,100</u> | <u>\$ 1,100</u> | <u>\$ 2,652</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Drug Enforcement | \$ 8,055 | \$ 14,000 | \$ 14,000 | \$ 5,945 |
| Total Expenditures | <u>\$ 8,055</u> | <u>\$ 14,000</u> | <u>\$ 14,000</u> | <u>\$ 5,945</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (4,303)</u> | <u>\$ (12,900)</u> | <u>\$ (12,900)</u> | <u>\$ 8,597</u> |
| Net Change in Fund Balance | \$ (4,303) | \$ (12,900) | \$ (12,900) | \$ 8,597 |
| Fund Balance, July 1, 2010 | <u>57,916</u> | <u>55,375</u> | <u>55,375</u> | <u>2,541</u> |
| Fund Balance, June 30, 2011 | <u>\$ 53,613</u> | <u>\$ 42,475</u> | <u>\$ 42,475</u> | <u>\$ 11,138</u> |

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|----------------------------|--------------------------|--------------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 683,545 | \$ 638,900 | \$ 638,900 | \$ 44,645 |
| Charges for Current Services | 22,994 | 14,940 | 14,940 | 8,054 |
| Total Revenues | <u>\$ 706,539</u> | <u>\$ 653,840</u> | <u>\$ 653,840</u> | <u>\$ 52,699</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 258,522 | \$ 187,570 | \$ 258,522 | \$ 0 |
| Education | 246,320 | 251,093 | 251,093 | 4,773 |
| <u>Interest on Debt</u> | | | | |
| General Government | 31,317 | 232,860 | 179,456 | 148,139 |
| Education | 33,415 | 212,000 | 165,347 | 131,932 |
| <u>Other Debt Service</u> | | | | |
| General Government | 17,034 | 12,000 | 17,034 | 0 |
| Education | 46,653 | 0 | 46,653 | 0 |
| Total Expenditures | <u>\$ 633,261</u> | <u>\$ 895,523</u> | <u>\$ 918,105</u> | <u>\$ 284,844</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 73,278</u> | <u>\$ (241,683)</u> | <u>\$ (264,265)</u> | <u>\$ 337,543</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 22,582 | \$ 0 | \$ 22,582 | \$ 0 |
| Total Other Financing Sources (Uses) | <u>\$ 22,582</u> | <u>\$ 0</u> | <u>\$ 22,582</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ 95,860 | \$ (241,683) | \$ (241,683) | \$ 337,543 |
| Fund Balance, July 1, 2010 | 910,522 | 581,519 | 581,519 | 329,003 |
| Fund Balance, June 30, 2011 | <u><u>\$ 1,006,382</u></u> | <u><u>\$ 339,836</u></u> | <u><u>\$ 339,836</u></u> | <u><u>\$ 666,546</u></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, 2011

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|---------------------|---------------------|-------------------|
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 37,126 | \$ 1,058,733 | \$ 1,041,225 | \$ 54,634 |
| Accounts Receivable | 72 | 463 | 72 | 463 |
| Cash Shortage | 0 | 1,391 | 0 | 1,391 |
| Total Assets | <u>\$ 37,198</u> | <u>\$ 1,060,587</u> | <u>\$ 1,041,297</u> | <u>\$ 56,488</u> |
| <u>Liabilities</u> | | | | |
| Due to Litigants, Heirs, and Others | \$ 37,198 | \$ 1,060,587 | \$ 1,041,297 | \$ 56,488 |
| Total Liabilities | <u>\$ 37,198</u> | <u>\$ 1,060,587</u> | <u>\$ 1,041,297</u> | <u>\$ 56,488</u> |

Metropolitan School Department

This section presents combining and individual 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, 2011

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|--|---------------------|----------------------------|---|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | |
| Instruction | \$ 5,065,051 | \$ 17,400 | \$ 340,374 | \$ (4,707,277) |
| Support Services | 3,055,313 | 14,934 | 151,807 | (2,888,572) |
| Operation of Non-Instructional Services | 689,349 | 283,180 | 419,421 | 13,252 |
| Interest on Long-term Debt | 10,258 | 0 | 0 | (10,258) |
| Total Governmental Activities | \$ 8,819,971 | \$ 315,514 | \$ 911,602 | \$ (7,592,855) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes Levied for General Purposes | | | | \$ 2,070,368 |
| Local Option Sales Taxes | | | | 321,821 |
| Other Local Taxes | | | | 431 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 4,701,254 |
| Unrestricted Investment Income | | | | 259 |
| Miscellaneous | | | | 5,936 |
| Total General Revenues | | | | \$ 7,100,069 |
| Change in Net Assets | | | | \$ (492,786) |
| Net Assets, July 1, 2010 | | | | 13,350,022 |
| Prior-period Adjustment | | | | 205,575 |
| Net Assets, June 30, 2011 | | | | \$ 13,062,811 |

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2011

| | Major Fund General Purpose School | Nonmajor Funds Other Govern- mental Funds | Total Govern- mental Funds |
|--|---|--|-------------------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 92 | \$ 92 |
| Equity in Pooled Cash and Investments | 683,509 | 117,092 | 800,601 |
| Inventories | 0 | 16,392 | 16,392 |
| Due from Other Governments | 221,147 | 4,840 | 225,987 |
| Property Taxes Receivable | 2,114,469 | 0 | 2,114,469 |
| Allowance for Uncollectible Property Taxes | (53,779) | 0 | (53,779) |
| Total Assets | <u>\$ 2,965,346</u> | <u>\$ 138,416</u> | <u>\$ 3,103,762</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 827 | \$ 3,622 | \$ 4,449 |
| Payroll Deductions Payable | 145,694 | 19,666 | 165,360 |
| Deferred Revenue - Current Property Taxes | 2,008,216 | 0 | 2,008,216 |
| Deferred Revenue - Delinquent Property Taxes | 51,499 | 0 | 51,499 |
| Other Deferred Revenues | 29,036 | 0 | 29,036 |
| Total Liabilities | <u>\$ 2,235,272</u> | <u>\$ 23,288</u> | <u>\$ 2,258,560</u> |
| <u>Fund Balances</u> | | | |
| Nonexpendable: | | | |
| Inventory | \$ 0 | \$ 16,392 | \$ 16,392 |
| Restricted: | | | |
| Restricted for Education | 3,167 | 78,736 | 81,903 |
| Committed: | | | |
| Committed for Education | 24,013 | 20,000 | 44,013 |
| Unassigned | 702,894 | 0 | 702,894 |
| Total Fund Balances | <u>\$ 730,074</u> | <u>\$ 115,128</u> | <u>\$ 845,202</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,965,346</u> | <u>\$ 138,416</u> | <u>\$ 3,103,762</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, 2011

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) | \$ | | 845,202 |
| | | | |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 39,342 | |
| Add: buildings and improvements net of accumulated depreciation | | 12,451,508 | |
| Add: other capital assets net of accumulated depreciation | | <u>353,288</u> | 12,844,138 |
| | | | |
| (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 | \$ | (202,190) | |
| Less: other postemployment benefits liability | | (490,854) | |
| Less: compensated absences payable | | <u>(14,020)</u> | (707,064) |
| | | | |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>80,535</u> |
| Net assets of governmental activities (Exhibit A) | | \$ | <u><u>13,062,811</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, 2011

| | Major Fund <u>General</u> Purpose School | Nonmajor Funds <u>Other</u> Govern- mental Funds | Total Governmental Funds |
|--|--|---|--------------------------------|
| <u>Revenues</u> | | | |
| Local Taxes | \$ 2,396,845 | \$ 0 | \$ 2,396,845 |
| Licenses and Permits | 626 | 0 | 626 |
| Charges for Current Services | 58,429 | 247,106 | 305,535 |
| Other Local Revenues | 15,915 | 259 | 16,174 |
| State of Tennessee | 4,810,682 | 5,663 | 4,816,345 |
| Federal Government | 6,315 | 789,570 | 795,885 |
| Total Revenues | <u>\$ 7,288,812</u> | <u>\$ 1,042,598</u> | <u>\$ 8,331,410</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 4,151,611 | \$ 360,264 | \$ 4,511,875 |
| Support Services | 2,936,653 | 107,753 | 3,044,406 |
| Operation of Non-Instructional Services | 133,198 | 544,471 | 677,669 |
| Capital Outlay | 34,760 | 0 | 34,760 |
| Debt Service: | | | |
| Principal on Debt | 18,843 | 0 | 18,843 |
| Interest on Debt | 10,258 | 0 | 10,258 |
| Capital Projects | 0 | 22,056 | 22,056 |
| Total Expenditures | <u>\$ 7,285,323</u> | <u>\$ 1,034,544</u> | <u>\$ 8,319,867</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 3,489</u> | <u>\$ 8,054</u> | <u>\$ 11,543</u> |
| Net Change in Fund Balances | \$ 3,489 | \$ 8,054 | \$ 11,543 |
| Fund Balance, July 1, 2010 | 726,585 | 107,074 | 833,659 |
| Fund Balance, June 30, 2011 | <u>\$ 730,074</u> | <u>\$ 115,128</u> | <u>\$ 845,202</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, 2011

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) | | \$ | 11,543 |
| (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 | \$ | 27,281 | |
| Less: current-year depreciation expense | | <u>(455,410)</u> | (428,129) |
| (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, 2011 | \$ | 80,535 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2010 | | <u>(84,760)</u> | (4,225) |
| (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 | | | 18,843 |
| (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 | \$ | (90,430) | |
| Change in compensated absences payable | | <u>(388)</u> | <u>(90,818)</u> |
| Change in net assets of governmental activities (Exhibit B) | | | <u>\$ (492,786)</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, 2011

| | <u>Special Revenue Funds</u> | | Total |
|---------------------------------------|------------------------------|------------------|-------------------|
| | School | Central | Nonmajor |
| | Federal | Cafeteria | Governmental |
| | Projects | | Funds |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 92 | \$ 92 |
| Equity in Pooled Cash and Investments | 34,541 | 82,551 | 117,092 |
| Inventories | 0 | 16,392 | 16,392 |
| Due from Other Governments | 4,840 | 0 | 4,840 |
| Total Assets | <u>\$ 39,381</u> | <u>\$ 99,035</u> | <u>\$ 138,416</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 3,622 | \$ 0 | \$ 3,622 |
| Payroll Deductions Payable | 9,079 | 10,587 | 19,666 |
| Total Liabilities | <u>\$ 12,701</u> | <u>\$ 10,587</u> | <u>\$ 23,288</u> |
| <u>Fund Balances</u> | | | |
| Nonexpendable: | | | |
| Inventory | \$ 0 | \$ 16,392 | \$ 16,392 |
| Restricted: | | | |
| Restricted for Education | 6,680 | 72,056 | 78,736 |
| Committed: | | | |
| Committed for Education | 20,000 | 0 | 20,000 |
| Total Fund Balances | <u>\$ 26,680</u> | <u>\$ 88,448</u> | <u>\$ 115,128</u> |
| Total Liabilities and Fund Balances | <u>\$ 39,381</u> | <u>\$ 99,035</u> | <u>\$ 138,416</u> |

