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



FOR THE YEAR ENDED JUNE 30, 2012



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FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT 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.comptroller.tn.gov

**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, 2012

Scope

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2012.

Results

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

Our audit resulted in four findings and recommendations, which we have reviewed with the metropolitan government's management. Detailed findings and recommendations 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.
-

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ Expenditures exceeded appropriations.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
-

OFFICES OF METROPOLITAN MAYOR; TRUSTEE; METROPOLITAN CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICES

The Division of Local Government 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.

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

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials
June 30, 2012

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	Linda Wolaver
Penny Walker	Marty Copeland
Jackie Burton	Glenn Searcy
Oscar McGee	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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

December 18, 2012

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, 2012, which collectively comprise the metropolitan government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the metropolitan government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets and revenues of the business-type activities and is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District, which represent four percent and two percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions on the financial statements, insofar as they relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District, are based solely on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the metropolitan government, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

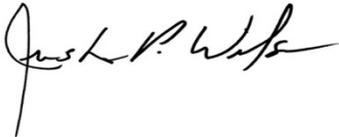
In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, on our consideration of the metropolitan government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

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 71 through 76 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Statement of Net Assets
 June 30, 2012

	Primary Government		Total	Component Units	
	Governmental Activities	Business-type Activities		Metropolitan School Department	Emergency Communications District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 300	\$ 309,770	\$ 310,070	\$ 5	\$ 376,175
Equity in Pooled Cash and Investments	2,268,810	0	2,268,810	907,788	0
Inventories	0	56,768	56,768	6,077	0
Accounts Receivable	246,181	113,615	359,796	0	3,254
Allowance for Uncollectibles	(34,508)	(390)	(34,898)	0	0
Grant Receivable	0	574	574	0	0
Prepaid Items	0	5,488	5,488	0	6,578
Other Receivables	0	292	292	0	123
Due from Other Governments	377,570	0	377,570	163,740	2,450
Unbilled Charges for Services	0	94,869	94,869	0	0
Property Taxes Receivable	2,563,609	0	2,563,609	2,238,670	0
Allowance for Uncollectible Property Taxes	(61,441)	0	(61,441)	(44,713)	0
Restricted Assets:					
Customer Deposits	0	510	510	0	0
Revenue Bond Future Debt Service Account	0	55,728	55,728	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	393,779	92,459	486,238	39,342	100,000
Construction in Progress	151,189	88,900	240,089	454,684	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,246,772	0	1,246,772	12,048,782	0
Other Capital Assets	1,226,300	11,789,131	13,015,431	465,764	153,477
Infrastructure	1,737,236	0	1,737,236	0	0
Total Assets	\$ 10,115,797	\$ 12,607,714	\$ 22,723,511	\$ 16,280,139	\$ 642,057
<u>LIABILITIES</u>					
Accounts Payable	\$ 55,043	\$ 50,905	\$ 105,948	\$ 2,680	\$ 0
Accrued Payroll	10,395	0	10,395	0	0
Payroll Deductions Payable	98,272	14,034	112,306	172,296	0

(Continued)

Exhibit A

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

	Primary Government			Component Units						
	Governmental Activities	Business- type Activities	Total	Metropolitan School Department	Emergency Communications District					
	\$	10,213	\$	18,565	\$	0	\$	0		
Accrued Interest Payable		0	0	0		0	12,767	0		
Contracts Payable		0	0	0		0	0	0		
Other Current Liabilities		0	50,304	50,304		0	0	0		
Accrued Leave - Current		0	15,588	15,588		0	0	0		
Deferred Revenue - Current Property Taxes		2,443,900	0	2,443,900		0	2,136,400	0		
Noncurrent Liabilities:										
Due Within One Year		471,842	206,814	678,656		0	34,578	0		
Due in More Than One Year (net of unamortized loan costs)		10,391,324	5,120,654	15,511,978		0	702,021	0		
Total Liabilities	\$	13,480,989	\$	5,466,651	\$	18,947,640	\$	3,060,742	\$	0
NET ASSETS										
Invested in Capital Assets,										
Net of Related Debt	\$	2,795,210	\$	6,390,351	\$	9,185,561	\$	12,826,144	\$	0
Invested in Capital Assets		0	0	0		0	0	0	253,477	0
Restricted for:										
Finance		2,426	0	2,426		0	0	0	0	0
Administration of Justice		31,641	0	31,641		0	0	0	0	0
Public Health and Welfare		243,447	0	243,447		0	0	0	0	0
Debt Service		656,152	55,728	711,880		0	0	0	0	0
Highway/Public Works		366,810	0	366,810		0	0	0	0	0
Public Safety		47,545	0	47,545		0	0	0	0	0
Central Cafeteria		0	0	0		0	129,245	0	0	0
Federal Projects		0	0	0		0	14,036	0	0	0
Other Purposes		31,782	0	31,782		0	0	0	0	0
Unrestricted		(7,540,205)	694,984	(6,845,221)		0	249,972	388,580	0	0
Total Net Assets (Deficit)	\$	(3,365,192)	\$	7,141,063	\$	3,775,871	\$	13,219,397	\$	642,057

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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets													
	Program Revenues					Primary Government					Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District					
Primary Government:														
Governmental Activities:														
General Government	\$ 483,567	\$ 52,924	\$ 15,164	\$ 0	\$ (415,479)	\$ 0	\$ (415,479)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	252,504	181,685	0	0	(70,819)	0	(70,819)	0	0	0	0	0	0	0
Administration of Justice	279,961	97,904	9,000	0	(173,057)	0	(173,057)	0	0	0	0	0	0	0
Public Safety	1,493,643	140,316	179,701	0	(1,173,626)	0	(1,173,626)	0	0	0	0	0	0	0
Public Health and Welfare	929,078	419,611	131,388	0	(378,079)	0	(378,079)	0	0	0	0	0	0	0
Social, Cultural, and Recreational Services	274,630	8,834	26,496	15,298	(224,002)	0	(224,002)	0	0	0	0	0	0	0
Agriculture and Natural Resources	68,215	0	0	0	(68,215)	0	(68,215)	0	0	0	0	0	0	0
Other Operations	12,557	0	0	0	(12,557)	0	(12,557)	0	0	0	0	0	0	0
Highways/Public Works	1,516,101	0	1,184,599	333,273	1,771	0	1,771	0	0	0	0	0	0	0
Education	510,000	0	0	0	(510,000)	0	(510,000)	0	0	0	0	0	0	0
Interest on Long-term Debt	73,723	0	0	0	(73,723)	0	(73,723)	0	0	0	0	0	0	0
Other Debt Service	70,729	0	0	0	(70,729)	0	(70,729)	0	0	0	0	0	0	0
Total Governmental Activities	\$ 5,964,708	\$ 901,274	\$ 1,546,348	\$ 348,571	\$ (3,168,515)	\$ 0	\$ (3,168,515)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Business-type Activities:														
Water and Sewer Department	\$ 1,676,213	\$ 1,682,839	\$ 42,408	\$ 0	\$ 0	\$ 49,034	\$ 49,034	\$ 0	\$ 0	\$ 49,034	\$ 49,034	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 1,676,213	\$ 1,682,839	\$ 42,408	\$ 0	\$ 0	\$ 49,034	\$ 49,034	\$ 0	\$ 0	\$ 49,034	\$ 49,034	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 7,640,921	\$ 2,584,113	\$ 1,588,756	\$ 348,571	\$ (3,168,515)	\$ 49,034	\$ (3,119,481)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:														
Metropolitan School Department	\$ 8,886,786	\$ 320,066	\$ 1,093,077	\$ 510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,963,643)	\$ 0	\$ 0
Emergency Communications District	92,548	159,889	34,061	0	0	0	0	0	0	0	0	0	101,402	0
Total Component Units	\$ 8,979,334	\$ 479,955	\$ 1,127,138	\$ 510,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (6,963,643)	\$ 101,402	\$ 0

(Continued)

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government Business-type Activities	Component Units	
			Capital Grants and Contributions	Total		Metropolitan School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,861,971	\$ 2,093,415	\$ 0
Property Taxes Levied for Debt Service					532,339	0	0
Local Option Sales Tax					364,527	369,564	0
Litigation Tax					23,386	0	0
Business Tax					26,785	0	0
Wholesale Beer Tax					69,429	0	0
Other Local Taxes					23,684	392	0
Grants and Contributions Not Restricted to Specific Programs					572,743	4,648,529	0
Unrestricted Investment Income					37,306	264	1,209
Miscellaneous					34,900	8,065	0
Total General Revenues					\$ 3,547,070	\$ 7,120,229	\$ 1,209
Transfers					\$ 23,321	\$ (23,321)	\$ 0
Change in Net Assets					\$ 401,876	\$ 431,151	\$ 102,611
Net Assets (Deficit), July 1, 2011					(3,767,068)	7,111,788	13,062,811
Net Assets (Deficit), June 30, 2012					\$ (3,365,192)	\$ 7,141,063	\$ 13,219,397

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, 2012

	Major Funds		Nonmajor Funds	Total
	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Govern- mental Funds
	General			
<u>ASSETS</u>				
Cash	\$ 300	\$ 0	\$ 0	\$ 300
Equity in Pooled Cash and Investments	777,102	254,807	943,290	2,268,810
Accounts Receivable	164,516	0	25,848	246,181
Allowance for Uncollectibles	(33,757)	0	(751)	(34,508)
Due from Other Governments	138,590	205,248	33,732	377,570
Property Taxes Receivable	1,747,113	30,831	565,243	2,563,609
Allowance for Uncollectible Property Taxes	(41,904)	(739)	(13,557)	(61,441)
Total Assets	\$ 2,751,960	\$ 490,147	\$ 1,554,556	\$ 5,360,521
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 3,569	\$ 51,474	\$ 0	\$ 55,043
Accrued Payroll	0	10,395	0	10,395
Payroll Deductions Payable	87,753	10,519	0	98,272
Deferred Revenue - Current Property Taxes	1,666,000	29,400	539,000	2,443,900
Deferred Revenue - Delinquent Property Taxes	38,096	672	12,325	56,643
Other Deferred Revenues	140,582	109,767	17,490	293,508
Total Liabilities	\$ 1,936,000	\$ 212,227	\$ 568,815	\$ 2,957,761
<u>Fund Balances</u>				
Restricted:				
Restricted for Finance	\$ 2,426	\$ 0	\$ 0	\$ 2,426
Restricted for Administration of Justice	31,641	0	0	31,641
Restricted for Public Safety	1,279	0	0	46,266
Restricted for Public Health and Welfare	14	0	0	215,654
Restricted for Other Operations	11,917	0	0	11,917
Restricted for Highways/Public Works	0	277,920	0	277,920
Restricted for Debt Service	0	0	648,875	648,875
Restricted for Other Purposes	0	0	0	18,797
Committed:				
Committed for Public Health and Welfare	0	0	0	42,422
Committed for Debt Service	0	0	336,866	336,866
Assigned:				
Assigned for Public Safety	24,849	0	0	24,849
Assigned for Social, Cultural, and Recreational Services	4,311	0	0	4,311
Assigned for Capital Outlay	31	0	0	31
Unassigned	739,492	0	0	739,492
Total Fund Balances	\$ 815,960	\$ 277,920	\$ 985,741	\$ 2,402,760
Total Liabilities and Fund Balances	\$ 2,751,960	\$ 490,147	\$ 1,554,556	\$ 5,360,521