Exhibit J-7

Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2011

| | <u>Special Revenue Funds</u> | | | <u>Capital</u> | <u>Total</u> |
|---|------------------------------|-------------------|---------------------|------------------|---------------------|
| | <u>School</u> | <u>Central</u> | <u>Total</u> | <u>Projects</u> | |
| | <u>Federal</u> | <u>Cafeteria</u> | | <u>Education</u> | <u>Nonmajor</u> |
| | <u>Projects</u> | | | <u>Capital</u> | <u>Governmental</u> |
| | | | | <u>Projects</u> | <u>Funds</u> |
| <u>Revenues</u> | | | | | |
| Charges for Current Services | \$ 0 | \$ 247,106 | \$ 247,106 | \$ 0 | \$ 247,106 |
| Other Local Revenues | 0 | 259 | 259 | 0 | 259 |
| State of Tennessee | 0 | 5,663 | 5,663 | 0 | 5,663 |
| Federal Government | 488,279 | 301,291 | 789,570 | 0 | 789,570 |
| Total Revenues | \$ 488,279 | \$ 554,319 | \$ 1,042,598 | \$ 0 | \$ 1,042,598 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Instruction | \$ 360,264 | \$ 0 | \$ 360,264 | \$ 0 | \$ 360,264 |
| Support Services | 107,753 | 0 | 107,753 | 0 | 107,753 |
| Operation of Non-Instructional Services | 16,751 | 527,720 | 544,471 | 0 | 544,471 |
| Capital Projects | 0 | 0 | 0 | 22,056 | 22,056 |
| Total Expenditures | \$ 484,768 | \$ 527,720 | \$ 1,012,488 | \$ 22,056 | \$ 1,034,544 |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | \$ 3,511 | \$ 26,599 | \$ 30,110 | \$ (22,056) | \$ 8,054 |
| Net Change in Fund Balances | \$ 3,511 | \$ 26,599 | \$ 30,110 | \$ (22,056) | \$ 8,054 |
| Fund Balance, July 1, 2010 | 23,169 | 61,849 | 85,018 | 22,056 | 107,074 |
| Fund Balance, June 30, 2011 | \$ 26,680 | \$ 88,448 | \$ 115,128 | \$ 0 | \$ 115,128 |

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 2,396,845 | \$ 2,303,352 | \$ 2,368,793 | \$ 28,052 |
| Licenses and Permits | 626 | 600 | 600 | 26 |
| Charges for Current Services | 58,429 | 70,035 | 55,235 | 3,194 |
| Other Local Revenues | 15,915 | 9,934 | 13,088 | 2,827 |
| State of Tennessee | 4,810,682 | 4,754,574 | 4,818,078 | (7,396) |
| Federal Government | 6,315 | 0 | 6,315 | 0 |
| Total Revenues | \$ 7,288,812 | \$ 7,138,495 | \$ 7,262,109 | \$ 26,703 |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 3,348,829 | \$ 3,516,941 | \$ 3,382,137 | \$ 33,308 |
| Alternative Instruction Program | 84,366 | 83,247 | 84,453 | 87 |
| Special Education Program | 485,457 | 493,650 | 490,574 | 5,117 |
| Vocational Education Program | 232,959 | 248,877 | 235,464 | 2,505 |
| <u>Support Services</u> | | | | |
| Attendance | 7,061 | 7,996 | 7,781 | 720 |
| Health Services | 49,938 | 50,439 | 50,427 | 489 |
| Other Student Support | 310,788 | 311,458 | 310,888 | 100 |
| Regular Instruction Program | 450,059 | 397,835 | 457,644 | 7,585 |
| Special Education Program | 2,776 | 3,375 | 2,865 | 89 |
| Vocational Education Program | 24,982 | 15,478 | 24,984 | 2 |
| Other Programs | 17,264 | 0 | 17,264 | 0 |
| Board of Education | 168,132 | 164,160 | 170,318 | 2,186 |
| Director of Schools | 147,640 | 138,404 | 150,355 | 2,715 |
| Office of the Principal | 471,856 | 472,472 | 478,367 | 6,511 |
| Fiscal Services | 79,531 | 79,911 | 79,611 | 80 |
| Operation of Plant | 687,181 | 697,834 | 697,979 | 10,798 |
| Maintenance of Plant | 168,496 | 179,405 | 177,098 | 8,602 |
| Transportation | 350,949 | 384,697 | 361,072 | 10,123 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | 4,987 | 0 | 4,987 | 0 |
| Community Services | 32,574 | 16,596 | 32,973 | 399 |
| Early Childhood Education | 95,637 | 117,399 | 95,637 | 0 |
| <u>Capital Outlay</u> | | | | |
| Regular Capital Outlay | 34,760 | 30,000 | 40,000 | 5,240 |
| <u>Principal on Debt</u> | | | | |
| Education | 18,843 | 18,843 | 18,843 | 0 |
| <u>Interest on Debt</u> | | | | |
| Education | 10,258 | 10,258 | 10,258 | 0 |
| Total Expenditures | \$ 7,285,323 | \$ 7,439,275 | \$ 7,381,979 | \$ 96,656 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 3,489 | \$ (300,780) | \$ (119,870) | \$ 123,359 |
| Net Change in Fund Balance | \$ 3,489 | \$ (300,780) | \$ (119,870) | \$ 123,359 |
| Fund Balance, July 1, 2010 | 726,585 | 726,587 | 726,587 | (2) |
| Fund Balance, June 30, 2011 | \$ 730,074 | \$ 425,807 | \$ 606,717 | \$ 123,357 |

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|------------|------------------|------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Federal Government | \$ 488,279 | \$ 557,677 | \$ 547,274 | \$ (58,995) |
| Total Revenues | \$ 488,279 | \$ 557,677 | \$ 547,274 | \$ (58,995) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 163,728 | \$ 178,263 | \$ 164,702 | \$ 974 |
| Special Education Program | 186,983 | 232,035 | 234,799 | 47,816 |
| Vocational Education Program | 9,553 | 9,345 | 9,553 | 0 |
| <u>Support Services</u> | | | | |
| Health Services | 11,068 | 12,389 | 11,068 | 0 |
| Other Student Support | 19,368 | 16,630 | 20,082 | 714 |
| Regular Instruction Program | 62,215 | 83,734 | 77,706 | 15,491 |
| Special Education Program | 14,554 | 13,113 | 14,554 | 0 |
| Vocational Education Program | 548 | 630 | 630 | 82 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Early Childhood Education | 16,751 | 14,143 | 16,783 | 32 |
| Total Expenditures | \$ 484,768 | \$ 560,282 | \$ 549,877 | \$ 65,109 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 3,511 | \$ (2,605) | \$ (2,603) | \$ 6,114 |
| Net Change in Fund Balance | \$ 3,511 | \$ (2,605) | \$ (2,603) | \$ 6,114 |
| Fund Balance, July 1, 2010 | 23,169 | 23,169 | 23,169 | 0 |
| Fund Balance, June 30, 2011 | \$ 26,680 | \$ 20,564 | \$ 20,566 | \$ 6,114 |

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, 2011

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|-------------------|-------------------|-------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 247,106 | \$ 282,000 | \$ 282,000 | \$ (34,894) |
| Other Local Revenues | 259 | 550 | 550 | (291) |
| State of Tennessee | 5,663 | 5,300 | 5,300 | 363 |
| Federal Government | 301,291 | 202,000 | 270,576 | 30,715 |
| Total Revenues | <u>\$ 554,319</u> | <u>\$ 489,850</u> | <u>\$ 558,426</u> | <u>\$ (4,107)</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | \$ 527,720 | \$ 495,629 | \$ 564,205 | \$ 36,485 |
| Total Expenditures | <u>\$ 527,720</u> | <u>\$ 495,629</u> | <u>\$ 564,205</u> | <u>\$ 36,485</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 26,599</u> | <u>\$ (5,779)</u> | <u>\$ (5,779)</u> | <u>\$ 32,378</u> |
| Net Change in Fund Balance | \$ 26,599 | \$ (5,779) | \$ (5,779) | \$ 32,378 |
| Fund Balance, July 1, 2010 | <u>61,849</u> | <u>32,127</u> | <u>32,127</u> | <u>29,722</u> |
| Fund Balance, June 30, 2011 | <u>\$ 88,448</u> | <u>\$ 26,348</u> | <u>\$ 26,348</u> | <u>\$ 62,100</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, 2011

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-10 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-11 |
|--|--------------------------|---------------|---------------|--------------------|--------------------|----------------------|-----------------------------------|---------------------|
| PRIMARY GOVERNMENT | | | | | | | | |
| NOTES PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| Health Department Building | \$ 70,000 | 4.75 % | 12-14-01 | 12-13-10 | \$ 4,841 | \$ 0 | 4,841 \$ | 0 |
| Fire Truck | 200,000 | 3.94 | 1-27-06 | 1-23-14 | 106,790 | 0 | 25,359 | 81,431 |
| Land | 225,000 | 3.38 | 11-16-05 | 11-16-14 | 132,896 | 0 | 24,985 | 107,911 |
| Garbage Truck | 120,000 | 3.58 | 6-22-07 | 6-22-13 | 64,347 | 0 | 22,190 | 42,157 |
| Fire Truck | 180,000 | 3.58 | 1-2-08 | 1-2-17 | 144,546 | 0 | 18,562 | 125,984 |
| Park | 300,000 | 4.015 | 6-23-08 | 6-23-20 | 262,492 | 0 | 25,240 | 237,252 |
| Ambulance | 100,000 | 2.83 | 6-25-08 | 6-25-14 | 69,484 | 0 | 35,997 | 33,487 |
| Patrol Cars | 97,000 | 2.09 | 3-2-10 | 3-2-13 | 97,000 | 0 | 31,668 | 65,332 |
| Park Lights | 100,000 | 3.12 | 8-9-10 | 8-9-17 | 0 | 100,000 | 0 | 100,000 |
| Total Notes Payable | | | | | \$ 882,396 | \$ 100,000 | \$ 188,842 | \$ 793,554 |
| OTHER LOANS PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| School Construction | 8,300,000 | Variable | 7-17-07 | 5-25-35 | \$ 7,896,000 | \$ 0 | 212,000 \$ | 7,684,000 |
| School Construction/Public Water | (1) | Variable | 6-9-08 | 5-25-28 | 2,720,980 | 55,000 | 104,000 | 2,671,980 |
| Total Other Loans Payable | | | | | \$ 10,616,980 | \$ 55,000 | \$ 316,000 | \$ 10,355,980 |
| DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT | | | | | | | | |
| CAPITAL LEASES PAYABLE | | | | | | | | |
| <u>Payable through General Purpose School Fund</u> | | | | | | | | |
| TAC Energy Management System | 244,766 | 4.79 | 9-17-08 | 12-15-19 | \$ 221,033 | \$ 0 | 18,843 \$ | 202,190 |
| Total Capital Leases Payable | | | | | \$ 221,033 | \$ 0 | \$ 18,843 | \$ 202,190 |

(1) Total amount approved was \$3,000,000, of which \$28,020 remains available for draws as of June 30, 2011.

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 | | Total |
|---------------------------|------------|------------|------------|
| | Principal | Interest | |
| 2012 | \$ 160,251 | \$ 27,840 | \$ 188,091 |
| 2013 | 181,329 | 22,548 | 203,877 |
| 2014 | 130,855 | 16,554 | 147,409 |
| 2015 | 88,850 | 11,912 | 100,762 |
| 2016 | 63,116 | 8,758 | 71,874 |
| 2017 | 65,205 | 6,440 | 71,645 |
| 2018 | 44,070 | 4,052 | 48,122 |
| 2019 | 29,575 | 2,422 | 31,997 |
| 2020 | 30,303 | 1,237 | 31,540 |
| Total | \$ 793,554 | \$ 101,763 | \$ 895,317 |

| Year Ending June 30 | Other Loans | | | Total |
|---------------------------|---------------|-----------|------------|---------------|
| | Principal | Interest | Other Fees | |
| 2012 | \$ 327,000 | \$ 25,535 | \$ 51,605 | \$ 404,140 |
| 2013 | 339,000 | 24,729 | 50,089 | 413,818 |
| 2014 | 351,000 | 23,893 | 48,519 | 423,412 |
| 2015 | 365,000 | 23,028 | 46,896 | 434,924 |
| 2016 | 377,000 | 22,128 | 45,211 | 444,339 |
| 2017 | 391,000 | 21,198 | 43,471 | 455,669 |
| 2018 | 405,000 | 20,234 | 41,670 | 466,904 |
| 2019 | 421,000 | 19,235 | 39,806 | 480,041 |
| 2020 | 435,000 | 18,197 | 37,872 | 491,069 |
| 2021 | 451,000 | 17,125 | 35,875 | 504,000 |
| 2022 | 469,000 | 16,013 | 33,807 | 518,820 |
| 2023 | 485,000 | 14,856 | 31,660 | 531,516 |
| 2024 | 503,000 | 13,660 | 29,442 | 546,102 |
| 2025 | 521,000 | 12,420 | 27,145 | 560,565 |
| 2026 | 540,000 | 11,135 | 24,768 | 575,903 |
| 2027 | 560,000 | 9,804 | 22,308 | 592,112 |
| 2028 | 552,980 | 8,423 | 19,675 | 581,078 |
| 2029 | 372,000 | 7,059 | 16,194 | 395,253 |
| 2030 | 383,000 | 6,142 | 14,222 | 403,364 |
| 2031 | 396,000 | 5,198 | 12,192 | 413,390 |
| 2032 | 408,000 | 4,221 | 10,094 | 422,315 |
| 2033 | 421,000 | 3,215 | 7,931 | 432,146 |
| 2034 | 435,000 | 2,177 | 5,700 | 442,877 |
| 2035 | 448,000 | 1,107 | 3,312 | 452,419 |
| Total | \$ 10,355,980 | 330,732 | 699,464 | \$ 11,386,176 |

(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 | |
| 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 | 2,800 | 29,101 |
| 2019 | 27,584 | 1,516 | 29,100 |
| 2020 | 14,293 | 257 | 14,550 |
| Total | \$ 202,190 | \$ 45,163 | \$ 247,353 |

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2011

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|--|---------------------------------|--|---------------------|
| Solid Waste/Sanitation Water and Sewer Department | General Debt Service General | Debt payment Surcharges to help retire debt | \$ 22,582 22,993 |
| Total Transfers | | | <u>\$ 45,575</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, 2011

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|--|---------------------------|-----------|---------------------------------|
| Metropolitan Mayor | Section 8-24-102, TCA and Metropolitan Council | \$ 60,350 | \$ 25,000 | RLI Insurance Company |
| Highway Superintendent Director of Schools | Section 8-24-102, TCA State Board of Education and Metropolitan Board of Education | 60,350 | 100,000 | " |
| Trustee | Section 8-24-102, TCA | 75,000 (1) | 50,000 | Western Surety Company |
| Assessor of Property | Section 8-24-102, TCA | 52,251 | 479,000 | Auto-Owners (Mutual) Insurance |
| Metropolitan Clerk | Section 8-24-102, TCA | 52,251 | 10,000 | RLI Insurance Company |
| Circuit Court Clerk: | Section 8-24-102, TCA | 52,251 | 25,000 | " |
| Trixie Harrison (7-1-10 through 8-31-10) | Section 8-24-102, TCA | 8,708 | 25,000 | " |
| Heather Smith (9-1-10 through 6-30-11) | Section 8-24-102, TCA | 43,543 | 25,000 | " |
| Clerk and Master | Section 8-24-102, TCA | 52,251 | 25,000 | " |
| Register: | | | | |
| Barbara Durm (7-1-10 through 8-31-10) | Section 8-24-102, TCA | 8,708 | 25,000 | " |
| Pam Wells (9-1-10 through 6-30-11) | Section 8-24-102, TCA | 43,543 | 25,000 | " |
| Sheriff | Section 8-24-102, TCA | 57,477 (2) | 25,000 | " |
| <u>Employee Bonds</u> | | | | |
| Metropolitan Employees | | | 150,000 | Tennessee Risk Management Trust |
| School Department Employees | | | 150,000 | " |

- (1) Includes a 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, 2011

| | Special Revenue Funds | | | | | | | Total |
|--|-----------------------|----------------|--------------------------|--------------|--------------------------------|------------------------|----------------------|--------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | |
| <u>Local Taxes</u> | | | | | | | | |
| <u>County Property Taxes</u> | | | | | | | | |
| Current Property Tax | \$ 1,556,049 | \$ 12,244 | \$ 183,205 | \$ 0 | \$ 0 | \$ 27,508 | \$ 320,554 | \$ 2,099,560 |
| Trustee's Collections - Prior Year | 48,048 | 1,159 | 5,763 | 0 | 0 | 830 | 10,085 | 65,885 |
| Circuit/Clerk & Master Collections - Prior Years | 7,958 | 0 | 933 | 0 | 0 | 141 | 1,607 | 10,639 |
| Interest and Penalty | 6,876 | 200 | 966 | 0 | 0 | 146 | 1,690 | 9,878 |
| Payments in-Lieu-of Taxes - T.V.A. | 0 | 6,440 | 0 | 0 | 0 | 0 | 0 | 6,440 |
| <u>County Local Option Taxes</u> | | | | | | | | |
| Local Option Sales Tax | 157,574 | 0 | 0 | 0 | 0 | 0 | 157,575 | 315,149 |
| Hotel/Motel Tax | 4,574 | 0 | 0 | 0 | 0 | 0 | 0 | 4,574 |
| Litigation Tax - General | 22,101 | 0 | 0 | 0 | 0 | 0 | 0 | 22,101 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 2,492 | 0 | 0 | 0 | 0 | 0 | 0 | 2,492 |
| Business Tax | 20,717 | 0 | 0 | 0 | 0 | 0 | 0 | 20,717 |
| Mineral Severance Tax | 0 | 0 | 0 | 0 | 0 | 716 | 0 | 716 |
| <u>Statutory Local Taxes</u> | | | | | | | | |
| Wholesale Beer Tax | 67,969 | 0 | 0 | 0 | 0 | 0 | 0 | 67,969 |
| Interstate Telecommunications Tax | 522 | 0 | 0 | 0 | 0 | 0 | 0 | 522 |
| Other Statutory Local Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 192,034 | 192,034 |
| Total Local Taxes | \$ 1,894,880 | \$ 20,043 | \$ 190,867 | \$ 0 | \$ 0 | \$ 29,341 | \$ 683,545 | \$ 2,818,676 |
| <u>Licenses and Permits</u> | | | | | | | | |
| <u>Licenses</u> | | | | | | | | |
| Cable TV Franchise | \$ 7,796 | \$ 2,801 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,597 |
| <u>Permits</u> | | | | | | | | |
| Building Permits | 7,440 | 0 | 0 | 0 | 0 | 0 | 0 | 7,440 |
| Total Licenses and Permits | \$ 15,236 | \$ 2,801 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 18,037 |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | | | | |
| <u>Circuit Court</u> | | | | | | | | |
| Fines | \$ 4,415 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 4,415 |
| Officers Costs | 714 | 0 | 0 | 0 | 0 | 0 | 0 | 714 |
| Game and Fish Fines | 450 | 0 | 0 | 0 | 0 | 0 | 0 | 450 |

(Continued)

Exhibit K-5

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

| | Special Revenue Funds | | | | | | Debt Service Fund | Total |
|--|-----------------------|----------------|--------------------------|--------------|--------------------------------|------------------------|-------------------|-------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | | |
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> | | | | | | | | |
| <u>Circuit Court (Cont.)</u> | | | | | | | | |
| Drug Control Fines | \$ 0 | \$ 0 | \$ 0 | \$ 424 | \$ 0 | \$ 0 | 424 | |
| Drug Court Fees | 612 | 0 | 0 | 145 | 0 | 0 | 757 | |
| Jail Fees | 18 | 0 | 0 | 0 | 0 | 0 | 18 | |
| DUI Treatment Fines | 85 | 0 | 0 | 0 | 0 | 0 | 85 | |
| Data Entry Fee - Circuit Court | 148 | 0 | 0 | 0 | 0 | 0 | 148 | |
| Courtroom Security Fee | 46 | 0 | 0 | 0 | 0 | 0 | 46 | |
| <u>General Sessions Court</u> | | | | | | | | |
| Fines | 14,506 | 0 | 0 | 0 | 0 | 0 | 14,506 | |
| Officers Costs | 8,134 | 0 | 0 | 0 | 0 | 0 | 8,134 | |
| Game and Fish Fines | 28 | 0 | 0 | 0 | 0 | 0 | 28 | |
| Drug Control Fines | 0 | 0 | 0 | 2,292 | 0 | 0 | 2,292 | |
| Drug Court Fees | 505 | 0 | 0 | 0 | 0 | 0 | 505 | |
| Jail Fees | 6,472 | 0 | 0 | 0 | 0 | 0 | 6,472 | |
| DUI Treatment Fines | 1,111 | 0 | 0 | 0 | 0 | 0 | 1,111 | |
| Data Entry Fee - General Sessions Court | 1,024 | 0 | 0 | 0 | 0 | 0 | 1,024 | |
| Courtroom Security Fee | 2 | 0 | 0 | 0 | 0 | 0 | 2 | |
| <u>Juvenile Court</u> | | | | | | | | |
| Fines | 100 | 0 | 0 | 0 | 0 | 0 | 100 | |
| <u>Chancery Court</u> | | | | | | | | |
| Officers Costs | 452 | 0 | 0 | 0 | 0 | 0 | 452 | |
| Data Entry Fee - Chancery Court | 82 | 0 | 0 | 0 | 0 | 0 | 82 | |
| Total Fines, Forfeitures, and Penalties | \$ 38,904 | \$ 0 | \$ 0 | \$ 2,861 | \$ 0 | \$ 0 | 41,765 | |
| <u>Charges for Current Services</u> | | | | | | | | |
| <u>General Service Charges</u> | | | | | | | | |
| Surcharge - Host Agency | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 22,994 | 22,994 | |
| Solid Waste Disposal Fees | 0 | 0 | 191,094 | 0 | 0 | 0 | 191,094 | |
| Patient Charges | 121,998 | 0 | 0 | 0 | 0 | 0 | 121,998 | |
| Other General Service Charges | 38 | 0 | 0 | 0 | 0 | 0 | 38 | |

(Continued)

Exhibit K-5

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

| | Special Revenue Funds | | | | | | | Debt Service Fund | Total |
|--|-----------------------|----------------|--------------------------|--------------|--------------------------------|------------------------|----------------------|-------------------|------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | | |
| <u>Charges for Current Services (Cont.)</u> | | | | | | | | | |
| <u>Fees</u> | | | | | | | | | |
| Recreation Fees | 7,151 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,151 |
| Copy Fees | 111 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 111 |
| Library Fees | 1,647 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,647 |
| Vending Machine Collections | 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 0 | 0 | 21 | 0 | 0 | 0 | 21 |
| Data Processing Fee - Register | 2,066 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,066 |
| Data Processing Fee - Sheriff | 708 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 708 |
| Sexual Offender Registration Fees - Sheriff | 1,050 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,050 |
| Data Processing Fee - County Clerk | 516 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 516 |
| Total Charges for Current Services | \$ 135,329 | \$ 0 | \$ 191,094 | \$ 0 | \$ 21 | \$ 0 | \$ 22,994 | \$ 0 | \$ 349,438 |
| <u>Other Local Revenues</u> | | | | | | | | | |
| <u>Recurring Items</u> | | | | | | | | | |
| Investment Income | 60,849 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 60,849 |
| Lease/Rentals | 11,308 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,308 |
| Commissary Sales | 3,476 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,476 |
| Sale of Recycled Materials | 1,260 | 0 | 38,273 | 0 | 0 | 0 | 0 | 0 | 39,533 |
| Refund of Telecommunication and Internet Fees (E-Rate) | 982 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 982 |
| Miscellaneous Refunds | 10,705 | 0 | 5,127 | 891 | 0 | 11,630 | 0 | 0 | 28,353 |
| <u>Nonrecurring Items</u> | | | | | | | | | |
| Sale of Equipment | 0 | 0 | 1,100 | 0 | 0 | 0 | 0 | 0 | 1,100 |
| Damages Recovered from Individuals | 410 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 410 |
| Contributions and Gifts | 11,301 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,301 |
| <u>Other Local Revenues</u> | | | | | | | | | |
| Other Local Revenues | 259 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 259 |
| Total Other Local Revenues | \$ 100,550 | \$ 0 | \$ 44,500 | \$ 891 | \$ 0 | \$ 11,630 | \$ 0 | \$ 0 | \$ 157,571 |
| <u>Fees Received from County Officials</u> | | | | | | | | | |
| <u>Fees in-Lieu-of Salary</u> | | | | | | | | | |
| County Clerk | \$ 46,707 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 46,707 |

(Continued)