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, 2012

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)		\$	2,402,760
(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		151,189	
Add: buildings and improvements net of accumulated depreciation		1,246,772	
Add: other capital assets net of accumulated depreciation		1,226,300	
Add: infrastructure net of accumulated depreciation		<u>1,737,236</u>	4,755,276
(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	\$	(752,869)	
Less: other loans payable		(10,028,980)	
Less: compensated absences payable		(81,317)	
Less: accrued interest on notes		<u>(10,213)</u>	(10,873,379)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>350,151</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(3,365,192)</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,014,873	\$ 29,679	\$ 933,843	\$ 214,566	\$ 3,192,961
Licenses and Permits	21,247	0	0	2,239	23,486
Fines, Forfeitures, and Penalties	32,827	0	0	6,156	38,983
Charges for Current Services	144,489	0	0	198,358	342,847
Other Local Revenues	86,547	929	0	42,422	129,898
Fees Received from County Officials	266,135	0	0	0	266,135
State of Tennessee	544,452	1,503,105	0	40,754	2,088,311
Federal Government	95,718	27,809	0	0	123,527
Other Governments and Citizens Groups	49,434	0	0	0	49,434
Total Revenues	\$ 3,255,722	\$ 1,561,522	\$ 933,843	\$ 504,495	\$ 6,255,582
<u>Expenditures</u>					
Current:					
General Government	\$ 462,604	\$ 0	\$ 0	\$ 18,206	\$ 480,810
Finance	192,123	0	0	0	192,123
Administration of Justice	213,163	0	0	3,260	216,423
Public Safety	1,117,090	0	0	13,503	1,130,593
Public Health and Welfare	439,013	0	0	353,293	792,306
Social, Cultural, and Recreational Services	195,882	0	0	0	195,882
Agriculture and Natural Resources	54,500	0	0	0	54,500
Other Operations	490,359	0	0	0	490,359
Highways	0	1,819,536	0	0	1,819,536
Debt Service:					
Principal on Debt	0	0	877,685	0	877,685
Interest on Debt	0	0	72,738	0	72,738
Other Debt Service	0	0	70,729	0	70,729
Capital Projects	0	0	0	510,000	510,000
Total Expenditures	\$ 3,164,734	\$ 1,819,536	\$ 1,021,152	\$ 898,262	\$ 6,903,684
Excess (Deficiency) of Revenues Over Expenditures					
	\$ 90,988	\$ (258,014)	\$ (87,309)	\$ (393,767)	\$ (648,102)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 510,000	\$ 510,000
Transfers In	0	0	66,668	0	66,668
Transfers Out	0	0	0	(43,347)	(43,347)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 66,668	\$ 466,653	\$ 533,321
Net Change in Fund Balances					
Fund Balance, July 1, 2011	\$ 724,972	\$ 535,934	\$ 1,006,382	\$ 250,253	\$ 2,517,541
Fund Balance, June 30, 2012	\$ 815,960	\$ 277,920	\$ 985,741	\$ 323,139	\$ 2,402,760

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, 2012

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)		\$ (114,781)	
(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: assets donated and capitalized	\$	17,200	
Add: capital assets purchased in the current period		516,061	
Less: current-year depreciation expense		<u>(447,797)</u>	85,464
(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, 2012	\$	350,151	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(279,670)</u>	70,481
(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	\$	(510,000)	
Add: principal payments on notes		550,685	
Add: principal payments on other loans		<u>327,000</u>	367,685
(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	\$	(985)	
Change in compensated absences payable		<u>(5,988)</u>	<u>(6,973)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 401,876</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, 2012

	Major Enterprise Fund <hr/> Water and Sewer Department
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 309,770
Inventories	56,768
Accounts Receivable	113,615
Allowance for Uncollectibles	(390)
Grant Receivable	574
Prepaid Insurance	5,488
Other Receivables	292
Unbilled Charges for Services	94,869
Total Current Assets	<hr/> \$ 580,986
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 510
Revenue Bond Future Debt Service Account	55,728
Capital Assets:	
Assets Not Depreciated:	
Land	92,459
Construction in Progress	88,900
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	11,789,131
Total Noncurrent Assets	<hr/> \$ 12,026,728
Total Assets	<hr/> \$ 12,607,714
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 50,905
Accrued Payroll	14,034
Accrued Leave	15,588
Accrued Interest Payable	8,352
Current Portion of Long-term Liabilities	206,814
Deferred Fees	26,698
Customer Deposits	23,606
Total Current Liabilities	<hr/> \$ 345,997
Noncurrent Liabilities:	
Due in More Than One Year (net of unamortized loans costs)	\$ 5,120,654
Total Noncurrent Liabilities	<hr/> \$ 5,120,654
Total Liabilities	<hr/> \$ 5,466,651
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 6,390,351
Restricted for Debt Service	55,728
Unrestricted	694,984
Total Net Assets	<hr/> \$ 7,141,063

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, 2012

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,682,839
Total Operating Revenues	<u>\$ 1,682,839</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 1,016,996
Depreciation	445,366
Total Operating Expenses	<u>\$ 1,462,362</u>
Operating Income (Loss)	<u>\$ 220,477</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 3,562
Interest Expense	(213,851)
Total Nonoperating Revenues (Expenses)	<u>\$ (210,289)</u>
Income (Loss) Before Contributions, Grants, and Transfers	\$ 10,188
Tap Fees in Excess of Costs	7,355
Contributions from Developers	12,736
Transfers to General Debt Service Fund	(23,321)
Grants	<u>22,317</u>
Change in Net Assets	\$ 29,275
Net Assets, July 1, 2011	<u>7,111,788</u>
Net Assets, June 30, 2012	<u><u>\$ 7,141,063</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, 2012

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,646,600
Payments to Suppliers	(541,612)
Payments to Employees	(498,216)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 606,772 <hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (210,579)
Capital Contributions	47,512
Proceeds from Capital Debt	109,683
Principal Payments on Long-term Debt	(257,458)
Interest Payments on Long-term Debt	(214,126)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$ (524,968) <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to Metropolitan Government	<hr/> \$ (23,321) <hr/>
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ (23,321) <hr/>
<u>Cash Flows from Investing Activities</u>	
Certificate of Deposit	\$ 49,977
Investment Income	3,562
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 53,539 <hr/>
Increase (Decrease) in Cash	\$ 112,022
Cash, July 1, 2011	<hr/> 146,587 <hr/>
Cash, June 30, 2012	<hr/> <hr/> \$ 258,609 <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)	\$ 220,477
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	445,366
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(34,427)
(Increase) Decrease in Other Assets	13,489
(Increase) Decrease in Other Accrued Revenue	(23,148)
(Increase) Decrease in Inventories	(8,500)
Increase (Decrease) in Accounts Payable	(5,366)
Increase (Decrease) in Accrued Wages and Payroll	(2,590)
Increase (Decrease) in Accrued Vacation Pay	1,248
Increase (Decrease) in Customer Deposits and Deferred Fees	223
	<hr/>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 606,772</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash and Cash Equivalents Per Net Assets	\$ 309,770
Revenue Bond Future Debt Service Account Per Net Assets	55,728
Certificates of Deposit	(106,889)
	<hr/>
Cash, June 30, 2012	<u>\$ 258,609</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, 2012

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 18,371</u>
Total Assets	<u><u>\$ 18,371</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	<u>\$ 18,371</u>
Total Liabilities	<u><u>\$ 18,371</u></u>

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

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2012**

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. Net debt issues totaling \$510,000 were contributed by the metropolitan government to the School Department during the year ended June 30, 2012.

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 types:

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.

Capital Projects Fund – The Education Capital Projects Fund accounts for debt issued by the metropolitan government that is

subsequently contributed to the discretely presented Metropolitan School Department for construction and renovation projects.

The 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.

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

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. The School Department will 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 liability for accrued sick leave exists. 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, 2012, the metropolitan government had \$8,821,783 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.

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.

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, and shall remain binding unless removed in the same manner.

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 Council has authorized the Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

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 Capital Projects Funds, which adopt project length budgets. 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 – Prior Year

The audit of the metropolitan government for the 2010-11 year reported a cash shortage of \$1,391 in the Sheriff’s Department. Confidential funds and law enforcement equipment were reported stolen from a deputy’s vehicle. The county subsequently received an insurance recovery from Tennessee Risk Management Trust totaling \$891 (\$1,391 less a \$500 deductible). The Metropolitan Council has voted to write-off the remaining cash shortage.

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 \$15,542.

D. Expenditures Exceeded Appropriations

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>Highway/Public Works</u>	
Capital Outlay	\$ 8,730
<u>General Purpose School</u>	
Transportation	3,856
<u>School Federal Projects</u>	
Vocational Education Program	14,090
Regular Instruction Program	6,407

Also, expenditures exceeded the total appropriations approved by the Metropolitan Council in the Central Cafeteria Fund by \$6,409. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the affected funds.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 393,779	\$ 0	\$ 393,779
Construction in Progress	118,920	32,269	151,189
Total Capital Assets Not Depreciated	<u>\$ 512,699</u>	<u>\$ 32,269</u>	<u>\$ 544,968</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 2,246,892	\$ 0	\$ 2,246,892
Other Capital Assets	3,747,088	79,741	3,826,829
Roads and Bridges	1,758,110	421,251	2,179,361
Total Capital Assets Depreciated	<u>\$ 7,752,090</u>	<u>\$ 500,992</u>	<u>\$ 8,253,082</u>

Governmental Activities (Cont):

	Balance 7-1-11	Increases	Balance 6-30-12
Less Accumulated Depreciation For: Buildings and Improvements	\$ 957,627	\$ 42,493	\$ 1,000,120
Other Capital Assets	2,310,124	290,405	2,600,529
Roads and Bridges	327,226	114,899	442,125
Total Accumulated Depreciation	<u>\$ 3,594,977</u>	<u>\$ 447,797</u>	<u>\$ 4,042,774</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,157,113</u>	<u>\$ 53,195</u>	<u>\$ 4,210,308</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,669,812</u>	<u>\$ 85,464</u>	<u>\$ 4,755,276</u>

There were no capital asset decreases during the year ended June 30, 2012. 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	132,147
Public Health and Welfare	48,309
Social, Cultural, and Recreational Services	85,193
Highway/Public Works	<u>164,001</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 447,797</u>

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

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 39,342	\$ 0	\$ 39,342
Construction in Progress	0	454,684	454,684
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 454,684</u>	<u>\$ 494,026</u>

Governmental Activities (Cont):

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Depreciated:			
Buildings and Improvements	\$ 18,997,328	\$ 7,070	\$ 19,004,398
Other Capital Assets	1,067,574	153,162	1,220,736
Total Capital Assets Depreciated	<u>\$ 20,064,902</u>	<u>\$ 160,232</u>	<u>\$ 20,225,134</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 6,545,820	\$ 409,796	\$ 6,955,616
Other Capital Assets	714,286	40,686	754,972
Total Accumulated Depreciation	<u>\$ 7,260,106</u>	<u>\$ 450,482</u>	<u>\$ 7,710,588</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,804,796</u>	<u>\$ (290,250)</u>	<u>\$ 12,514,546</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,844,138</u>	<u>\$ 164,434</u>	<u>\$ 13,008,572</u>

There were no capital asset decreases during the year ended June 30, 2012.

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

Governmental Activities:

Instruction	\$ 376,646
Support Services	63,282
Operation of Non-Instructional Services	<u>10,554</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 450,482</u></u>

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In General Debt Service Fund
Nonmajor governmental funds	\$ 43,347
Water and Sewer Fund	23,321
Total	\$ 66,668

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 assets acquired through the capital lease are as follows:

Assets	Metropolitan School Department
Equipment	\$ 244,766
Less: Accumulated Depreciation	(90,580)
Total Book Value	\$ 154,186

Future minimum lease payments and the net present value of these lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	\$ 29,100
2014	29,101
2015	29,100
2016	29,101
2017	29,100
2018-2020	72,751
Total Minimum Lease Payments	\$ 218,253
Less: Amount Representing Interest	(35,825)
 Present Value of Minimum Lease Payments	 \$ 182,428

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, 2012, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
Capital Outlay Notes	2.09 to 3.92 %	12-1-23	\$ 987,000	\$ 752,869
Other Loans	variable	5-25-35	11,271,980	10,028,980

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, 2012, 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, 2012, the variable interest rate was .46 percent, and other fees totaled approximately .35 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2012, the variable interest rate was .46 percent, and other fees totaled approximately .15 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, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 100,315	\$ 27,519	\$ 127,834
2014	86,476	23,842	110,318
2015	72,640	20,759	93,399
2016	74,850	18,079	92,929
2017	77,882	15,252	93,134
2018-2022	238,706	43,000	281,706
2023-2024	102,000	3,870	105,870
Total	\$ 752,869	\$ 152,321	\$ 905,190

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 339,000	\$ 46,299	\$ 40,039	\$ 425,338
2014	351,000	44,734	38,809	434,543
2015	365,000	43,114	37,538	445,652
2016	377,000	41,429	36,218	454,647
2017	391,000	39,688	34,857	465,545
2018-2022	2,181,000	170,012	152,136	2,503,148
2023-2027	2,609,000	115,853	110,196	2,835,049
2028-2032	2,111,980	58,130	59,786	2,229,896
2033-2035	1,304,000	12,166	14,304	1,330,470
Total	\$ 10,028,980	\$ 571,425	\$ 523,883	\$ 11,124,288

There is \$985,741 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$1,695, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Notes	Other Loans	Compensated Absences
Balance, July 1, 2011	\$ 793,554	\$ 10,355,980	\$ 75,329
Additions	510,000	0	114,175
Reductions	(550,685)	(327,000)	(108,187)
Balance, June 30, 2012	<u>\$ 752,869</u>	<u>\$ 10,028,980</u>	<u>\$ 81,317</u>
Balance Due Within One Year	<u>\$ 100,315</u>	<u>\$ 339,000</u>	<u>\$ 32,527</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 10,863,166
Less: Balance Due Within One Year	<u>(471,842)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,391,324</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, 2012, was as follows:

Governmental Activities:	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 202,190	\$ 14,020	\$ 490,854
Additions	0	15,834	129,793
Reductions	(19,762)	(16,002)	(80,328)
Balance, June 30, 2012	<u>\$ 182,428</u>	<u>\$ 13,852</u>	<u>\$ 540,319</u>
Balance Due Within One Year	<u>\$ 20,726</u>	<u>\$ 13,852</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 736,599
Less: Due Within One Year	<u>(34,578)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 702,021</u>

Debt per capita for capital leases totaled \$29, 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

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, 2012, were \$14,839 and \$6,494, 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. Subsequent Event

Assessor of Property Wayne Harrison resigned on August 31, 2012, and was succeeded by Darin Harrison effective September 1, 2012.

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.

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.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, 2012, was 10.65 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 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, 2012, was 6.18 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.

Annual Pension Cost

Metropolitan Government Employees

For the year ended June 30, 2012, the metropolitan government's annual pension cost of \$47,159 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement 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 13 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-12	\$47,159	100%	\$0
6-30-11	47,236	100	0
6-30-10	47,170	100	0

School Department Employees

For the year ended June 30, 2012, the metropolitan government's annual pension cost of \$63,053 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$63,053	100%	\$0
6-30-11	59,225	100	0
6-30-10	63,927	100	0

Funded Status and Funding Progress

Metropolitan Government Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.02 percent funded. The actuarial accrued liability for benefits was \$1.26 million, and the actuarial value of assets was \$1.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.18 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.44 million, and the ratio of the UAAL to the covered payroll was 40.14 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.

School Department Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was \$3.03 million, and the actuarial value of assets was \$3.03 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$1.04 million, and the ratio of the UAAL to the covered payroll was zero 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.

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate.

The employer rate for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010, were \$351,043, \$344,533, and \$240,410, 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.

E. 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)*. Prior to reaching the age of 65, all members 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://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service

for post-65 members in the Medicare Supplement Plan. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$0 to \$494 per month. The School Department recognized expenditures of \$80,328 for postemployment health care during the year ended June 30, 2012.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Insurance Plan</u>
ARC	\$ 131,000
Interest on the NPO	19,634
Adjustment to the ARC	<u>(20,841)</u>
Annual OPEB cost	\$ 129,793
Amount of contribution	<u>(80,328)</u>
Increase/decrease in NPO	\$ 49,465
Net OPEB obligation, 7-1-11	<u>490,854</u>
Net OPEB obligation, 6-30-12	<u><u>\$ 540,319</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 173,727	46%	\$ 400,424
6-30-11	"	176,951	49	490,854
6-30-12	"	129,793	62	540,319

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:
(dollars in thousands)

	<u>Local Education Group Insurance Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,137
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,137
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,809
UAAL as a % of covered payroll	24%

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, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.5 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 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.

F. 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 7-1-11	Additions	Deductions	Balance 6-30-12
Capital Assets Not				
Depreciated or Amortized:				
Land and Land Rights	\$ 92,459	\$ 0	\$ 0	\$ 92,459
Construction in Progress	62,916	25,984	0	88,900
Total Capital Assets Not				
Depreciated or Amortized	\$ 155,375	\$ 25,984	\$ 0	\$ 181,359
Other Capital Assets:				
General	\$ 230,956	\$ 107,607	\$ 0	\$ 338,563
Water	13,355,669	47,625	(3,296)	13,399,998
Sewer	1,701,986	92,310	0	1,794,296
Maintenance	246,597	3,940	(107,922)	142,615
Acquisition Adjustment	301,099	0	0	301,099
Utility Plant	\$ 15,836,307	\$ 251,482	\$ (111,218)	\$ 15,976,571

Business-type Activities (Cont.):

	Balance 7-1-11	Additions	Deductions	Balance 6-30-12
Less Accumulated Depreciation/ Amortization for:				
General	\$ 74,622	\$ 58,564	\$ 0	\$ 133,186
Water	2,398,316	354,747	(3,546)	2,749,517
Sewer	1,100,512	51,919	0	1,152,431
Maintenance	128,208	22,814	(68,460)	82,562
Acquisition Adjustment	54,689	15,055	0	69,744
Total Accumulated Depreciation/ Amortization	\$ 3,756,347	\$ 503,099	\$ (72,006)	\$ 4,187,440
Other Capital Assets, Net	\$ 12,079,960	\$ (251,617)	\$ (39,212)	\$ 11,789,131
Business-type Activities Capital Assets, Net	\$ 12,235,335	\$ (225,633)	\$ (39,212)	\$ 11,970,490

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2012:

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use	\$ 257,881	\$ 51,889	\$ 309,770
Restricted Funds:			
Bond Reserve Fund	728	55,000	55,728
Total	\$ 258,609	\$ 106,889	\$ 365,498

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$204,693 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, 2012, includes the following:

	<u>Bonds</u>
Balance, July 1, 2011	\$ 4,328,974
Reductions	<u>(118,415)</u>
Balance, June 30, 2012	<u>\$ 4,210,559</u>
Balance Due Within One Year	<u>\$ 64,768</u>

Details of water and sewer revenue bonds are as follows:

Series 1994 Water Revenue and Tax Bonds, 5.5%, payable \$462 per month including principal and interest with final maturity in 2032	\$ 66,192
Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	242,928
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	305,184
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	186,594
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	981,767

Details of water and sewer revenue bonds (Cont.)

Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	\$ 1,887,439
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	<u>540,455</u>
Total	<u><u>\$ 4,210,559</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, 2012, are as follows:

Year	Principal	Interest
2013	\$ 64,768	\$ 183,362
2014	67,949	179,191
2015	70,992	176,148
2016	74,173	172,968
2017	77,497	169,643
2018-2022	442,847	792,853
2023-2027	551,596	684,104
2028-2032	680,550	551,619
2033-2037	790,027	385,954
2038-2042	790,647	214,763
2043-2047	<u>599,513</u>	<u>51,085</u>
Total	<u><u>\$ 4,210,559</u></u>	<u><u>\$ 3,561,690</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 \$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, 2012.

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

	Balance 6-30-11	Balance 6-30-12
Revenue	\$ 240,591	\$ 307,881
Operation and Maintenance	1,866	1,899
Bond	60,996	55,728

Principal and interest payments for these revenue bonds as a percentage of pledged revenue totaled 18 percent for the year.

F. Notes Payable

The repayment schedule for the office building loan with Farmers Bank, which bears interest of 3.23 percent, is as follows:

Year Ending June 30	<u>Office Building</u>	
	Principal	Interest
2013	\$ 13,743	\$ 317
2014	2,256	6
Total	<u>\$ 15,999</u>	<u>\$ 323</u>

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

Year Ending June 30	<u>Principal</u>		<u>Interest</u>	
	Principal	Interest	Principal	Interest
2013	\$ 34,829	\$ 3,850	\$ 8,101	\$ 827
2014	36,087	2,592	8,435	590
2015	37,389	1,290	8,681	346
2016	5,912	160	7,449	93
Total	<u>\$ 114,217</u>	<u>\$ 7,892</u>	<u>\$ 32,666</u>	<u>\$ 1,856</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.

The department has a line of credit with Farmers Bank totaling \$300,000, bearing an interest rate of 2.34 percent. No draws have been made on this line as of June 30, 2012.

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
2013	\$ 41,688	\$ 17,760
2014	43,036	16,412
2015	44,323	15,125
2016	45,648	13,800
2017	47,013	12,435
2018-2022	257,011	40,229
2023-2025	139,282	5,198
Total	\$ 618,001	\$ 120,959

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

The department has borrowed \$127,447 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
2013	\$ 18,103	\$ 14,206	\$ 11,376
2014	18,103	14,206	11,375
2015	18,103	14,206	11,376
2016	18,103	14,206	11,375
2017	6,035	14,206	11,376
2018-2019	0	10,656	22,750
Total	\$ 78,447	\$ 81,686	\$ 79,628

The obligations are non-interest bearing.

Notes payable activity for the year ended June 30, 2012, is as follows:

Balance 7-1-11	Draws	Repayments	Balance 6-30-12
\$ 1,187,451	\$ 109,683	\$ (139,042)	\$ 1,158,092

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.

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

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, 2012, totaled \$113,225. Deposits from these customers, totaling \$23,606 at June 30, 2012, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 22 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. Funding Approval

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, 2011, and 2012 to generate the additional revenue needed.

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 \$23,321.

M. Commitments

The utility board has awarded a contract for collection system rehabilitation totaling \$1,100,740 to Cleary Construction Company. As of June 30, 2012, no costs had been incurred under this contract.

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

A. Summary of Significant Accounting Policies

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

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

proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

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

Asset	Method	Estimated Useful Life in Years	Depreciation
Office Equipment	S/L	5, 7, 10	\$ 1,758
Communications Equipment	S/L	5, 10	<u>25,292</u>
			<u><u>\$ 27,050</u></u>

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

B. Cash and Cash Investments

Tennessee Code Annotated (TCA) requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity’s deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2012:

Checking - Farmer's Bank	\$ 267,392
Certificates of Deposit - Moore County Bank	103,932
Certificates of Deposit - Farmer's Bank	<u>4,851</u>
Total	<u><u>\$ 376,175</u></u>

At June 30, 2012, the carrying amount of the Moore County Emergency Communications District’s cash deposits was \$376,175. The district’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

C. Bonding and Insurance

The district has a bond covering certain members of the board at June 30, 2012. There have been no losses or settlements that exceeded coverage during the past three years. All other potential risks such as theft, property damage, and public liability are covered under the county's insurance policy.