Exhibit K-5

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

| | Special Revenue Funds | | | | | | | Debt Service Fund | Total |
|--|-----------------------|----------------|--------------------------|--------------|--------------------------------|------------------------|----------------------|-------------------|-------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | | |
| <u>Fees Received from County Officials (Cont.)</u> | | | | | | | | | |
| <u>Fees in-Lieu-of Salary (Cont.)</u> | | | | | | | | | |
| Circuit Court Clerk | \$ 15,713 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 15,713 |
| General Sessions Court Clerk | 25,659 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25,659 |
| Clerk and Master | 14,753 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,753 |
| Juvenile Court Clerk | 1,746 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,746 |
| Register | 26,482 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,482 |
| Sheriff | 3,785 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,785 |
| Trustee | 126,896 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 126,896 |
| Total Fees Received from County Officials | \$ 261,741 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 261,741 |
| <u>State of Tennessee</u> | | | | | | | | | |
| <u>General Government Grants</u> | | | | | | | | | |
| Juvenile Services Program | \$ 9,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 9,000 |
| Solid Waste Grants | 0 | 0 | 4,145 | 0 | 0 | 0 | 0 | 0 | 4,145 |
| <u>Public Safety Grants</u> | | | | | | | | | |
| Law Enforcement Training Programs | 7,800 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7,800 |
| Health and Welfare Grants | | | | | | | | | |
| Health Department Programs | 96,570 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 96,570 |
| <u>Public Works Grants</u> | | | | | | | | | |
| State Aid Program | 0 | 0 | 0 | 0 | 0 | 195,360 | 0 | 0 | 195,360 |
| Litter Program | 0 | 0 | 9,696 | 0 | 0 | 0 | 0 | 0 | 9,696 |
| <u>Other State Revenues</u> | | | | | | | | | |
| Income Tax | 23,855 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,855 |
| Beer Tax | 18,983 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,983 |
| Alcoholic Beverage Tax | 12,180 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,180 |
| State Revenue Sharing - T.V.A. | 184,826 | 1,417 | 0 | 0 | 0 | 0 | 0 | 0 | 186,243 |
| Contracted Prisoner Boarding | 97,582 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 97,582 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 0 | 0 | 1,172,808 | 0 | 0 | 1,172,808 |
| Petroleum Special Tax | 0 | 0 | 0 | 0 | 0 | 5,588 | 0 | 0 | 5,588 |
| Registrar's Salary Supplement | 15,164 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,164 |
| State Shared Sales Tax - Cities | 33,425 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33,425 |

(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 | |
|---|-----------------------|-------------------|--------------------------------|-----------------|---|------------------------------|-------------------------|----------------------------|
| | General | Urban Services | Solid Waste / Sanitation | Drug Control | Constitu- tional Officers - Fees | Highway / Public Works | | General Debt Service |
| State of Tennessee (Cont.) | | | | | | | | |
| Other State Revenues (Cont.) | | | | | | | | |
| Other State Grants | \$ 3,440 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,440 |
| Other State Revenues | 530 | 0 | 0 | 0 | 0 | 0 | 0 | 530 |
| Total State of Tennessee | \$ 503,355 | \$ 1,417 | \$ 13,841 | \$ 0 | \$ 1,373,756 | \$ 0 | \$ 0 | \$ 1,892,369 |
| Federal Government | | | | | | | | |
| Federal Through State | | | | | | | | |
| Homeland Security Grants | \$ 12,936 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12,936 |
| Other Federal through State | 8,499 | 0 | 0 | 0 | 0 | 0 | 0 | 8,499 |
| Total Federal Government | \$ 21,435 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 21,435 |
| Other Governments and Citizens Groups | | | | | | | | |
| Citizens Groups | | | | | | | | |
| Donations | \$ 785 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 785 |
| Total Other Governments and Citizens Groups | \$ 785 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 785 |
| Total | \$ 2,972,215 | \$ 24,261 | \$ 440,302 | \$ 3,752 | \$ 1,414,727 | \$ 21 | \$ 706,539 | \$ 5,561,817 |

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, 2011

| | General Purpose School | School Federal Projects | Central Cafeteria | Total |
|--|------------------------------|-------------------------------|----------------------|---------------------|
| <u>Local Taxes</u> | | | | |
| <u>County Property Taxes</u> | | | | |
| Current Property Tax | \$ 2,002,245 | \$ 0 | \$ 0 | \$ 2,002,245 |
| Trustee's Collections - Prior Year | 57,128 | 0 | 0 | 57,128 |
| Circuit/Clerk & Master Collections - Prior Years | 10,220 | 0 | 0 | 10,220 |
| Interest and Penalty | 10,526 | 0 | 0 | 10,526 |
| <u>County Local Option Taxes</u> | | | | |
| Local Option Sales Tax | 316,285 | 0 | 0 | 316,285 |
| <u>Statutory Local Taxes</u> | | | | |
| Interstate Telecommunications Tax | 441 | 0 | 0 | 441 |
| Total Local Taxes | \$ 2,396,845 | \$ 0 | \$ 0 | \$ 2,396,845 |
| <u>Licenses and Permits</u> | | | | |
| <u>Licenses</u> | | | | |
| Marriage Licenses | \$ 626 | \$ 0 | \$ 0 | \$ 626 |
| Total Licenses and Permits | \$ 626 | \$ 0 | \$ 0 | \$ 626 |
| <u>Charges for Current Services</u> | | | | |
| <u>Education Charges</u> | | | | |
| Tuition - Regular Day Students | \$ 17,400 | \$ 0 | \$ 0 | \$ 17,400 |
| Lunch Payments - Children | 0 | 0 | 157,514 | 157,514 |
| Lunch Payments - Adults | 0 | 0 | 17,078 | 17,078 |
| Income from Breakfast | 0 | 0 | 18,099 | 18,099 |
| A la carte Sales | 0 | 0 | 54,415 | 54,415 |
| Receipts from Individual Schools | 2,915 | 0 | 0 | 2,915 |
| Community Service Fees - Children | 36,074 | 0 | 0 | 36,074 |
| TBI Criminal Background Fees | 2,040 | 0 | 0 | 2,040 |
| Total Charges for Current Services | \$ 58,429 | \$ 0 | \$ 247,106 | \$ 305,535 |
| <u>Other Local Revenues</u> | | | | |
| <u>Recurring Items</u> | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 259 | \$ 259 |
| Sale of Materials and Supplies | 2,578 | 0 | 0 | 2,578 |
| Refund of Telecommunication and Internet Fees (E-Rate) | 9,979 | 0 | 0 | 9,979 |
| Miscellaneous Refunds | 3,156 | 0 | 0 | 3,156 |
| <u>Other Local Revenues</u> | | | | |
| Other Local Revenues | 202 | 0 | 0 | 202 |
| Total Other Local Revenues | \$ 15,915 | \$ 0 | \$ 259 | \$ 16,174 |
| <u>State of Tennessee</u> | | | | |
| <u>General Government Grants</u> | | | | |
| On-Behalf Contributions for OPEB | \$ 17,264 | \$ 0 | \$ 0 | \$ 17,264 |
| <u>State Education Funds</u> | | | | |
| Basic Education Program | 4,020,643 | 0 | 0 | 4,020,643 |
| Basic Education Program - ARRA | 468,357 | 0 | 0 | 468,357 |
| Early Childhood Education | 95,637 | 0 | 0 | 95,637 |
| School Food Service | 0 | 0 | 5,663 | 5,663 |
| Driver Education | 2,001 | 0 | 0 | 2,001 |
| Coordinated School Health - ARRA | 85,000 | 0 | 0 | 85,000 |
| Statewide Student Management System (SSMS) - ARRA | 2,452 | 0 | 0 | 2,452 |

(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 | Total |
|--|------------------------------|-------------------------------|----------------------|--------------|
| <u>State of Tennessee (Cont.)</u> | | | | |
| <u>State Education Funds (Cont.)</u> | | | | |
| Career Ladder Program | \$ 57,893 | \$ 0 | \$ 0 | \$ 57,893 |
| Career Ladder - Extended Contract - ARRA | 8,887 | 0 | 0 | 8,887 |
| <u>Other State Revenues</u> | | | | |
| Beer Tax | 42,218 | 0 | 0 | 42,218 |
| Child Support Collections | 4,785 | 0 | 0 | 4,785 |
| Safe Schools - ARRA | 5,545 | 0 | 0 | 5,545 |
| Total State of Tennessee | \$ 4,810,682 | \$ 0 | \$ 5,663 | \$ 4,816,345 |
| <u>Federal Government</u> | | | | |
| <u>Federal Through State</u> | | | | |
| USDA School Lunch Program | \$ 0 | \$ 0 | \$ 227,469 | \$ 227,469 |
| Breakfast | 0 | 0 | 73,822 | 73,822 |
| Vocational Education - Basic Grants to States | 0 | 12,603 | 0 | 12,603 |
| Title I Grants to Local Education Agencies | 0 | 147,361 | 0 | 147,361 |
| Special Education - Grants to States | 0 | 217,605 | 0 | 217,605 |
| Special Education Preschool Grants | 0 | 10,563 | 0 | 10,563 |
| Eisenhower Professional Development State Grants | 0 | 24,288 | 0 | 24,288 |
| Race to the Top - ARRA | 0 | 36,204 | 0 | 36,204 |
| Other Federal through State | 6,315 | 39,655 | 0 | 45,970 |
| Total Federal Government | \$ 6,315 | \$ 488,279 | \$ 301,291 | \$ 795,885 |
| Total | \$ 7,288,812 | \$ 488,279 | \$ 554,319 | \$ 8,331,410 |

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, 2011

General Fund

General Government

County Commission

| | | | |
|---------------------------------|----|--------|------------|
| Other Per Diem and Fees | \$ | 3,660 | |
| Audit Services | | 1,722 | |
| Dues and Memberships | | 1,020 | |
| Liability Insurance | | 59,042 | |
| Trustee's Commission | | 41,845 | |
| Workers' Compensation Insurance | | 20,620 | |
| Total County Commission | | | \$ 127,909 |

County Mayor/Executive

| | | | |
|---|----|--------|---------|
| County Official/Administrative Officer | \$ | 60,350 | |
| Accountants/Bookkeepers | | 29,712 | |
| Longevity Pay | | 1,000 | |
| Communication | | 1,201 | |
| Data Processing Services | | 4,704 | |
| Dues and Memberships | | 5,175 | |
| Legal Notices, Recording, and Court Costs | | 12,127 | |
| Printing, Stationery, and Forms | | 944 | |
| Travel | | 140 | |
| Premiums on Corporate Surety Bonds | | 266 | |
| Other Charges | | 148 | |
| Office Equipment | | 994 | |
| Total County Mayor/Executive | | | 116,761 |

County Attorney

| | | | |
|--|----|-------|-------|
| County Official/Administrative Officer | \$ | 6,367 | |
| Total County Attorney | | | 6,367 |

Election Commission

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 47,026 | |
| Other Salaries and Wages | | 2,490 | |
| Election Workers | | 4,672 | |
| In-Service Training | | 100 | |
| Communication | | 843 | |
| Dues and Memberships | | 120 | |
| Legal Notices, Recording, and Court Costs | | 2,443 | |
| Maintenance and Repair Services - Office Equipment | | 3,200 | |
| Postal Charges | | 499 | |
| Printing, Stationery, and Forms | | 1,966 | |
| Travel | | 3,623 | |
| Other Contracted Services | | 4,139 | |

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

| | | | |
|---------------------------|----|-----|-----------|
| Office Supplies | \$ | 28 | |
| Office Equipment | | 158 | |
| Total Election Commission | | | \$ 71,307 |

Register of Deeds

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 1,168 | |
| Communication | | 1,413 | |
| Dues and Memberships | | 380 | |
| Maintenance Agreements | | 1,614 | |
| Printing, Stationery, and Forms | | 2,805 | |
| Travel | | 111 | |
| Premiums on Corporate Surety Bonds | | 266 | |
| Office Equipment | | 1,944 | |
| Total Register of Deeds | | | 61,952 |

Planning

| | | | |
|--|----|-------|--------|
| County Official/Administrative Officer | \$ | 4,577 | |
| Communication | | 402 | |
| Contracts with Government Agencies | | 8,250 | |
| Other Contracted Services | | 3,150 | |
| Office Supplies | | 13 | |
| Other Charges | | 246 | |
| Total Planning | | | 16,638 |

County Buildings

| | | | |
|---|----|--------|--------|
| Custodial Personnel | \$ | 15,600 | |
| Legal Notices, Recording, and Court Costs | | 540 | |
| Maintenance and Repair Services - Buildings | | 15,118 | |
| Pest Control | | 317 | |
| Postal Charges | | 4,346 | |
| Custodial Supplies | | 3,365 | |
| Electricity | | 14,920 | |
| General Construction Materials | | 14,797 | |
| Natural Gas | | 4,706 | |
| Office Supplies | | 3,575 | |
| Water and Sewer | | 3,388 | |
| Other Supplies and Materials | | 9 | |
| Total County Buildings | | | 80,681 |

(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.)