D. Capital Assets

The following is a schedule of equipment and depreciation at June 30, 2012:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value 6-30-12</u>
Capital Assets Not Depreciated:			
Land	\$ 100,000	\$ 0	\$ 100,000
Total Capital Assets Not Depreciated	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>
Capital Assets Depreciated:			
Office Equipment	\$ 13,592	\$ 9,092	\$ 4,500
Communications Equipment	289,035	140,058	148,977
Total Capital Assets Depreciated	<u>\$ 302,627</u>	<u>\$ 149,150</u>	<u>\$ 153,477</u>
Total Capital Assets	<u>\$ 402,627</u>	<u>\$ 149,150</u>	<u>\$ 253,477</u>

A schedule of changes in capital assets (at cost) for the year ended June 30, 2012, follows:

<u>Assets</u>	<u>Balance 7-1-11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6-30-12</u>
Capital Assets Not Depreciated:				
Land	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Total Capital Assets Not Depreciated	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,000</u>
Capital Assets Depreciated:				
Office Equipment	\$ 13,592	\$ 0	\$ 0	\$ 13,592
Communications Equipment	289,035	0	0	289,035
Total Capital Assets Depreciated	<u>\$ 302,627</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 302,627</u>
Total Capital Assets	<u>\$ 402,627</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 402,627</u>

E. Cash and Cash Equivalents

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

F. Accounts Receivable/Due From State Emergency Communications Board

The amounts of \$739 from AT&T, \$79 from other telephone service companies, and \$2,503 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2012. There is no need for an allowance for bad debts.

G. Compensated Absences

There were no employees at June 30, 2012.

H. Calculation of Invested in Capital Assets

Net Book Value	\$ 253,477
Current and Noncurrent Debt	<u>0</u>
Invested in Capital Assets	<u><u>\$ 253,477</u></u>

I. Restricted and Unrestricted Resources

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

J. Budgetary Information

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,014,873	\$ 1,871,350	\$ 1,871,350	\$ 143,523
Licenses and Permits	21,247	9,500	9,500	11,747
Fines, Forfeitures, and Penalties	32,827	27,625	27,625	5,202
Charges for Current Services	144,489	133,775	133,775	10,714
Other Local Revenues	86,547	98,500	101,100	(14,553)
Fees Received from County Officials	266,135	247,000	247,000	19,135
State of Tennessee	544,452	459,868	506,645	37,807
Federal Government	95,718	0	29,145	66,573
Other Governments and Citizens Groups	49,434	31,576	79,101	(29,667)
Total Revenues	\$ 3,255,722	\$ 2,879,194	\$ 3,005,241	\$ 250,481
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 116,022	\$ 131,700	\$ 131,700	\$ 15,678
County Mayor/Executive	106,915	111,607	110,426	3,511
County Attorney	9,200	7,962	9,201	1
Election Commission	74,966	61,776	74,971	5
Register of Deeds	62,581	65,731	65,731	3,150
Planning	19,634	13,718	19,634	0
County Buildings	67,577	75,250	76,345	8,768
Preservation of Records	5,709	6,808	10,248	4,539
<u>Finance</u>				
Property Assessor's Office	65,502	67,401	67,401	1,899
County Trustee's Office	61,271	61,526	61,526	255
County Clerk's Office	65,350	65,904	65,904	554
<u>Administration of Justice</u>				
Circuit Court	69,059	76,401	76,401	7,342
General Sessions Court	64,559	63,852	64,560	1
Chancery Court	57,621	58,946	58,946	1,325
Juvenile Court	9,000	9,000	9,000	0
Judicial Commissioners	12,924	14,369	14,369	1,445
<u>Public Safety</u>				
Sheriff's Department	647,086	678,729	696,503	49,417
Administration of the Sexual Offender Registry	1,370	792	1,512	142
Jail	317,061	290,966	339,952	22,891
Commissary	671	2,275	2,275	1,604
Fire Prevention and Control	105,125	102,648	111,148	6,023
Other Emergency Management	45,777	4,400	45,777	0
<u>Public Health and Welfare</u>				
Local Health Center	98,653	108,369	112,769	14,116
Ambulance/Emergency Medical Services	335,882	342,826	346,651	10,769
Alcohol and Drug Programs	1,978	1,150	3,164	1,186
Regional Mental Health Center	2,500	2,500	2,500	0

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 8,500	\$ 8,500	\$ 8,500	\$ 0
Libraries	89,871	87,506	93,206	3,335
Parks and Fair Boards	97,511	72,681	104,950	7,439
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	48,615	56,706	56,706	8,091
Forest Service	350	350	350	0
Soil Conservation	5,535	5,763	5,763	228
<u>Other Operations</u>				
Tourism	4,357	7,100	7,100	2,743
Veterans' Services	1,591	1,591	1,591	0
Other Charges	6,097	7,500	7,500	1,403
Employee Benefits	478,314	634,250	616,768	138,454
Total Expenditures	<u>\$ 3,164,734</u>	<u>\$ 3,308,553</u>	<u>\$ 3,481,048</u>	<u>\$ 316,314</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 90,988	\$ (429,359)	\$ (475,807)	\$ 566,795
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 0	\$ 8,955	\$ (8,955)
Transfers In	0	30,000	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 8,955</u>	<u>\$ (8,955)</u>
Net Change in Fund Balance	\$ 90,988	\$ (399,359)	\$ (466,852)	\$ 557,840
Fund Balance, July 1, 2011	<u>724,972</u>	<u>451,310</u>	<u>451,310</u>	<u>273,662</u>
Fund Balance, June 30, 2012	<u>\$ 815,960</u>	<u>\$ 51,951</u>	<u>\$ (15,542)</u>	<u>\$ 831,502</u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 29,679	\$ 28,112	\$ 28,112	\$ 1,567
Other Local Revenues	929	17,400	17,400	(16,471)
State of Tennessee	1,503,105	1,404,620	1,484,620	18,485
Federal Government	27,809	0	0	27,809
Total Revenues	<u>\$ 1,561,522</u>	<u>\$ 1,450,132</u>	<u>\$ 1,530,132</u>	<u>\$ 31,390</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 163,662	\$ 164,824	\$ 165,524	\$ 1,862
Highway and Bridge Maintenance	556,996	697,740	593,740	36,744
Operation and Maintenance of Equipment	149,586	166,010	166,010	16,424
Other Charges	46,869	61,400	61,400	14,531
Employee Benefits	28,693	29,000	29,000	307
Capital Outlay	873,730	415,000	865,000	(8,730)
Total Expenditures	<u>\$ 1,819,536</u>	<u>\$ 1,533,974</u>	<u>\$ 1,880,674</u>	<u>\$ 61,138</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (258,014)</u>	<u>\$ (83,842)</u>	<u>\$ (350,542)</u>	<u>\$ 92,528</u>
Net Change in Fund Balance	\$ (258,014)	\$ (83,842)	\$ (350,542)	\$ 92,528
Fund Balance, July 1, 2011	535,934	449,166	449,166	86,768
Fund Balance, June 30, 2012	<u>\$ 277,920</u>	<u>\$ 365,324</u>	<u>\$ 98,624</u>	<u>\$ 179,296</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, 2012

(Dollar amounts in thousands)

Member	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Metropolitan Government Employees	7-1-11	\$ 1,084	\$ 1,261	\$ 176	86.02 %	\$ 439	40.14 %
"	7-1-09	861	956	95	90.07	439	21.62
"	7-1-07	763	866	103	88.11	390	26.41
School Department Employees	7-1-11	3,025	3,025	0	100	1,038	0
"	7-1-09	2,505	2,505	0	100	985	0
"	7-1-07	2,349	2,349	0	100	949	0

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, 2012

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Local Education Group	7-1-09	\$ 0	\$ 1,536	\$ 1,536	0 %	\$ 4,638	33 %
"	7-1-10	0	1,554	1,554	0	4,721	33
"	7-1-11	0	1,137	1,137	0	4,809	24

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012**

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 \$15,542.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the Metropolitan Council by \$8,730 in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund.

**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.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Education Capital Projects Fund – The Education Capital Projects Fund is use to account for debt issued by the metropolitan government that is subsequently contributed to the discretely presented Metropolitan School Department for building construction and renovations.

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 18,797	\$ 228,698	\$ 46,116	\$ 293,611
Accounts Receivable	0	55,667	150	55,817
Allowance for Uncollectibles	0	(751)	0	(751)
Property Taxes Receivable	14,879	205,543	0	220,422
Allowance for Uncollectible Property Taxes	(311)	(4,930)	0	(5,241)
Total Assets	<u>\$ 33,365</u>	<u>\$ 484,227</u>	<u>\$ 46,266</u>	<u>\$ 563,858</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Deferred Revenue - Current Property Taxes	\$ 13,500	\$ 196,000	\$ 0	\$ 209,500
Deferred Revenue - Delinquent Property Taxes	1,068	4,482	0	5,550
Other Deferred Revenues	0	25,669	0	25,669
Total Liabilities	<u>\$ 14,568</u>	<u>\$ 226,151</u>	<u>\$ 0</u>	<u>\$ 240,719</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 0	\$ 46,266	\$ 46,266
Restricted for Public Health and Welfare	0	215,654	0	215,654
Restricted for Other Purposes	18,797	0	0	18,797
Committed:				
Committed for Public Health and Welfare	0	42,422	0	42,422
Total Fund Balances	<u>\$ 18,797</u>	<u>\$ 258,076</u>	<u>\$ 46,266</u>	<u>\$ 323,139</u>
Total Liabilities and Fund Balances	<u>\$ 33,365</u>	<u>\$ 484,227</u>	<u>\$ 46,266</u>	<u>\$ 563,858</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, 2012

	Special Revenue Funds					Capital Projects Fund		Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Education Capital Projects		
<u>Revenues</u>								
Local Taxes	\$ 22,711	\$ 191,855	\$ 0	\$ 0	\$ 214,566	\$ 0	\$ 0	\$ 214,566
Licenses and Permits	2,239	0	0	0	2,239	0	0	2,239
Fines, Forfeitures, and Penalties	0	0	6,156	0	6,156	0	0	6,156
Charges for Current Services	0	195,098	0	3,260	198,358	0	0	198,358
Other Local Revenues	0	42,422	0	0	42,422	0	0	42,422
State of Tennessee	0	40,754	0	0	40,754	0	0	40,754
Total Revenues	\$ 24,950	\$ 470,129	\$ 6,156	\$ 3,260	\$ 504,495	\$ 0	\$ 0	\$ 504,495
<u>Expenditures</u>								
Current:								
General Government	\$ 18,206	\$ 0	\$ 0	\$ 0	\$ 18,206	\$ 0	\$ 0	\$ 18,206
Administration of Justice	0	0	0	3,260	3,260	0	0	3,260
Public Safety	0	0	13,503	0	13,503	0	0	13,503
Public Health and Welfare	0	353,293	0	0	353,293	0	0	353,293
Capital Projects	0	0	0	0	0	510,000	0	510,000
Total Expenditures	\$ 18,206	\$ 353,293	\$ 13,503	\$ 3,260	\$ 388,262	\$ 510,000	\$ 0	\$ 898,262
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,744	\$ 116,836	\$ (7,347)	\$ 0	\$ 116,233	\$ (510,000)	\$ 0	\$ (393,767)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 510,000	\$ 0	\$ 510,000
Transfers Out	0	(43,347)	0	0	(43,347)	0	0	(43,347)
Total Other Financing Sources (Uses)	\$ 0	\$ (43,347)	\$ 0	\$ 0	\$ (43,347)	\$ 510,000	\$ 0	\$ 466,653
Net Change in Fund Balances	\$ 6,744	\$ 73,489	\$ (7,347)	\$ 0	\$ 72,886	\$ 0	\$ 0	\$ 72,886
Fund Balance, July 1, 2011	12,053	184,587	53,613	0	250,253	0	0	250,253
Fund Balance, June 30, 2012	\$ 18,797	\$ 258,076	\$ 46,266	\$ 0	\$ 323,139	\$ 0	\$ 0	\$ 323,139