Preservation of Records

| | | | |
|-------------------------------|----|-------|----------|
| Part-time Personnel | \$ | 3,281 | |
| Communication | | 683 | |
| Data Processing Services | | 47 | |
| Maintenance Agreements | | 466 | |
| Postal Charges | | 90 | |
| Office Supplies | | 4,295 | |
| Total Preservation of Records | | | \$ 8,862 |

Finance

Property Assessor's Office

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 10,652 | |
| Other Per Diem and Fees | | 869 | |
| Communication | | 394 | |
| Data Processing Services | | 2,284 | |
| Legal Notices, Recording, and Court Costs | | 137 | |
| Travel | | 571 | |
| Other Contracted Services | | 5,900 | |
| Total Property Assessor's Office | | | 73,058 |

County Trustee's Office

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 2,720 | |
| In-Service Training | | 770 | |
| Communication | | 416 | |
| Data Processing Services | | 4,507 | |
| Dues and Memberships | | 424 | |
| Legal Notices, Recording, and Court Costs | | 344 | |
| Printing, Stationery, and Forms | | 83 | |
| Travel | | 687 | |
| Office Supplies | | 60 | |
| Premiums on Corporate Surety Bonds | | 2,204 | |
| Office Equipment | | 190 | |
| Total County Trustee's Office | | | 64,656 |

County Clerk's Office

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 10,993 | |
| Communication | | 438 | |
| Dues and Memberships | | 360 | |

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

| | | | |
|------------------------------------|----|-----|-----------|
| Printing, Stationery, and Forms | \$ | 316 | |
| Premiums on Corporate Surety Bonds | | 263 | |
| Office Equipment | | 29 | |
| Total County Clerk's Office | | | \$ 64,650 |

Administration of Justice

Circuit Court

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 7,972 | |
| Jury and Witness Expense | | 990 | |
| Communication | | 434 | |
| Data Processing Services | | 3,647 | |
| Dues and Memberships | | 758 | |
| Legal Notices, Recording, and Court Costs | | 571 | |
| Maintenance Agreements | | 2,257 | |
| Printing, Stationery, and Forms | | 777 | |
| Travel | | 47 | |
| Other Contracted Services | | 1,438 | |
| Premiums on Corporate Surety Bonds | | 266 | |
| Office Equipment | | 1,796 | |
| Total Circuit Court | | | 73,204 |

General Sessions Court

| | | | |
|------------------------------|----|--------|--------|
| Judge(s) | \$ | 62,195 | |
| Travel | | 188 | |
| Total General Sessions Court | | | 62,383 |

Chancery Court

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 52,251 | |
| Part-time Personnel | | 1,339 | |
| Communication | | 398 | |
| Dues and Memberships | | 345 | |
| Printing, Stationery, and Forms | | 357 | |
| Travel | | 99 | |
| Periodicals | | 361 | |
| Office Equipment | | 756 | |
| Total Chancery Court | | | 55,906 |

Juvenile Court

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

(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.)

Judicial Commissioners

| | | | |
|--|----|--------|-----------|
| County Official/Administrative Officer | \$ | 12,363 | |
| Communication | | 453 | |
| Total Judicial Commissioners | | | \$ 12,816 |

Public Safety

Sheriff's Department

| | | | |
|---|----|---------|---------|
| County Official/Administrative Officer | \$ | 57,477 | |
| Supervisor/Director | | 35,888 | |
| Deputy(ies) | | 220,600 | |
| Investigator(s) | | 33,956 | |
| Sergeant(s) | | 33,034 | |
| Dispatchers/Radio Operators | | 121,275 | |
| Longevity Pay | | 27,000 | |
| Overtime Pay | | 532 | |
| Other Salaries and Wages | | 15,386 | |
| In-Service Training | | 9,645 | |
| Communication | | 6,770 | |
| Contracts with Private Agencies | | 5,780 | |
| Dues and Memberships | | 35 | |
| Maintenance and Repair Services - Equipment | | 130 | |
| Maintenance and Repair Services - Vehicles | | 15,388 | |
| Postal Charges | | 700 | |
| Printing, Stationery, and Forms | | 2,899 | |
| Transportation - Other than Students | | 400 | |
| Travel | | 639 | |
| Other Contracted Services | | 1,363 | |
| Drugs and Medical Supplies | | 247 | |
| Gasoline | | 41,763 | |
| Office Supplies | | 1,514 | |
| Uniforms | | 5,664 | |
| Other Charges | | 1,629 | |
| Data Processing Equipment | | 1,843 | |
| Law Enforcement Equipment | | 8,395 | |
| Total Sheriff's Department | | | 649,952 |

Administration of the Sexual Offender Registry

| | | | |
|--|----|-----|-----|
| Other Contracted Services | \$ | 350 | |
| Office Supplies | | 292 | |
| Total Administration of the Sexual Offender Registry | | | 642 |

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

| | | | |
|---|----|---------|------------|
| Foremen | \$ | 25,243 | |
| Guards | | 109,950 | |
| Secretary(ies) | | 23,572 | |
| Longevity Pay | | 4,000 | |
| Overtime Pay | | 171 | |
| Other Salaries and Wages | | 6,691 | |
| In-Service Training | | 1,116 | |
| Contracts with Government Agencies | | 1,865 | |
| Maintenance and Repair Services - Buildings | | 7,265 | |
| Maintenance and Repair Services - Equipment | | 524 | |
| Medical and Dental Services | | 15,170 | |
| Pest Control | | 157 | |
| Other Contracted Services | | 1,811 | |
| Custodial Supplies | | 2,657 | |
| Drugs and Medical Supplies | | 2,557 | |
| Electricity | | 16,972 | |
| Food Preparation Supplies | | 1,069 | |
| Food Supplies | | 27,253 | |
| Natural Gas | | 2,686 | |
| Prisoners Clothing | | 1,267 | |
| Uniforms | | 2,129 | |
| Water and Sewer | | 10,285 | |
| Other Charges | | 641 | |
| Total Jail | | | \$ 265,051 |

Commissary

| | | | |
|---------------------------------|----|-----|-------|
| Postal Charges | \$ | 125 | |
| Printing, Stationery, and Forms | | 273 | |
| Drugs and Medical Supplies | | 138 | |
| Food Supplies | | 617 | |
| Total Commissary | | | 1,153 |

Fire Prevention and Control

| | | |
|---|----|--------|
| Part-time Personnel | \$ | 12,363 |
| In-Service Training | | 3,573 |
| Communication | | 409 |
| Maintenance Agreements | | 5,926 |
| Maintenance and Repair Services - Buildings | | 3,026 |
| Maintenance and Repair Services - Vehicles | | 17,376 |
| Pest Control | | 157 |

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

| | | | |
|-----------------------------------|----|--------|------------|
| Electricity | \$ | 3,082 | |
| Gasoline | | 4,808 | |
| Natural Gas | | 4,884 | |
| Office Supplies | | 406 | |
| Water and Sewer | | 677 | |
| Excess Risk Insurance | | 1,479 | |
| Other Equipment | | 50,184 | |
| Total Fire Prevention and Control | | | \$ 108,350 |

Other Emergency Management

| | | | |
|----------------------------------|----|--------|--------|
| Communication | \$ | 1,910 | |
| Other Supplies and Materials | | 29,523 | |
| Other Equipment | | 812 | |
| Total Other Emergency Management | | | 32,245 |

Public Health and Welfare

Local Health Center

| | | | |
|---|----|--------|--------|
| Medical Personnel | \$ | 52,388 | |
| Communication | | 1,902 | |
| Contracts with Government Agencies | | 14,100 | |
| Contracts with Private Agencies | | 4,400 | |
| Maintenance and Repair Services - Buildings | | 7,305 | |
| Pest Control | | 173 | |
| Travel | | 779 | |
| Other Contracted Services | | 200 | |
| Drugs and Medical Supplies | | 20 | |
| Office Supplies | | 134 | |
| Utilities | | 6,014 | |
| Water and Sewer | | 88 | |
| Total Local Health Center | | | 87,503 |

Rabies and Animal Control

| | | | |
|---------------------------------|----|-----|-----|
| Other Supplies and Materials | \$ | 945 | |
| Total Rabies and Animal Control | | | 945 |

Ambulance/Emergency Medical Services

| | | | |
|---------------------|----|---------|--|
| Supervisor/Director | \$ | 40,600 | |
| Paraprofessionals | | 172,827 | |
| Part-time Personnel | | 10,236 | |
| Longevity Pay | | 10,000 | |

(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.)

| | | | |
|---|----|--------|------------|
| Overtime Pay | \$ | 33,462 | |
| Other Salaries and Wages | | 1,050 | |
| In-Service Training | | 669 | |
| Communication | | 3,203 | |
| Data Processing Services | | 9,125 | |
| Dues and Memberships | | 1,320 | |
| Maintenance and Repair Services - Buildings | | 1,781 | |
| Maintenance and Repair Services - Equipment | | 3,526 | |
| Maintenance and Repair Services - Vehicles | | 3,897 | |
| Medical and Dental Services | | 1,000 | |
| Pest Control | | 157 | |
| Postal Charges | | 204 | |
| Travel | | 479 | |
| Drugs and Medical Supplies | | 6,326 | |
| Electricity | | 3,314 | |
| Gasoline | | 6,398 | |
| Natural Gas | | 1,418 | |
| Office Supplies | | 134 | |
| Uniforms | | 1,822 | |
| Water and Sewer | | 996 | |
| Other Supplies and Materials | | 1,898 | |
| Refunds | | 2,039 | |
| Total Ambulance/Emergency Medical Services | | | \$ 317,881 |

Alcohol and Drug Programs

| | | | |
|---------------------------------|----|-------|-------|
| Drug Treatment | \$ | 1,285 | |
| Other Supplies and Materials | | 1,606 | |
| Total Alcohol and Drug Programs | | | 2,891 |

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 | \$ | 8,500 | |
| Total Senior Citizens Assistance | | | 8,500 |

Libraries

| | | | |
|--------------|----|--------|--|
| Assistant(s) | \$ | 17,679 | |
|--------------|----|--------|--|

(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.)

| | | | |
|---|----|--------|-----------|
| Supervisor/Director | \$ | 25,756 | |
| Part-time Personnel | | 13,299 | |
| Longevity Pay | | 2,000 | |
| Communication | | 1,577 | |
| Data Processing Services | | 876 | |
| Dues and Memberships | | 75 | |
| Maintenance and Repair Services - Buildings | | 955 | |
| Pest Control | | 141 | |
| Postal Charges | | 850 | |
| Printing, Stationery, and Forms | | 66 | |
| Travel | | 324 | |
| Custodial Supplies | | 365 | |
| Electricity | | 4,517 | |
| Instructional Supplies and Materials | | 341 | |
| Library Books/Media | | 4,439 | |
| Natural Gas | | 1,734 | |
| Office Supplies | | 2,067 | |
| Periodicals | | 538 | |
| Water and Sewer | | 714 | |
| Office Equipment | | 5,615 | |
| Total Libraries | | | \$ 83,928 |

Parks and Fair Boards

| | | | |
|---|----|---------|---------|
| Assistant(s) | \$ | 986 | |
| Supervisor/Director | | 9,228 | |
| Attendants | | 9,894 | |
| Communication | | 764 | |
| Dues and Memberships | | 340 | |
| Maintenance and Repair Services - Buildings | | 6,420 | |
| Maintenance and Repair Services - Equipment | | 4,888 | |
| Rentals | | 671 | |
| Electricity | | 14,554 | |
| General Construction Materials | | 116,500 | |
| Natural Gas | | 876 | |
| Water and Sewer | | 8,925 | |
| Chemicals | | 1,373 | |
| Other Supplies and Materials | | 83,770 | |
| Total Parks and Fair Boards | | | 259,189 |

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

| | | | |
|-------------------------------------|----|--------|-----------|
| Salary Supplements | \$ | 32,953 | |
| Part-time Personnel | | 5,383 | |
| Communication | | 1,115 | |
| Data Processing Services | | 2,000 | |
| Travel | | 6,998 | |
| Other Charges | | 305 | |
| Total Agriculture Extension Service | | | \$ 48,754 |

Forest Service

| | | | |
|------------------------------------|----|-----|-----|
| Contracts with Government Agencies | \$ | 350 | |
| Total Forest Service | | | 350 |

Soil Conservation

| | | | |
|-------------------------|----|-------|-------|
| Communication | \$ | 364 | |
| Matching Share | | 5,163 | |
| Total Soil Conservation | | | 5,527 |

Other Operations

Tourism

| | | | |
|---|----|-------|-------|
| Dues and Memberships | \$ | 3,000 | |
| Maintenance and Repair Services - Buildings | | 29 | |
| Custodial Supplies | | 236 | |
| Electricity | | 663 | |
| Natural Gas | | 83 | |
| Water and Sewer | | 127 | |
| Total Tourism | | | 4,138 |

Veterans' Services

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

Other Charges

| | | | |
|---------------------|----|-------|-------|
| Other Charges | \$ | 6,039 | |
| Total Other Charges | | | 6,039 |

Employee Benefits

| | | | |
|----------------------------------|----|---------|--|
| Social Security | \$ | 127,839 | |
| State Retirement | | 40,719 | |
| Employee and Dependent Insurance | | 331,809 | |
| Unemployment Compensation | | 1,524 | |

(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 (Cont.)

Employee Benefits (Cont.)

| | | |
|-------------------------|-----------|------------|
| Local Retirement | \$ 14,762 | |
| Total Employee Benefits | | \$ 516,653 |

Total General Fund \$ 3,309,909

Urban Services Fund

General Government

Other General Administration

| | | |
|------------------------------------|-----------|-----------|
| Electricity | \$ 17,694 | |
| Trustee's Commission | 385 | |
| Total Other General Administration | | \$ 18,079 |

Total Urban Services Fund 18,079

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

| | | |
|--|----------|-----------|
| County Official/Administrative Officer | \$ 2,700 | |
| Laborers | 11,312 | |
| Social Security | 1,032 | |
| Unemployment Compensation | 45 | |
| Maintenance and Repair Services - Vehicles | 86 | |
| Gasoline | 991 | |
| Instructional Supplies and Materials | 4,630 | |
| Other Supplies and Materials | 264 | |
| Total Waste Pickup | | \$ 21,060 |

Recycling Center

| | |
|---------------------------------|----------|
| Assistant(s) | \$ 2,699 |
| Laborers | 94,055 |
| Part-time Personnel | 7,387 |
| Longevity Pay | 4,000 |
| Other Salaries and Wages | 3,842 |
| Social Security | 8,063 |
| Medical Insurance | 33,852 |
| Unemployment Compensation | 189 |
| Local Retirement | 564 |
| Advertising | 101 |
| Communication | 839 |
| Contracts with Private Agencies | 93,699 |

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

| | | | |
|---|----|--------|-------------------|
| Maintenance and Repair Services - Buildings | \$ | 107 | |
| Maintenance and Repair Services - Vehicles | | 16,610 | |
| Other Contracted Services | | 14,355 | |
| Diesel Fuel | | 25,683 | |
| Office Supplies | | 191 | |
| Tires and Tubes | | 2,706 | |
| Utilities | | 1,387 | |
| Other Supplies and Materials | | 60 | |
| Trustee's Commission | | 5,891 | |
| Vehicle and Equipment Insurance | | 10,365 | |
| Workers' Compensation Insurance | | 4,654 | |
| Solid Waste Equipment | | 3,515 | |
| Total Recycling Center | | | <u>\$ 334,814</u> |

Total Solid Waste/Sanitation Fund \$ 355,874

Drug Control Fund

Public Safety

Drug Enforcement

| | | | |
|--|----|-------|-----------------|
| Communication | \$ | 2,508 | |
| Confidential Drug Enforcement Payments | | 2,000 | |
| Maintenance and Repair Services - Vehicles | | 377 | |
| Gasoline | | 15 | |
| Uniforms | | 156 | |
| Other Equipment | | 2,999 | |
| Total Drug Enforcement | | | <u>\$ 8,055</u> |

Total Drug Control Fund 8,055

Constitutional Officers - Fees Fund

General Government

Register of Deeds

| | | | |
|-------------------------|----|----|--------------|
| Other Charges | \$ | 21 | |
| Total Register of Deeds | | | <u>\$ 21</u> |

Total Constitutional Officers - Fees Fund 21

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

| | | | |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 60,350 | |
| Assistant(s) | | 39,702 | |
| Secretary(ies) | | 32,260 | |
| Longevity Pay | | 3,000 | |
| Social Security | | 8,389 | |
| State Retirement | | 8,164 | |
| Life Insurance | | 302 | |
| Unemployment Compensation | | 540 | |
| Employer Medicare | | 1,962 | |
| Data Processing Services | | 4,895 | |
| Postal Charges | | 182 | |
| Printing, Stationery, and Forms | | 317 | |
| Office Supplies | | 276 | |
| Other Charges | | 3,033 | |
| Office Equipment | | 584 | |
| Total Administration | | | \$ 163,956 |

Highway and Bridge Maintenance

| | | |
|----------------------------------|----|---------|
| Equipment Operators | \$ | 133,701 |
| Truck Drivers | | 108,262 |
| Laborers | | 87,735 |
| Longevity Pay | | 19,000 |
| Social Security | | 19,908 |
| State Retirement | | 3,301 |
| Employee and Dependent Insurance | | 111,293 |
| Life Insurance | | 1,042 |
| Unemployment Compensation | | 2,803 |
| Employer Medicare | | 4,656 |
| Contracts with Private Agencies | | 25,244 |
| Dues and Memberships | | 1,780 |
| Rentals | | 3,182 |
| Asphalt | | 2,862 |
| Asphalt - Cold Mix | | 9,662 |
| Concrete | | 14 |
| Crushed Stone | | 5,370 |
| Riprap | | 8,681 |
| Pipe | | 4,372 |
| Road Signs | | 2,880 |
| Salt | | 3,687 |
| Sand | | 879 |

(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.)

| | | | |
|--------------------------------------|----|--------|---------|
| Structural Steel | \$ | 191 | |
| Chemicals | | 341 | |
| Other Charges | | 12,076 | |
| Communication Equipment | | 300 | |
| Maintenance Equipment | | 3,694 | |
| Total Highway and Bridge Maintenance | \$ | | 576,916 |

Operation and Maintenance of Equipment

| | | | |
|--|----|--------|---------|
| Mechanic(s) | \$ | 39,588 | |
| Longevity Pay | | 2,000 | |
| Social Security | | 2,273 | |
| State Retirement | | 942 | |
| Employee and Dependent Insurance | | 20,020 | |
| Life Insurance | | 101 | |
| Unemployment Compensation | | 270 | |
| Employer Medicare | | 532 | |
| Other Contracted Services | | 2,731 | |
| Custodial Supplies | | 302 | |
| Diesel Fuel | | 29,214 | |
| Equipment and Machinery Parts | | 17,584 | |
| Garage Supplies | | 4,728 | |
| Gasoline | | 11,274 | |
| Lubricants | | 1,197 | |
| Small Tools | | 308 | |
| Tires and Tubes | | 7,663 | |
| Vehicle Parts | | 3,845 | |
| Other Charges | | 512 | |
| Total Operation and Maintenance of Equipment | | | 145,084 |

Other Charges

| | | | |
|---------------------------------|----|--------|--------|
| Advertising | \$ | 240 | |
| Communication | | 2,636 | |
| Electricity | | 3,130 | |
| Propane Gas | | 3,063 | |
| Water and Sewer | | 402 | |
| Liability Insurance | | 15,804 | |
| Trustee's Commission | | 12,520 | |
| Vehicle and Equipment Insurance | | 15,804 | |
| Total Other Charges | | | 53,599 |

(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.)

Employee Benefits

| | | |
|---------------------------------|-----------|-----------|
| Workers' Compensation Insurance | \$ 27,916 | |
| Total Employee Benefits | | \$ 27,916 |

Capital Outlay

| | | |
|-----------------------|---------|----------------|
| Building Improvements | \$ 341 | |
| Highway Equipment | 5,775 | |
| State Aid Projects | 289,358 | |
| Other Capital Outlay | 281,327 | |
| Total Capital Outlay | | <u>576,801</u> |

| | | |
|---------------------------------|--|--------------|
| Total Highway/Public Works Fund | | \$ 1,544,272 |
|---------------------------------|--|--------------|

General Debt Service Fund

Principal on Debt

General Government

| | | |
|--------------------------|------------|------------|
| Principal on Notes | \$ 188,842 | |
| Principal on Other Loans | 69,680 | |
| Total General Government | | \$ 258,522 |

Education

| | | |
|--------------------------|------------|---------|
| Principal on Other Loans | \$ 246,320 | |
| Total Education | | 246,320 |

Interest on Debt

General Government

| | | |
|--------------------------|-----------|--------|
| Interest on Notes | \$ 24,277 | |
| Interest on Other Loans | 7,040 | |
| Total General Government | | 31,317 |

Education

| | | |
|-------------------------|-----------|--------|
| Interest on Other Loans | \$ 33,415 | |
| Total Education | | 33,415 |

Other Debt Service

General Government

| | | |
|--------------------------|-----------|--------|
| Trustee's Commission | \$ 10,160 | |
| Other Debt Service | 6,874 | |
| Total General Government | | 17,034 |

Education

| | | |
|--------------------|-----------|---------------|
| Other Debt Service | \$ 46,653 | |
| Total Education | | <u>46,653</u> |

| | | |
|---------------------------------|--|----------------|
| Total General Debt Service Fund | | <u>633,261</u> |
|---------------------------------|--|----------------|

| | | |
|---|--|---------------------|
| Total Governmental Funds - Primary Government | | <u>\$ 5,869,471</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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

| | | | |
|---|----|-----------|--------------|
| Teachers | \$ | 2,263,501 | |
| Career Ladder Program | | 32,942 | |
| Career Ladder Extended Contracts | | 7,615 | |
| Homebound Teachers | | 13,688 | |
| Educational Assistants | | 63,242 | |
| Other Salaries and Wages | | 6,364 | |
| Certified Substitute Teachers | | 6,895 | |
| Non-certified Substitute Teachers | | 44,158 | |
| Social Security | | 144,289 | |
| State Retirement | | 209,352 | |
| Medical Insurance | | 368,686 | |
| Unemployment Compensation | | 2,406 | |
| Employer Medicare | | 33,745 | |
| Maintenance and Repair Services - Equipment | | 40 | |
| Instructional Supplies and Materials | | 43,347 | |
| Textbooks | | 74,167 | |
| Other Supplies and Materials | | 8,030 | |
| Other Charges | | 988 | |
| Regular Instruction Equipment | | 25,374 | |
| Total Regular Instruction Program | | | \$ 3,348,829 |

Alternative Instruction Program

| | | | |
|---------------------------------------|----|--------|--------|
| Teachers | \$ | 46,525 | |
| Educational Assistants | | 16,291 | |
| Social Security | | 3,662 | |
| State Retirement | | 5,217 | |
| Medical Insurance | | 11,757 | |
| Unemployment Compensation | | 57 | |
| Employer Medicare | | 857 | |
| Total Alternative Instruction Program | | | 84,366 |

Special Education Program

| | | | |
|-----------------------------------|----|---------|--|
| Teachers | \$ | 283,069 | |
| Career Ladder Program | | 5,000 | |
| Homebound Teachers | | 6,109 | |
| Educational Assistants | | 62,191 | |
| Certified Substitute Teachers | | 150 | |
| Non-certified Substitute Teachers | | 5,365 | |
| Social Security | | 21,264 | |