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 22,711	\$ 20,655	\$ 20,655	\$ 2,056
Licenses and Permits	2,239	2,600	2,600	(361)
Other Local Revenues	0	85	85	(85)
Total Revenues	<u>\$ 24,950</u>	<u>\$ 23,340</u>	<u>\$ 23,340</u>	<u>\$ 1,610</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 18,206	\$ 18,310	\$ 18,510	\$ 304
Total Expenditures	<u>\$ 18,206</u>	<u>\$ 18,310</u>	<u>\$ 18,510</u>	<u>\$ 304</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,744</u>	<u>\$ 5,030</u>	<u>\$ 4,830</u>	<u>\$ 1,914</u>
Net Change in Fund Balance	\$ 6,744	\$ 5,030	\$ 4,830	\$ 1,914
Fund Balance, July 1, 2011	<u>12,053</u>	<u>13,343</u>	<u>13,343</u>	<u>(1,290)</u>
Fund Balance, June 30, 2012	<u><u>\$ 18,797</u></u>	<u><u>\$ 18,373</u></u>	<u><u>\$ 18,173</u></u>	<u><u>\$ 624</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 191,855	\$ 186,610	\$ 186,610	\$ 5,245
Charges for Current Services	195,098	182,000	182,000	13,098
Other Local Revenues	42,422	18,000	24,100	18,322
State of Tennessee	40,754	40,237	40,237	517
Total Revenues	<u>\$ 470,129</u>	<u>\$ 426,847</u>	<u>\$ 432,947</u>	<u>\$ 37,182</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 33,070	\$ 39,237	\$ 39,237	\$ 6,167
Recycling Center	320,223	379,689	379,689	59,466
Total Expenditures	<u>\$ 353,293</u>	<u>\$ 418,926</u>	<u>\$ 418,926</u>	<u>\$ 65,633</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 116,836</u>	<u>\$ 7,921</u>	<u>\$ 14,021</u>	<u>\$ 102,815</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (43,347)	\$ 0	\$ (43,347)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (43,347)</u>	<u>\$ 0</u>	<u>\$ (43,347)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 73,489	\$ 7,921	\$ (29,326)	\$ 102,815
Fund Balance, July 1, 2011	<u>184,587</u>	<u>139,699</u>	<u>139,699</u>	<u>44,888</u>
Fund Balance, June 30, 2012	<u>\$ 258,076</u>	<u>\$ 147,620</u>	<u>\$ 110,373</u>	<u>\$ 147,703</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 6,156	\$ 1,100	\$ 1,100	\$ 5,056
Total Revenues	\$ 6,156	\$ 1,100	\$ 1,100	\$ 5,056
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,503	\$ 19,575	\$ 19,575	\$ 6,072
Total Expenditures	\$ 13,503	\$ 19,575	\$ 19,575	\$ 6,072
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,347)	\$ (18,475)	\$ (18,475)	\$ 11,128
Net Change in Fund Balance	\$ (7,347)	\$ (18,475)	\$ (18,475)	\$ 11,128
Fund Balance, July 1, 2011	53,613	32,174	32,174	21,439
Fund Balance, June 30, 2012	\$ 46,266	\$ 13,699	\$ 13,699	\$ 32,567

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 933,843	\$ 837,500	\$ 837,500	\$ 96,343
Other Local Revenues	0	1,000	1,000	(1,000)
Other Governments and Citizens Groups	0	18,000	0	0
Total Revenues	<u>\$ 933,843</u>	<u>\$ 856,500</u>	<u>\$ 838,500</u>	<u>\$ 95,343</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 623,715	\$ 286,454	\$ 647,888	\$ 24,173
Education	253,970	218,000	253,970	0
<u>Interest on Debt</u>				
General Government	33,163	155,963	36,302	3,139
Education	39,575	345,780	48,910	9,335
<u>Other Debt Service</u>				
General Government	25,478	12,000	25,478	0
Education	45,251	0	48,996	3,745
Total Expenditures	<u>\$ 1,021,152</u>	<u>\$ 1,018,197</u>	<u>\$ 1,061,544</u>	<u>\$ 40,392</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (87,309)</u>	<u>\$ (161,697)</u>	<u>\$ (223,044)</u>	<u>\$ 135,735</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 66,668	\$ 0	\$ 61,347	\$ 5,321
Total Other Financing Sources (Uses)	<u>\$ 66,668</u>	<u>\$ 0</u>	<u>\$ 61,347</u>	<u>\$ 5,321</u>
Net Change in Fund Balance	\$ (20,641)	\$ (161,697)	\$ (161,697)	\$ 141,056
Fund Balance, July 1, 2011	<u>1,006,382</u>	<u>807,465</u>	<u>807,465</u>	<u>198,917</u>
Fund Balance, June 30, 2012	<u>\$ 985,741</u>	<u>\$ 645,768</u>	<u>\$ 645,768</u>	<u>\$ 339,973</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, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 54,634	\$ 1,050,577	\$ 1,086,840	\$ 18,371
Accounts Receivable	463	0	463	0
Cash Shortage	1,391	0	1,391	0
Total Assets	<u>\$ 56,488</u>	<u>\$ 1,050,577</u>	<u>\$ 1,088,694</u>	<u>\$ 18,371</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 56,488	\$ 1,050,577	\$ 1,088,694	\$ 18,371
Total Liabilities	<u>\$ 56,488</u>	<u>\$ 1,050,577</u>	<u>\$ 1,088,694</u>	<u>\$ 18,371</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, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,100,102	\$ 21,000	\$ 510,000	\$ (3,936,733)
Support Services	3,100,154	5,447	0	(3,049,587)
Operation of Non-Instructional Services	677,192	293,619	0	32,015
Interest on Long-term Debt	9,338	0	0	(9,338)
Total Governmental Activities	\$ 8,886,786	\$ 320,066	\$ 1,093,077	\$ (6,963,643)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,093,415
Local Option Sales Tax				369,564
Other Local Taxes				392
Grants and Contributions Not Restricted to Specific Programs				4,648,529
Unrestricted Investment Income				264
Miscellaneous				8,065
Total General Revenues				\$ 7,120,229
Change in Net Assets				\$ 156,586
Net Assets, July 1, 2011				13,062,811
Net Assets, June 30, 2012				<u>\$ 13,219,397</u>

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2012

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 5	\$ 5
Equity in Pooled Cash and Investments	691,748	216,040	907,788
Inventories	0	6,077	6,077
Due from Other Governments	134,570	29,170	163,740
Property Taxes Receivable	2,238,670	0	2,238,670
Allowance for Uncollectible Property Taxes	(44,713)	0	(44,713)
Total Assets	\$ 3,020,275	\$ 251,292	\$ 3,271,567
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 795	\$ 1,885	\$ 2,680
Payroll Deductions Payable	154,253	18,043	172,296
Contracts Payable	0	12,767	12,767
Deferred Revenue - Current Property Taxes	2,136,400	0	2,136,400
Deferred Revenue - Delinquent Property Taxes	54,557	0	54,557
Other Deferred Revenues	32,483	0	32,483
Total Liabilities	\$ 2,378,488	\$ 32,695	\$ 2,411,183
<u>Fund Balances</u>			
Nonspendable:			
Inventory	\$ 0	\$ 6,077	\$ 6,077
Restricted:			
Restricted for Education	0	137,204	137,204
Committed:			
Committed for Education	27,355	20,000	47,355
Committed for Capital Projects	0	55,316	55,316
Unassigned	614,432	0	614,432
Total Fund Balances	\$ 641,787	\$ 218,597	\$ 860,384
Total Liabilities and Fund Balances	\$ 3,020,275	\$ 251,292	\$ 3,271,567

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, 2012

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)		\$	860,384
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: construction in progress		454,684	
Add: buildings and improvements net of accumulated depreciation		12,048,782	
Add: other capital assets net of accumulated depreciation		<u>465,764</u>	13,008,572
(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	\$	(182,428)	
Less: other postemployment benefits liability		(540,319)	
Less: compensated absences payable		<u>(13,852)</u>	(736,599)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>87,040</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,219,397</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, 2012

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,456,866	\$ 0	\$ 2,456,866
Licenses and Permits	570	0	570
Charges for Current Services	68,495	250,454	318,949
Other Local Revenues	9,182	264	9,446
State of Tennessee	4,735,764	5,578	4,741,342
Federal Government	0	999,694	999,694
Other Governments and Citizens Groups	0	510,000	510,000
Total Revenues	\$ 7,270,877	\$ 1,765,990	\$ 9,036,867
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,063,171	\$ 568,069	\$ 4,631,240
Support Services	3,106,615	108,325	3,214,940
Operation of Non-Instructional Services	134,342	531,443	665,785
Capital Outlay	25,936	0	25,936
Debt Service:			
Principal on Debt	19,762	0	19,762
Interest on Debt	9,338	0	9,338
Capital Projects	0	454,684	454,684
Total Expenditures	\$ 7,359,164	\$ 1,662,521	\$ 9,021,685
Excess (Deficiency) of Revenues Over Expenditures	\$ (88,287)	\$ 103,469	\$ 15,182
Net Change in Fund Balances	\$ (88,287)	\$ 103,469	\$ 15,182
Fund Balance, July 1, 2011	730,074	115,128	845,202
Fund Balance, June 30, 2012	\$ 641,787	\$ 218,597	\$ 860,384

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, 2012

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)		\$ 15,182
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 614,916	
Less: current-year depreciation expense	<u>(450,482)</u>	164,434
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 87,040	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(80,535)</u>	6,505
<p>(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.</p>		
Add: principal payments on lease		19,762
<p>(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.</p>		
Change in other postemployment benefits liability	\$ (49,465)	
Change in compensated absences payable	<u>168</u>	<u>(49,297)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 156,586</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, 2012

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 5	\$ 5	\$ 0	5
Equity in Pooled Cash and Investments	42,145	105,608	147,753	68,287	216,040
Inventories	0	6,077	6,077	0	6,077
Due from Other Governments	1,665	27,505	29,170	0	29,170
Total Assets	\$ 43,810	\$ 139,195	\$ 183,005	\$ 68,287	\$ 251,292
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 1,665	\$ 16	\$ 1,681	\$ 204	\$ 1,885
Payroll Deductions Payable	8,109	9,934	18,043	0	18,043
Contracts Payable	0	0	0	12,767	12,767
Total Liabilities	\$ 9,774	\$ 9,950	\$ 19,724	\$ 12,971	\$ 32,695
<u>Fund Balances</u>					
Nonspendable:					
Inventory	\$ 0	\$ 6,077	\$ 6,077	\$ 0	\$ 6,077
Restricted:					
Restricted for Education	14,036	123,168	137,204	0	137,204
Committed:					
Committed for Education	20,000	0	20,000	0	20,000
Committed for Capital Projects	0	0	0	55,316	55,316
Total Fund Balances	\$ 34,036	\$ 129,245	\$ 163,281	\$ 55,316	\$ 218,597
Total Liabilities and Fund Balances	\$ 43,810	\$ 139,195	\$ 183,005	\$ 68,287	\$ 251,292

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, 2012

	<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	\$ 250,454	\$ 250,454	\$ 0	\$ 250,454
Other Local Revenues	0	264	264	0	264
State of Tennessee	0	5,578	5,578	0	5,578
Federal Government	683,750	315,944	999,694	0	999,694
Other Governments and Citizens Groups	0	0	0	510,000	510,000
Total Revenues	\$ 683,750	\$ 572,240	\$ 1,255,990	\$ 510,000	\$ 1,765,990
<u>Expenditures</u>					
Current:					
Instruction	\$ 568,069	\$ 0	\$ 568,069	\$ 0	\$ 568,069
Support Services	108,325	0	108,325	0	108,325
Operation of Non-Instructional Services	0	531,443	531,443	0	531,443
Capital Projects	0	0	0	454,684	454,684
Total Expenditures	\$ 676,394	\$ 531,443	\$ 1,207,837	\$ 454,684	\$ 1,662,521
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 7,356	\$ 40,797	\$ 48,153	\$ 55,316	\$ 103,469
Net Change in Fund Balances	\$ 7,356	\$ 40,797	\$ 48,153	\$ 55,316	\$ 103,469
Fund Balance, July 1, 2011	26,680	88,448	115,128	0	115,128
Fund Balance, June 30, 2012	\$ 34,036	\$ 129,245	\$ 163,281	\$ 55,316	\$ 218,597

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,456,866	\$ 2,373,541	\$ 2,405,551	\$ 51,315
Licenses and Permits	570	600	600	(30)
Charges for Current Services	68,495	53,300	68,087	408
Other Local Revenues	9,182	10,500	10,877	(1,695)
State of Tennessee	4,735,764	4,716,214	4,731,453	4,311
Total Revenues	<u>\$ 7,270,877</u>	<u>\$ 7,154,155</u>	<u>\$ 7,216,568</u>	<u>\$ 54,309</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,284,033	\$ 3,358,330	\$ 3,316,935	\$ 32,902
Alternative Instruction Program	86,218	86,340	86,280	62
Special Education Program	455,701	511,844	462,615	6,914
Vocational Education Program	237,219	245,898	239,532	2,313
<u>Support Services</u>				
Attendance	7,134	7,893	7,886	752
Health Services	55,969	50,997	56,523	554
Other Student Support	311,658	310,674	318,506	6,848
Regular Instruction Program	393,165	469,428	401,050	7,885
Special Education Program	4,013	3,366	4,013	0
Vocational Education Program	26,097	26,110	26,148	51
Other Programs	21,333	0	21,333	0
Board of Education	189,904	176,294	193,300	3,396
Director of Schools	156,445	149,961	159,429	2,984
Office of the Principal	479,068	485,596	481,171	2,103
Fiscal Services	80,591	80,713	80,673	82
Operation of Plant	669,622	688,577	671,362	1,740
Maintenance of Plant	177,450	178,894	179,741	2,291
Transportation	534,166	502,470	530,310	(3,856)
<u>Operation of Non-Instructional Services</u>				
Community Services	38,705	32,598	39,689	984
Early Childhood Education	95,637	95,623	95,637	0
<u>Capital Outlay</u>				
Regular Capital Outlay	25,936	30,000	52,549	26,613
<u>Principal on Debt</u>				
Education	19,762	19,762	19,762	0
<u>Interest on Debt</u>				
Education	9,338	9,339	9,339	1
Total Expenditures	<u>\$ 7,359,164</u>	<u>\$ 7,520,707</u>	<u>\$ 7,453,783</u>	<u>\$ 94,619</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,287)</u>	<u>\$ (366,552)</u>	<u>\$ (237,215)</u>	<u>\$ 148,928</u>
Net Change in Fund Balance	\$ (88,287)	\$ (366,552)	\$ (237,215)	\$ 148,928
Fund Balance, July 1, 2011	<u>730,074</u>	<u>591,343</u>	<u>591,343</u>	<u>138,731</u>
Fund Balance, June 30, 2012	<u>\$ 641,787</u>	<u>\$ 224,791</u>	<u>\$ 354,128</u>	<u>\$ 287,659</u>

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 683,750	\$ 428,151	\$ 701,470	\$ (17,720)
Total Revenues	\$ 683,750	\$ 428,151	\$ 701,470	\$ (17,720)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 353,352	\$ 151,158	\$ 376,528	\$ 23,176
Special Education Program	190,479	184,948	225,004	34,525
Vocational Education Program	24,238	10,148	10,148	(14,090)
<u>Support Services</u>				
Health Services	17,670	11,363	17,870	200
Other Student Support	18,346	14,661	18,821	475
Regular Instruction Program	57,239	42,484	50,832	(6,407)
Special Education Program	14,567	13,116	15,646	1,079
Vocational Education Program	503	500	503	0
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	0	0	31	31
Total Expenditures	\$ 676,394	\$ 428,378	\$ 715,383	\$ 38,989
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,356	\$ (227)	\$ (13,913)	\$ 21,269
Net Change in Fund Balance	\$ 7,356	\$ (227)	\$ (13,913)	\$ 21,269
Fund Balance, July 1, 2011	26,680	13,913	13,913	12,767
Fund Balance, June 30, 2012	\$ 34,036	\$ 13,686	\$ 0	\$ 34,036

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 250,454	\$ 285,000	\$ 285,000	\$ (34,546)
Other Local Revenues	264	550	550	(286)
State of Tennessee	5,578	5,600	5,600	(22)
Federal Government	315,944	210,000	227,335	88,609
Total Revenues	<u>\$ 572,240</u>	<u>\$ 501,150</u>	<u>\$ 518,485</u>	<u>\$ 53,755</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 531,443	\$ 507,699	\$ 525,034	\$ (6,409)
Total Expenditures	<u>\$ 531,443</u>	<u>\$ 507,699</u>	<u>\$ 525,034</u>	<u>\$ (6,409)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 40,797</u>	<u>\$ (6,549)</u>	<u>\$ (6,549)</u>	<u>\$ 47,346</u>
Net Change in Fund Balance	\$ 40,797	\$ (6,549)	\$ (6,549)	\$ 47,346
Fund Balance, July 1, 2011	88,448	34,384	34,384	54,064
Fund Balance, June 30, 2012	<u>\$ 129,245</u>	<u>\$ 27,835</u>	<u>\$ 27,835</u>	<u>\$ 101,410</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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Fire Truck	\$ 200,000	3.94 %	1-27-06	6-19-12	\$ 81,431	0 \$	81,431 \$	0
Land	225,000	3.38	11-16-05	6-19-12	107,911	0	107,911	0
Garbage Truck	120,000	3.58	6-22-07	4-4-12	42,157	0	42,157	0
Fire Truck	180,000	3.58	1-2-08	1-2-17	125,984	0	19,179	106,805
Park	300,000	4.015	6-23-08	6-19-12	237,252	0	237,252	0
Ambulance	100,000	2.83	6-25-08	6-25-14	33,487	0	17,481	16,006
Patrol Cars	97,000	2.09	3-2-10	3-2-13	65,332	0	32,338	32,994
Park Lights	100,000	3.12	8-9-10	8-9-17	100,000	0	12,936	87,064
School	510,000	3.92	12-12-11	12-1-23	0	510,000	0	510,000
Total Notes Payable					\$ 793,554	\$ 510,000	\$ 550,685	\$ 752,869
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	8,300,000	Variable	7-17-07	5-25-35	7,684,000	0 \$	218,000 \$	7,466,000
School Construction/Public Water	(1)	Variable	6-9-08	5-25-28	2,671,980	0	109,000	2,562,980
Total Other Loans Payable					\$ 10,355,980	\$ 0	\$ 327,000	\$ 10,028,980
<u>DISCRETELY PRESENTED METROPOLITAN SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
TAC Energy Management System	244,766	4.79	9-17-08	12-15-19	202,190	0 \$	19,762 \$	182,428
Total Capital Leases Payable					\$ 202,190	\$ 0	\$ 19,762	\$ 182,428

(1) Total amount approved was \$3,000,000, of which \$28,020 remains available for draws as of June 30, 2012.

Exhibit K-2

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

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 100,315	\$ 27,519	\$ 127,834
2014	86,476	23,842	110,318
2015	72,640	20,759	93,399
2016	74,850	18,079	92,929
2017	77,882	15,252	93,134
2018	56,706	12,424	69,130
2019	43,000	10,289	53,289
2020	45,000	8,566	53,566
2021	46,000	6,782	52,782
2022	48,000	4,939	52,939
2023	50,000	3,018	53,018
2024	52,000	852	52,852
Total	\$ 752,869	\$ 152,321	\$ 905,190

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 339,000	\$ 46,299	\$ 40,039	\$ 425,338
2014	351,000	44,734	38,809	434,543
2015	365,000	43,114	37,538	445,652
2016	377,000	41,429	36,218	454,647
2017	391,000	39,688	34,857	465,545
2018	405,000	37,884	33,448	476,332
2019	421,000	36,014	31,990	489,004
2020	435,000	34,071	30,478	499,549
2021	451,000	32,062	28,918	511,980
2022	469,000	29,981	27,302	526,283
2023	485,000	27,815	25,625	538,440
2024	503,000	25,577	23,894	552,471
2025	521,000	23,255	22,101	566,356
2026	540,000	20,849	20,247	581,096
2027	560,000	18,357	18,329	596,686
2028	552,980	15,772	16,258	585,010
2029	372,000	13,219	13,331	398,550
2030	383,000	11,501	11,731	406,232
2031	396,000	9,733	10,084	415,817
2032	408,000	7,905	8,382	424,287
2033	421,000	6,021	6,627	433,648
2034	435,000	4,077	4,817	443,894
2035	448,000	2,068	2,860	452,928
Total	\$ 10,028,980	571,425	523,883	\$ 11,124,288

(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 Leases		
	Principal	Interest	Total
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	\$ 182,428	\$ 35,825	\$ 218,253

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Solid Waste/Sanitation Water and Sewer Department	General Debt Service "	Debt payment Surcharges to help retire debt	\$ 43,347 23,321
Total Transfers			<u>\$ 66,668</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, 2012

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	76,184 (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, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	52,251	25,000	"
Clerk and Master	Section 8-24-102, TCA	52,251 (2)	25,000	"
Register	Section 8-24-102, TCA	52,251	25,000	"
Sheriff	Section 8-24-102, TCA	57,477 (3)	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 special commissioner fees of \$3,260.
- (3) 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, 2012

	Special Revenue Funds						Debt Service Fund	Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		
<u>Local Taxes</u>								
County Property Taxes								
Current Property Tax	\$ 1,574,051	\$ 12,611	\$ 185,306	\$ 0	\$ 0	\$ 27,842	\$ 2,310,240	
Trustee's Collections - Prior Year	41,200	1,065	4,847	0	0	714	13,262	
Circuit/Clerk & Master Collections - Prior Years	7,496	0	882	0	0	132	2,425	
Interest and Penalty	6,970	163	820	0	0	122	2,164	
Payments in-Lieu-of Taxes - T.V.A.	51,197	8,872	0	0	0	0	0	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	179,291	0	0	0	0	0	179,291	
Hotel/Motel Tax	7,690	0	0	0	0	0	7,690	
Litigation Tax - General	23,386	0	0	0	0	0	23,386	
Litigation Tax - Special Purpose	76	0	0	0	0	0	76	
Litigation Tax - Jail, Workhouse, or Courthouse	14,390	0	0	0	0	0	14,390	
Business Tax	26,785	0	0	0	0	0	26,785	
Mineral Severance Tax	0	0	0	0	0	869	869	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	12,253	0	0	0	0	0	12,253	
Wholesale Beer Tax	69,429	0	0	0	0	0	69,429	
Interstate Telecommunications Tax	659	0	0	0	0	0	659	
Other Statutory Local Taxes	0	0	0	0	0	0	226,271	
<u>Total Local Taxes</u>	\$ 2,014,873	\$ 22,711	\$ 191,855	\$ 0	\$ 0	\$ 29,679	\$ 3,192,961	
<u>Licenses and Permits</u>								
Licenses								
Cable TV Franchise	\$ 6,307	\$ 2,239	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,546	
Permits	14,940	0	0	0	0	0	14,940	
Building Permits	21,247	2,239	0	0	0	0	23,486	
<u>Total Licenses and Permits</u>	\$ 21,247	\$ 2,239	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,486	
<u>Fines, Forfeitures, and Penalties</u>								
Circuit Court	\$ 3,618	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,618	
Fines	0	0	0	0	0	0	0	