(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 | \$ | 30,309 | |
| Medical Insurance | | 66,626 | |
| Unemployment Compensation | | 401 | |
| Employer Medicare | | 4,973 | |
| Total Special Education Program | | | \$ 485,457 |

Vocational Education Program

| | | | |
|--------------------------------------|----|---------|---------|
| Teachers | \$ | 173,719 | |
| Career Ladder Program | | 1,906 | |
| Social Security | | 10,427 | |
| State Retirement | | 15,894 | |
| Medical Insurance | | 25,147 | |
| Unemployment Compensation | | 172 | |
| Employer Medicare | | 2,438 | |
| Instructional Supplies and Materials | | 2,988 | |
| Other Charges | | 268 | |
| Total Vocational Education Program | | | 232,959 |

Support Services

Attendance

| | | | |
|---------------------|----|-------|-------|
| Supervisor/Director | \$ | 5,770 | |
| Social Security | | 349 | |
| State Retirement | | 522 | |
| Medical Insurance | | 339 | |
| Employer Medicare | | 81 | |
| Total Attendance | | | 7,061 |

Health Services

| | | | |
|------------------------------|----|--------|--------|
| Medical Personnel | \$ | 41,830 | |
| Social Security | | 2,593 | |
| State Retirement | | 3,786 | |
| Unemployment Compensation | | 57 | |
| Employer Medicare | | 606 | |
| Other Supplies and Materials | | 808 | |
| Other Charges | | 258 | |
| Total Health Services | | | 49,938 |

Other Student Support

| | | | |
|-----------------------|----|-------|--|
| Career Ladder Program | \$ | 1,000 | |
|-----------------------|----|-------|--|

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

| | | | |
|------------------------------------|----|---------|------------|
| Guidance Personnel | \$ | 129,884 | |
| Clerical Personnel | | 2,000 | |
| Other Salaries and Wages | | 26,087 | |
| Social Security | | 9,540 | |
| State Retirement | | 14,330 | |
| Medical Insurance | | 16,619 | |
| Unemployment Compensation | | 115 | |
| Employer Medicare | | 2,231 | |
| Communication | | 628 | |
| Contracts with Government Agencies | | 34,093 | |
| Evaluation and Testing | | 3,643 | |
| Postal Charges | | 59 | |
| Other Contracted Services | | 20,000 | |
| Other Supplies and Materials | | 32,613 | |
| In Service/Staff Development | | 3,413 | |
| Other Charges | | 9,565 | |
| Other Equipment | | 4,968 | |
| Total Other Student Support | | | \$ 310,788 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|---------|---------|
| Supervisor/Director | \$ | 167,436 | |
| Career Ladder Program | | 1,000 | |
| Librarians | | 78,916 | |
| Educational Assistants | | 14,698 | |
| Other Salaries and Wages | | 59,175 | |
| Social Security | | 18,769 | |
| State Retirement | | 26,951 | |
| Medical Insurance | | 65,119 | |
| Unemployment Compensation | | 286 | |
| Employer Medicare | | 4,390 | |
| Travel | | 1,955 | |
| Library Books/Media | | 3,589 | |
| Other Supplies and Materials | | 1,331 | |
| In Service/Staff Development | | 3,468 | |
| Other Equipment | | 2,976 | |
| Total Regular Instruction Program | | | 450,059 |

Special Education Program

| | | | |
|--------------------|----|-------|--|
| Clerical Personnel | \$ | 2,000 | |
|--------------------|----|-------|--|

(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.)

| | | | |
|---------------------------------|----|-----|----------|
| Social Security | \$ | 122 | |
| State Retirement | | 124 | |
| Medical Insurance | | 88 | |
| Employer Medicare | | 28 | |
| Travel | | 414 | |
| Total Special Education Program | | | \$ 2,776 |

Vocational Education Program

| | | | |
|------------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 19,915 | |
| Career Ladder Program | | 434 | |
| Social Security | | 1,216 | |
| State Retirement | | 1,842 | |
| Medical Insurance | | 1,291 | |
| Employer Medicare | | 284 | |
| Total Vocational Education Program | | | 24,982 |

Other Programs

| | | | |
|----------------------------|----|--------|--------|
| On-Behalf Payments to OPEB | \$ | 17,264 | |
| Total Other Programs | | | 17,264 |

Board of Education

| | | | |
|--|----|--------|---------|
| Board and Committee Members Fees | \$ | 1,600 | |
| Social Security | | 99 | |
| Medical Insurance | | 11,905 | |
| Employer Medicare | | 23 | |
| Audit Services | | 3,350 | |
| Dues and Memberships | | 5,915 | |
| Liability Insurance | | 12,838 | |
| Premiums on Corporate Surety Bonds | | 175 | |
| Trustee's Commission | | 56,095 | |
| Workers' Compensation Insurance | | 66,770 | |
| In Service/Staff Development | | 1,426 | |
| Criminal Investigation of Applicants - TBI | | 2,040 | |
| Other Charges | | 5,896 | |
| Total Board of Education | | | 168,132 |

Director of Schools

| | | | |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 75,000 | |
| Social Security | | 4,650 | |

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

| | | | |
|---------------------------|----|--------|------------|
| State Retirement | \$ | 6,787 | |
| Medical Insurance | | 13,889 | |
| Dental Insurance | | 790 | |
| Employer Medicare | | 1,088 | |
| Communication | | 20,296 | |
| Travel | | 2,974 | |
| Office Supplies | | 5,060 | |
| Other Charges | | 7,735 | |
| Administration Equipment | | 9,371 | |
| Total Director of Schools | | | \$ 147,640 |

Office of the Principal

| | | | |
|-------------------------------|----|---------|---------|
| Principals | \$ | 122,263 | |
| Career Ladder Program | | 3,000 | |
| Assistant Principals | | 102,515 | |
| Secretary(ies) | | 61,335 | |
| Clerical Personnel | | 54,807 | |
| Social Security | | 20,076 | |
| State Retirement | | 27,791 | |
| Medical Insurance | | 74,230 | |
| Unemployment Compensation | | 344 | |
| Employer Medicare | | 4,695 | |
| Communication | | 360 | |
| Other Charges | | 440 | |
| Total Office of the Principal | | | 471,856 |

Fiscal Services

| | | | |
|---------------------------|----|--------|--------|
| Supervisor/Director | \$ | 36,746 | |
| Accountants/Bookkeepers | | 29,416 | |
| Social Security | | 3,967 | |
| State Retirement | | 4,089 | |
| Medical Insurance | | 4,328 | |
| Unemployment Compensation | | 57 | |
| Employer Medicare | | 928 | |
| Total Fiscal Services | | | 79,531 |

Operation of Plant

| | | | |
|---------------------|----|---------|--|
| Custodial Personnel | \$ | 168,560 | |
| Social Security | | 9,478 | |

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

| | | | |
|---------------------------------|----|---------|------------|
| State Retirement | \$ | 9,380 | |
| Medical Insurance | | 52,158 | |
| Unemployment Compensation | | 344 | |
| Employer Medicare | | 2,216 | |
| Other Contracted Services | | 4,470 | |
| Electricity | | 269,886 | |
| Natural Gas | | 36,092 | |
| Water and Sewer | | 42,014 | |
| Other Supplies and Materials | | 54,996 | |
| Building and Contents Insurance | | 37,587 | |
| Total Operation of Plant | | | \$ 687,181 |

Maintenance of Plant

| | | | |
|---|----|--------|---------|
| Maintenance Personnel | \$ | 83,901 | |
| Social Security | | 5,089 | |
| State Retirement | | 5,089 | |
| Medical Insurance | | 5,780 | |
| Unemployment Compensation | | 115 | |
| Employer Medicare | | 1,190 | |
| Maintenance and Repair Services - Buildings | | 5,035 | |
| Maintenance and Repair Services - Equipment | | 16,685 | |
| Other Contracted Services | | 7,875 | |
| Other Supplies and Materials | | 30,842 | |
| Other Charges | | 6,895 | |
| Total Maintenance of Plant | | | 168,496 |

Transportation

| | | | |
|------------------------------|----|---------|--|
| Mechanic(s) | \$ | 33,800 | |
| Bus Drivers | | 182,690 | |
| Social Security | | 12,512 | |
| State Retirement | | 13,430 | |
| Medical Insurance | | 8,244 | |
| Unemployment Compensation | | 458 | |
| Employer Medicare | | 3,086 | |
| Medical and Dental Services | | 1,953 | |
| Diesel Fuel | | 53,813 | |
| Tires and Tubes | | 2,428 | |
| Vehicle Parts | | 19,219 | |
| Other Supplies and Materials | | 942 | |

(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 | \$ | 11,002 | |
| Other Charges | | <u>7,372</u> | |
| Total Transportation | \$ | | 350,949 |

Operation of Non-Instructional Services

Food Service

| | | | |
|------------------------|----|--------------|-------|
| Food Service Equipment | \$ | <u>4,987</u> | |
| Total Food Service | | | 4,987 |

Community Services

| | | | |
|------------------------------|----|--------------|--------|
| Other Salaries and Wages | \$ | 23,576 | |
| Social Security | | 1,416 | |
| State Retirement | | 720 | |
| Medical Insurance | | 2,788 | |
| Unemployment Compensation | | 57 | |
| Employer Medicare | | 331 | |
| Other Supplies and Materials | | <u>3,686</u> | |
| Total Community Services | | | 32,574 |

Early Childhood Education

| | | | |
|--------------------------------------|----|------------|--------|
| Supervisor/Director | \$ | 6,400 | |
| Teachers | | 37,388 | |
| Educational Assistants | | 21,936 | |
| Social Security | | 3,777 | |
| State Retirement | | 5,318 | |
| Medical Insurance | | 15,288 | |
| Unemployment Compensation | | 115 | |
| Employer Medicare | | 883 | |
| Instructional Supplies and Materials | | 3,371 | |
| In Service/Staff Development | | 513 | |
| Other Charges | | <u>648</u> | |
| Total Early Childhood Education | | | 95,637 |

Capital Outlay

Regular Capital Outlay

| | | | |
|------------------------------|----|---------------|--------|
| Building Improvements | \$ | <u>34,760</u> | |
| Total Regular Capital Outlay | | | 34,760 |

(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.)

Principal on Debt

Education

| | | |
|-----------------------------|-----------|-----------|
| Principal on Capital Leases | \$ 18,843 | |
| Total Education | | \$ 18,843 |

Interest on Debt

Education

| | | |
|----------------------------|-----------|---------------|
| Interest on Capital Leases | \$ 10,258 | |
| Total Education | | <u>10,258</u> |

| | | |
|-----------------------------------|--|--------------|
| Total General Purpose School Fund | | \$ 7,285,323 |
|-----------------------------------|--|--------------|

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | |
|--------------------------------------|---------------|------------|
| Teachers | \$ 86,032 | |
| Certified Substitute Teachers | 1,050 | |
| Non-certified Substitute Teachers | 2,117 | |
| Social Security | 5,379 | |
| State Retirement | 7,786 | |
| Medical Insurance | 9,760 | |
| Unemployment Compensation | 115 | |
| Employer Medicare | 1,258 | |
| Instructional Supplies and Materials | 20,107 | |
| Regular Instruction Equipment | <u>30,124</u> | |
| Total Regular Instruction Program | | \$ 163,728 |

Special Education Program

| | | |
|---|---------------|---------|
| Teachers | \$ 46,168 | |
| Educational Assistants | 69,557 | |
| Certified Substitute Teachers | 90 | |
| Non-certified Substitute Teachers | 3,762 | |
| Social Security | 7,243 | |
| State Retirement | 6,951 | |
| Medical Insurance | 8,813 | |
| Unemployment Compensation | 229 | |
| Employer Medicare | 1,693 | |
| Contracts with Private Agencies | 10,087 | |
| Maintenance and Repair Services - Equipment | 1,654 | |
| Instructional Supplies and Materials | 14,265 | |
| Special Education Equipment | <u>16,471</u> | |
| Total Special Education Program | | 186,983 |

(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 | \$ | 1,691 | |
| Vocational Instruction Equipment | | 7,862 | |
| Total Vocational Education Program | | | \$ 9,553 |