(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>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Officers Costs	\$ 1,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,171	
Drug Control Fines	0	0	0	3,340	0	0	0	3,340	
Drug Court Fees	266	0	0	0	0	0	0	266	
Jail Fees	76	0	0	0	0	0	0	76	
DUI Treatment Fines	95	0	0	0	0	0	0	95	
Data Entry Fee - Circuit Court	134	0	0	0	0	0	0	134	
<u>General Sessions Court</u>									
Fines	6,978	0	0	0	0	0	0	6,978	
Officers Costs	7,382	0	0	0	0	0	0	7,382	
Game and Fish Fines	662	0	0	0	0	0	0	662	
Drug Control Fines	41	0	0	1,532	0	0	0	1,573	
Drug Court Fees	798	0	0	0	0	0	0	798	
Jail Fees	6,605	0	0	0	0	0	0	6,605	
DUI Treatment Fines	1,330	0	0	0	0	0	0	1,330	
Data Entry Fee - General Sessions Court	750	0	0	0	0	0	0	750	
Courtroom Security Fee	2,404	0	0	0	0	0	0	2,404	
<u>Juvenile Court</u>									
Drug Control Fines	150	0	0	1,284	0	0	0	1,434	
<u>Chancery Court</u>									
Officers Costs	255	0	0	0	0	0	0	255	
Data Entry Fee - Chancery Court	112	0	0	0	0	0	0	112	
Total Fines, Forfeitures, and Penalties	\$ 32,827	\$ 0	\$ 0	\$ 6,156	\$ 0	\$ 0	\$ 0	\$ 38,983	
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 195,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 195,098	
Patient Charges	131,261	0	0	0	0	0	0	131,261	
<u>Fees</u>									
Recreation Fees	7,214	0	0	0	0	0	0	7,214	
Copy Fees	142	0	0	0	0	0	0	142	

(Continued)

Exhibit K-5

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

	Special Revenue Funds							Total
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
Charges for Current Services (Cont.)								
<u>Fees (Cont.)</u>								
Library Fees	\$ 1,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,620
Vending Machine Collections	93	0	0	0	0	0	0	93
Special Commissioner Fees/Special Master Fees	0	0	0	0	3,260	0	0	3,260
Data Processing Fee - Register	1,934	0	0	0	0	0	0	1,934
Data Processing Fee - Sheriff	699	0	0	0	0	0	0	699
Sexual Offender Registration Fees - Sheriff	900	0	0	0	0	0	0	900
Data Processing Fee - County Clerk	626	0	0	0	0	0	0	626
Total Charges for Current Services	\$ 144,489	\$ 0	\$ 195,098	\$ 0	\$ 3,260	\$ 0	\$ 0	\$ 342,847
Other Local Revenues								
<u>Recurring Items</u>								
Investment Income	\$ 37,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,306
Lease/Rentals	11,680	0	0	0	0	0	0	11,680
Commissary Sales	9,088	0	0	0	0	0	0	9,088
Sale of Recycled Materials	1,991	0	36,109	0	0	0	0	38,100
Refund of Telecommunication and Internet Fees (E-Rate)	984	0	0	0	0	0	0	984
Miscellaneous Refunds	13,166	0	6,313	0	0	929	0	20,408
<u>Nonrecurring Items</u>								
Sale of Property	1,204	0	0	0	0	0	0	1,204
Damages Recovered from Individuals	650	0	0	0	0	0	0	650
Contributions and Gifts	8,907	0	0	0	0	0	0	8,907
<u>Other Local Revenues</u>								
Other Local Revenues	1,571	0	0	0	0	0	0	1,571
Total Other Local Revenues	\$ 86,547	\$ 0	\$ 42,422	\$ 0	\$ 0	\$ 929	\$ 0	\$ 129,898
Fees Received from County Officials								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 49,255	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,255
Circuit Court Clerk	14,768	0	0	0	0	0	0	14,768
General Sessions Court Clerk	24,181	0	0	0	0	0	0	24,181

(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	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>								
Clerk and Master	\$ 14,575	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,575
Juvenile Court Clerk	2,137	0	0	0	0	0	0	2,137
Register	26,378	0	0	0	0	0	0	26,378
Sheriff	3,037	0	0	0	0	0	0	3,037
Trustee	131,804	0	0	0	0	0	0	131,804
Total Fees Received from County Officials	\$ 266,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 266,135
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Public Safety Grants								
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	7,800
Health and Welfare Grants								
Health Department Programs	87,894	0	0	0	0	0	0	87,894
Public Works Grants								
State Aid Program	0	0	0	0	0	318,506	0	318,506
Litter Program	0	0	40,754	0	0	0	0	40,754
Other State Revenues								
Income Tax	33,169	0	0	0	0	0	0	33,169
Beer Tax	18,701	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	13,426	0	0	0	0	0	0	13,426
State Revenue Sharing - T.V.A.	153,591	0	0	0	0	0	0	153,591
Emergency Hospital - Prisoners	25,031	0	0	0	0	0	0	25,031
Contracted Prisoner Boarding	124,648	0	0	0	0	0	0	124,648
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,178,834	0	1,178,834
Petroleum Special Tax	0	0	0	0	0	5,765	0	5,765
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
State Shared Sales Tax - Cities	39,006	0	0	0	0	0	0	39,006
Other State Grants	4,704	0	0	0	0	0	0	4,704
Other State Revenues	12,318	0	0	0	0	0	0	12,318
Total State of Tennessee	\$ 544,452	\$ 0	\$ 40,754	\$ 0	\$ 0	\$ 1,503,105	\$ 0	\$ 2,088,311

(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>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,809	\$ 0	\$ 27,809
Homeland Security Grants	76,171	0	0	0	0	0	0	76,171
Other Federal through State	19,547	0	0	0	0	0	0	19,547
Total Federal Government	\$ 95,718	\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,809	\$ 0	\$ 123,527
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 30,320	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,320
Citizens Groups	19,114	0	0	0	0	0	0	19,114
Donations	49,434	0	0	0	0	0	0	49,434
Total Other Governments and Citizens Groups	\$ 98,868	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,868
<u>Total</u>	\$ 3,255,722	\$ 24,950	\$ 470,129	\$ 6,156	\$ 3,260	\$ 1,561,522	\$ 933,843	\$ 6,255,582

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,021,721	\$ 0	\$ 0	\$ 0	\$ 2,021,721
Trustee's Collections - Prior Year	50,086	0	0	0	50,086
Circuit/Clerk & Master Collections - Prior Years	9,612	0	0	0	9,612
Interest and Penalty	8,938	0	0	0	8,938
<u>County Local Option Taxes</u>					
Local Option Sales Tax	366,117	0	0	0	366,117
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	392	0	0	0	392
Total Local Taxes	\$ 2,456,866	\$ 0	\$ 0	\$ 0	\$ 2,456,866
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 570	\$ 0	\$ 0	\$ 0	\$ 570
Total Licenses and Permits	\$ 570	\$ 0	\$ 0	\$ 0	\$ 570
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 21,000	\$ 0	\$ 0	\$ 0	\$ 21,000
Lunch Payments - Children	0	0	153,406	0	153,406
Lunch Payments - Adults	0	0	16,102	0	16,102
Income from Breakfast	0	0	18,564	0	18,564
A la carte Sales	0	0	62,382	0	62,382
Receipts from Individual Schools	2,867	0	0	0	2,867
Community Service Fees - Children	42,048	0	0	0	42,048
TBI Criminal Background Fees	2,580	0	0	0	2,580
Total Charges for Current Services	\$ 68,495	\$ 0	\$ 250,454	\$ 0	\$ 318,949
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 264	\$ 0	\$ 264
Sale of Materials and Supplies	1,117	0	0	0	1,117
Miscellaneous Refunds	7,879	0	0	0	7,879
<u>Other Local Revenues</u>					
Other Local Revenues	186	0	0	0	186
Total Other Local Revenues	\$ 9,182	\$ 0	\$ 264	\$ 0	\$ 9,446
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 21,333	\$ 0	\$ 0	\$ 0	\$ 21,333
<u>State Education Funds</u>					
Basic Education Program	4,424,000	0	0	0	4,424,000
Early Childhood Education	94,066	0	0	0	94,066
School Food Service	0	0	5,578	0	5,578
Driver Education	2,527	0	0	0	2,527
Other State Education Funds	90,290	0	0	0	90,290
Statewide Student Management System (SSMS) - ARRA	2,588	0	0	0	2,588
Career Ladder Program	40,438	0	0	0	40,438
Career Ladder - Extended Contract	8,900	0	0	0	8,900

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Beer Tax	\$ 51,622	\$ 0	\$ 0	\$ 0	\$ 51,622
Total State of Tennessee	\$ 4,735,764	\$ 0	\$ 5,578	\$ 0	\$ 4,741,342
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 217,398	\$ 0	\$ 217,398
USDA - Commodities	0	0	17,335	0	17,335
Breakfast	0	0	81,211	0	81,211
Vocational Education - Basic Grants to States	0	27,603	0	0	27,603
Title I Grants to Local Education Agencies	0	151,004	0	0	151,004
Special Education - Grants to States	0	228,483	0	0	228,483
Special Education Preschool Grants	0	10,776	0	0	10,776
Eisenhower Professional Development State Grants	0	20,941	0	0	20,941
Race-to-the-Top - ARRA	0	24,179	0	0	24,179
Other Federal through State	0	220,764	0	0	220,764
Total Federal Government	\$ 0	\$ 683,750	\$ 315,944	\$ 0	\$ 999,694
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 510,000	\$ 510,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 510,000	\$ 510,000
Total	\$ 7,270,877	\$ 683,750	\$ 572,240	\$ 510,000	\$ 9,036,867

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, 2012

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,200	
Audit Services		1,909	
Liability Insurance		42,358	
Trustee's Commission		41,888	
Workers' Compensation Insurance		26,667	
Total County Commission			\$ 116,022

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Accountants/Bookkeepers		30,557	
Part-time Personnel		104	
Longevity Pay		1,000	
Communication		1,183	
Data Processing Services		4,892	
Dues and Memberships		6,620	
Legal Notices, Recording, and Court Costs		615	
Printing, Stationery, and Forms		593	
Office Equipment		1,001	
Total County Mayor/Executive			106,915

County Attorney

County Official/Administrative Officer	\$	6,462	
Other Charges		2,738	
Total County Attorney			9,200

Election Commission

County Official/Administrative Officer	\$	47,026	
Other Salaries and Wages		1,500	
Election Commission		500	
Election Workers		2,300	
In-Service Training		655	
Communication		646	
Dues and Memberships		121	
Legal Notices, Recording, and Court Costs		2,107	
Maintenance and Repair Services - Office Equipment		3,200	
Postal Charges		314	
Printing, Stationery, and Forms		380	
Travel		3,377	
Other Contracted Services		12,618	
Office Supplies		222	
Total Election Commission			74,966

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		910	
Communication		380	
Dues and Memberships		380	
Maintenance Agreements		3,818	
Printing, Stationery, and Forms		1,051	
Office Equipment		3,791	
Total Register of Deeds			\$ 62,581