Support Services

Health Services

| | | | |
|-----------------------|----|-------|--------|
| Medical Personnel | \$ | 9,484 | |
| Social Security | | 588 | |
| State Retirement | | 858 | |
| Employer Medicare | | 138 | |
| Total Health Services | | | 11,068 |

Other Student Support

| | | | |
|------------------------------|----|--------|--------|
| Evaluation and Testing | \$ | 11,097 | |
| Travel | | 2,564 | |
| Other Supplies and Materials | | 702 | |
| In Service/Staff Development | | 4,711 | |
| Other Charges | | 294 | |
| Total Other Student Support | | | 19,368 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 13,044 | |
| Non-certified Substitute Teachers | | 330 | |
| Social Security | | 809 | |
| State Retirement | | 1,180 | |
| Medical Insurance | | 1,176 | |
| Employer Medicare | | 189 | |
| Travel | | 3,245 | |
| Other Supplies and Materials | | 48 | |
| In Service/Staff Development | | 42,066 | |
| Regular Instruction Equipment | | 128 | |
| Total Regular Instruction Program | | | 62,215 |

Special Education Program

| | | | |
|---------------------|----|-------|--|
| Supervisor/Director | \$ | 5,000 | |
| Clerical Personnel | | 2,000 | |
| Social Security | | 431 | |
| State Retirement | | 576 | |
| 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 | \$ 6,446 | |
| Total Special Education Program | | \$ 14,554 |

Vocational Education Program

| | | |
|------------------------------------|--------|-----|
| Travel | \$ 548 | |
| Total Vocational Education Program | | 548 |

Operation of Non-Instructional Services

Early Childhood Education

| | | |
|---------------------------------|----------|---------------|
| Educational Assistants | \$ 7,845 | |
| Social Security | 398 | |
| State Retirement | 485 | |
| Medical Insurance | 7,930 | |
| Employer Medicare | 93 | |
| Total Early Childhood Education | | <u>16,751</u> |

| | | |
|------------------------------------|--|------------|
| Total School Federal Projects Fund | | \$ 484,768 |
|------------------------------------|--|------------|

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

| | | |
|---|------------|-------------------|
| Cafeteria Personnel | \$ 183,146 | |
| Social Security | 10,360 | |
| State Retirement | 9,622 | |
| Medical Insurance | 48,886 | |
| Unemployment Compensation | 401 | |
| Employer Medicare | 2,423 | |
| Maintenance and Repair Services - Equipment | 3,285 | |
| Transportation - Other than Students | 2,895 | |
| Travel | 2,355 | |
| Food Supplies | 245,746 | |
| Office Supplies | 809 | |
| Other Supplies and Materials | 14,086 | |
| Other Charges | 3,336 | |
| Food Service Equipment | 370 | |
| Total Food Service | | <u>\$ 527,720</u> |

| | | |
|------------------------------|--|---------|
| Total Central Cafeteria Fund | | 527,720 |
|------------------------------|--|---------|

(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</u> | | | |
| <u>Capital Projects</u> | | | |
| <u>Education Capital Projects</u> | | | |
| Architects | \$ | 5,468 | |
| Building Improvements | | <u>16,588</u> | |
| Total Education Capital Projects | | | <u>\$ 22,056</u> |
| Total Education Capital Projects Fund | | | <u>\$ 22,056</u> |
| Total Governmental Funds - Metropolitan School Department | | | <u>\$ 8,319,867</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***

September 21, 2011

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, 2011, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated September 21, 2011. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 11.04 and 11.06. 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.

Compliance and Other Matters

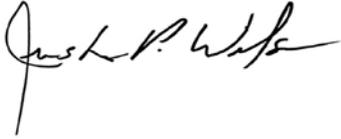
As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 11.01, 11.02, 11.03, and 11.05.

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

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

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 prominent vertical stroke on the left side.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 21, 2011

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, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the metropolitan government's management. Our responsibility is to express an opinion on the metropolitan government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the metropolitan government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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

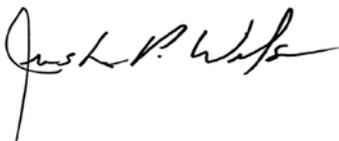
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the metropolitan government as of and for the year ended June 30, 2011, and have issued our report thereon dated September 21, 2011. 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 as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

| 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) | \$ 73,822 |
| National School Lunch Program | 10.555 | (2) | 198,893 (3) |
| Passed-through State Department of Agriculture: | | | |
| National School Lunch Program (Commodities - Noncash Assistance) | 10.555 | (2) | 28,576 (3) |
| Cooperative Forestry Assistance | 10.664 | (2) | 3,000 |
| Total U.S. Department of Agriculture | | | <u>\$ 304,291</u> |
| U.S. Department of Transportation: | | | |
| Passed-through State Department of Transportation: | | | |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | Z-11-GHS178 | \$ 4,999 |
| Total U.S. Department of Transportation | | | <u>\$ 4,999</u> |
| 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 | | | <u>\$ 500</u> |
| U.S. Environmental Protection Agency: | | | |
| Passed-through State Department of Environment and Conservation: | | | |
| Capitalization Grants for Clean Water State Revolving Funds - Recovery Act | 66.458 | CS7000110-0 | \$ 50,588 |
| Total U.S. Environmental Protection Agency | | | <u>\$ 50,588</u> |
| 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 | \$ 145,461 |
| Title I Grants to Local Educational Agencies - Recovery Act | 84.389 | N/A | 1,928 |
| Special Education Cluster: | | | |
| Special Education Grants to States | 84.027 | N/A | 188,963 |
| Special Education Preschool Grants | 84.173 | N/A | 11,205 |
| Special Education Grants to States - Recovery Act | 84.391 | N/A | 24,236 |
| Career and Technical Education - Basic Grants to States | 84.048 | N/A | 12,603 |
| Education Technology State Grants | 84.318 | N/A | 11,365 |
| Improving Teacher Quality State Grants | 84.367 | N/A | 24,272 |
| Education Technology State Grants - Recovery Act | 84.386 | N/A | 11,780 |
| State Fiscal Stabilization Funds Cluster: | | | |
| State Fiscal Stabilization Funds (SFSF) - Education State Grants - Recovery Act | 84.394 | N/A | 468,357 |
| State Fiscal Stabilization Funds (SFSF) - Government Services - Recovery Act | 84.397 | N/A | 101,884 |
| First to the Top | 84.395 | (2) | 36,204 |
| Education Jobs Program | 84.410 | (2) | 16,751 |
| Total U.S. Department of Education | | | <u>\$ 1,055,009</u> |
| U.S. Department of Health and Human Services: | | | |
| Passed-through State Department of Education: | | | |
| Temporary Assistance for Needy Families - Recovery Act | 93.558 | (2) | \$ 6,315 |
| Total U.S. Department of Health and Human Services | | | <u>\$ 6,315</u> |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| Homeland Security Grant Program | 97.067 | (2) | \$ 40,282 |
| Total U.S. Department of Homeland Security | | | <u>\$ 40,282</u> |
| Total Expenditures of Federal Grants | | | <u>\$ 1,461,984</u> |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Contract Number | Expenditures |
|---|---------------------------|-----------------|-------------------|
| <u>State Grants</u> | | | |
| Rural Local Health Services - State Department of Health | N/A | (2) | \$ 96,570 |
| Litter Program - State Department of Transportation | N/A | (2) | 9,696 |
| Waste Tire Grant - State Department of Environment and Conservation | N/A | (2) | 4,145 |
| Early Childhood Education - State Department of Education | N/A | (2) | 95,637 |
| Archives Grant - Secretary of State | N/A | (2) | 3,440 |
| Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth | N/A | (2) | <u>9,000</u> |
| Total State Grants | | | <u>\$ 218,488</u> |

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$227,469.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

METROPOLITAN MAYOR

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|--|
| 10.04 | 150 | General Fund appropriations exceeded estimated available funding |

OTHER FINDING

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u> |
|---------------------------|------------------------|--|
| 10.07 | 152 | 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, 2011

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, the 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. None of these deficiencies were considered to be a material weakness.
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 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and the State Fiscal Stabilization Funds Cluster: State Fiscal Stabilization Funds – Education State Grants Recovery Act and State Fiscal Stabilization Funds – Government Services Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The metropolitan government did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The highway superintendent provided a written response, which is included in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF METROPOLITAN MAYOR

FINDING 11.01 **GENERAL FUND APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING**
(Material Noncompliance Under *Government Auditing Standards*)

The budget and subsequent amendments approved by the Metropolitan Council for the General Fund resulted in appropriations exceeding estimated available funding by \$156,723. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.02 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Noncompliance Under *Government Auditing Standards*)

System backups were not regularly stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Management should ensure backups are stored off-site on a weekly basis.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 11.03 A COUNTY ROAD LIST WAS NOT SUBMITTED TO THE METROPOLITAN COUNCIL FOR APPROVAL
(Noncompliance Under *Government Auditing Standards*)

A summary schedule of county road names was submitted to the Metropolitan Council for approval; however, this list did not include any of the information required by state statute. Section 54-10-103, *Tennessee Code Annotated*, requires the highway superintendent to submit a list of county roads to the Metropolitan Council for approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, as well as a summary of changes from the prior-year that provides the road name, date the change was approved by the Metropolitan Council, and the reason for the change. Highway Department officials need a current approved list of county roads to determine which roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the Metropolitan Council a list of county roads that includes the classification, width and distance of each road, and a summary of changes as required by state statute.

MANAGEMENT'S RESPONSE – HIGHWAY SUPERINTENDENT

We will correct this over-sight.

OFFICE OF METROPOLITAN CLERK

FINDING 11.04 MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

All employees of the Office of Metropolitan Clerk operated from the same cash drawer. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the clerk would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

RECOMMENDATION

The metropolitan clerk should assign each employee their own cash drawer.

OFFICE OF SHERIFF

FINDING 11.05 **CONFIDENTIAL FUNDS AND LAW ENFORCEMENT EQUIPMENT VALUED AT \$1,391 WERE REPORTED STOLEN** (Noncompliance Under *Government Auditing Standards*)

On May 19, 2011, Deputy Sheriff Larry Campbell reported that several county and personal items were stolen from his two personal vehicles parked at his residence. Mr. Campbell lives in Franklin County; therefore, the Franklin County Sheriff's Office was called to investigate. According to the offense report, missing items belonging to Moore County totaled \$1,391 and consisted of confidential drug fund cash (\$1,181), a digital recorder (\$100), a cell phone (\$100), and a money bag (\$10). In addition, a diamond ring owned by Mr. Campbell's wife was stolen. Deputy Campbell explained that he had been out of work since April 20, 2011, due to knee surgery, at which time the county's items were in his vehicle. The offense report noted no forced entry to the vehicles, and Mr. Campbell admitted that the vehicles were never locked while parked at his residence. Moore County filed an insurance claim, and subsequently received a check for \$891, which is less a \$500 deductible.

We asked the Moore County Sheriff to file a fraud reporting form with our office as required by Section 8-4-501, *Tennessee Code Annotated (TCA)*. This statute provides that a fraud reporting form be filed within five working days of the time the sheriff has knowledge that suspected unlawful conduct has occurred. However, the sheriff refused to file this form with our office.

This theft has been reviewed with the district attorney general and the metropolitan executive.

RECOMMENDATION

Officials should take steps to liquidate the remaining cash shortage of \$500. Confidential drug fund cash and equipment should not be stored in unlocked vehicles parked at personal residences. These items should be stored at the Sheriff's Department when not in use. Management should provide more oversight to ensure that assets are properly safeguarded. The sheriff should file a Fraud Reporting Form in accordance with provisions of Section 8-4-501, et. seq., *TCA*, for any suspected fraud.

OTHER FINDING AND RECOMMENDATION

FINDING 11.06 **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. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices 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 Metropolitan Moore County.

ITEM 1. **METROPOLITAN MOORE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING**

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. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting and budgeting covering all county departments.

**ITEM 2. METROPOLITAN MOORE COUNTY SHOULD ESTABLISH AN
AUDIT COMMITTEE**

Metropolitan Moore County does not have an Audit Committee. An Audit Committee can assist the Metropolitan Council by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

**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, 2011**

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