Planning

County Official/Administrative Officer	\$	4,643	
Communication		385	
Contracts with Government Agencies		13,732	
Other Contracted Services		535	
Office Supplies		182	
Other Charges		157	
Total Planning			19,634

County Buildings

Custodial Personnel	\$	15,212	
Legal Notices, Recording, and Court Costs		272	
Maintenance and Repair Services - Buildings		17,531	
Pest Control		496	
Postal Charges		5,600	
Custodial Supplies		2,353	
Electricity		13,797	
Natural Gas		4,258	
Office Supplies		4,344	
Water and Sewer		3,698	
Other Supplies and Materials		16	
Total County Buildings			67,577

Preservation of Records

Part-time Personnel	\$	3,582	
Communication		555	
Data Processing Services		180	
Maintenance Agreements		301	
Postal Charges		90	
Office Supplies		1,001	
Total Preservation of Records			5,709

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		8,000	
Other Per Diem and Fees		160	
Communication		375	
Data Processing Services		2,288	
Travel		474	
Other Contracted Services		1,890	
Premiums on Corporate Surety Bonds		64	
Total Property Assessor's Office			\$ 65,502

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		1,994	
In-Service Training		260	
Communication		385	
Data Processing Services		4,507	
Dues and Memberships		395	
Legal Notices, Recording, and Court Costs		101	
Printing, Stationery, and Forms		118	
Travel		99	
Office Equipment		1,161	
Total County Trustee's Office			61,271

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		10,993	
Communication		432	
Dues and Memberships		360	
Maintenance and Repair Services - Office Equipment		28	
Printing, Stationery, and Forms		1,267	
Office Equipment		19	
Total County Clerk's Office			65,350

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		7,725	
Jury and Witness Expense		1,030	
Communication		428	
Data Processing Services		4,213	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Dues and Memberships	\$	345	
Legal Notices, Recording, and Court Costs		76	
Maintenance Agreements		2,536	
Printing, Stationery, and Forms		403	
Office Equipment		52	
Total Circuit Court			\$ 69,059

General Sessions Court

Judge(s)	\$	63,252	
Travel		1,307	
Total General Sessions Court			64,559

Chancery Court

County Official/Administrative Officer	\$	52,251	
Part-time Personnel		1,549	
Jury and Witness Expense		200	
Communication		410	
Dues and Memberships		366	
Printing, Stationery, and Forms		99	
Travel		57	
Periodicals		963	
Office Equipment		1,726	
Total Chancery Court			57,621

Juvenile Court

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

Judicial Commissioners

County Official/Administrative Officer	\$	12,734	
Communication		65	
Travel		125	
Total Judicial Commissioners			12,924

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Supervisor/Director		36,426	
Deputy(ies)		194,087	
Investigator(s)		34,435	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Sergeant(s)	\$	63,378	
Dispatchers/Radio Operators		103,582	
Longevity Pay		29,000	
Overtime Pay		6,414	
Other Salaries and Wages		17,028	
In-Service Training		8,100	
Communication		7,298	
Contracts with Private Agencies		3,350	
Dues and Memberships		2,485	
Maintenance and Repair Services - Equipment		1,655	
Maintenance and Repair Services - Vehicles		14,030	
Postal Charges		702	
Printing, Stationery, and Forms		3,007	
Travel		1,328	
Other Contracted Services		1,273	
Drugs and Medical Supplies		193	
Gasoline		44,748	
Office Supplies		1,121	
Uniforms		2,675	
Other Charges		4,226	
Data Processing Equipment		1,305	
Law Enforcement Equipment		7,763	
Total Sheriff's Department			\$ 647,086

Administration of the Sexual Offender Registry

Other Contracted Services	\$	500	
Other Supplies and Materials		870	
Total Administration of the Sexual Offender Registry			1,370

Jail

Foremen	\$	25,622	
Guards		120,409	
Secretary(ies)		23,925	
Longevity Pay		5,000	
Overtime Pay		169	
Other Salaries and Wages		6,195	
In-Service Training		1,165	
Maintenance and Repair Services - Buildings		6,111	
Maintenance and Repair Services - Equipment		2,085	
Medical and Dental Services		54,601	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Pest Control	\$	612	
Other Contracted Services		1,300	
Custodial Supplies		2,931	
Drugs and Medical Supplies		6,783	
Electricity		17,524	
Food Preparation Supplies		1,105	
Food Supplies		25,053	
Natural Gas		2,197	
Prisoners Clothing		1,073	
Uniforms		1,841	
Water and Sewer		10,678	
Other Charges		682	
Total Jail			\$ 317,061

Commissary

Printing, Stationery, and Forms	\$	412	
Food Supplies		228	
Office Supplies		9	
Other Supplies and Materials		22	
Total Commissary			671

Fire Prevention and Control

Part-time Personnel	\$	12,548	
In-Service Training		4,496	
Communication		3,378	
Maintenance Agreements		4,601	
Maintenance and Repair Services - Buildings		7,004	
Maintenance and Repair Services - Vehicles		11,611	
Pest Control		192	
Electricity		3,397	
Gasoline		7,786	
Natural Gas		3,330	
Office Supplies		298	
Water and Sewer		673	
Other Equipment		45,811	
Total Fire Prevention and Control			105,125

Other Emergency Management

Communication	\$	949	
Maintenance and Repair Services - Equipment		543	

(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.)

Other Emergency Management (Cont.)

Other Supplies and Materials	\$ 34,386	
Other Equipment	9,899	
Total Other Emergency Management	\$ 45,777	\$ 45,777

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 61,128	
Communication	1,729	
Contracts with Government Agencies	14,000	
Contracts with Private Agencies	14,550	
Maintenance and Repair Services - Buildings	535	
Pest Control	192	
Travel	540	
Other Contracted Services	200	
Drugs and Medical Supplies	28	
Office Supplies	193	
Utilities	5,395	
Water and Sewer	62	
Other Supplies and Materials	101	
Total Local Health Center	98,653	98,653

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,209
Paraprofessionals	173,232
Part-time Personnel	17,916
Longevity Pay	10,000
Overtime Pay	32,625
Other Salaries and Wages	1,114
In-Service Training	1,338
Communication	2,611
Data Processing Services	9,319
Dues and Memberships	2,481
Maintenance and Repair Services - Buildings	1,097
Maintenance and Repair Services - Equipment	1,247
Maintenance and Repair Services - Vehicles	3,528
Medical and Dental Services	1,200
Pest Control	192
Travel	194
Drugs and Medical Supplies	7,298
Electricity	3,339

(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.)

Equipment and Machinery Parts	\$	12,432	
Gasoline		8,404	
Natural Gas		1,179	
Office Supplies		788	
Uniforms		852	
Water and Sewer		1,024	
Other Supplies and Materials		788	
Refunds		475	
Total Ambulance/Emergency Medical Services			\$ 335,882

Alcohol and Drug Programs

Drug Treatment	\$	145	
Other Supplies and Materials		1,833	
Total Alcohol and Drug Programs			1,978

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)	\$	17,942	
Supervisor/Director		26,142	
Part-time Personnel		13,497	
Longevity Pay		3,000	
In-Service Training		152	
Communication		2,604	
Data Processing Services		1,795	
Dues and Memberships		130	
Maintenance and Repair Services - Buildings		441	
Pest Control		192	
Postal Charges		924	
Printing, Stationery, and Forms		15	
Travel		323	
Custodial Supplies		625	
Electricity		4,100	

(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.)

Instructional Supplies and Materials	\$	686	
Library Books/Media		4,412	
Natural Gas		1,554	
Office Supplies		1,761	
Periodicals		576	
Water and Sewer		729	
Other Charges		5,162	
Office Equipment		3,109	
Total Libraries			\$ 89,871

Parks and Fair Boards

Assistant(s)	\$	3,173	
Supervisor/Director		11,000	
Attendants		5,754	
Communication		815	
Dues and Memberships		680	
Maintenance and Repair Services - Buildings		9,195	
Maintenance and Repair Services - Equipment		5,320	
Electricity		14,810	
Gasoline		2,705	
Natural Gas		530	
Water and Sewer		9,288	
Chemicals		1,972	
Other Supplies and Materials		32,269	
Total Parks and Fair Boards			97,511

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	36,111	
Part-time Personnel		3,288	
Communication		942	
Data Processing Services		2,000	
Travel		5,879	
Other Charges		395	
Total Agriculture Extension Service			48,615

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Communication	\$	372	
Matching Share		5,163	
Total Soil Conservation			\$ 5,535

Other Operations

Tourism

Dues and Memberships	\$	3,000	
Maintenance and Repair Services - Buildings		375	
Custodial Supplies		219	
Electricity		523	
Natural Gas		121	
Water and Sewer		119	
Total Tourism			4,357

Veterans' Services

County Official/Administrative Officer	\$	1,591	
Total Veterans' Services			1,591

Other Charges

Other Charges	\$	6,097	
Total Other Charges			6,097

Employee Benefits

Social Security	\$	130,070	
State Retirement		40,707	
Employee and Dependent Insurance		290,956	
Unemployment Compensation		2,006	
Local Retirement		14,575	
Total Employee Benefits			478,314

Total General Fund \$ 3,164,734

Urban Services Fund

General Government

Other General Administration

Electricity	\$	17,818	
Trustee's Commission		388	
Total Other General Administration			\$ 18,206

Total Urban Services Fund 18,206

(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

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,723	
Laborers		17,014	
Social Security		1,481	
Unemployment Compensation		62	
Maintenance and Repair Services - Vehicles		35	
Gasoline		1,344	
Instructional Supplies and Materials		6,592	
Other Supplies and Materials		301	
Motor Vehicles		3,518	
Total Waste Pickup			\$ 33,070

Recycling Center

Assistant(s)	\$	2,739	
Laborers		94,521	
Part-time Personnel		548	
Longevity Pay		6,000	
Other Salaries and Wages		6,948	
Social Security		8,111	
Medical Insurance		36,603	
Unemployment Compensation		173	
Local Retirement		520	
Communication		410	
Contracts with Private Agencies		79,685	
Maintenance and Repair Services - Buildings		110	
Maintenance and Repair Services - Vehicles		16,429	
Other Contracted Services		13,133	
Diesel Fuel		27,488	
Office Supplies		72	
Tires and Tubes		4,954	
Utilities		1,227	
Trustee's Commission		5,660	
Vehicle and Equipment Insurance		7,624	
Workers' Compensation Insurance		4,328	
Solid Waste Equipment		2,940	
Total Recycling Center			\$ 320,223

Total Solid Waste/Sanitation Fund \$ 353,293

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,041	
Confidential Drug Enforcement Payments		6,000	
Maintenance and Repair Services - Vehicles		109	
Gasoline		4,126	
Law Enforcement Supplies		47	
Other Charges		77	
Law Enforcement Equipment		101	
Other Equipment		2,002	
Total Drug Enforcement			\$ 13,503

Total Drug Control Fund \$ 13,503

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	3,260	
Total Chancery Court			\$ 3,260

Total Constitutional Officers - Fees Fund 3,260

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,350	
Assistant(s)		40,426	
Secretary(ies)		33,525	
Longevity Pay		3,000	
Social Security		8,513	
State Retirement		8,173	
Life Insurance		299	
Unemployment Compensation		540	
Employer Medicare		1,991	
Data Processing Services		5,146	
Postal Charges		139	
Printing, Stationery, and Forms		63	
Travel		380	
Office Supplies		483	
Other Charges		524	
Office Equipment		110	
Total Administration			\$ 163,662

(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

Equipment Operators	\$	133,730	
Truck Drivers		102,968	
Laborers		84,365	
Longevity Pay		20,000	
Social Security		20,058	
State Retirement		3,282	
Employee and Dependent Insurance		70,662	
Life Insurance		1,008	
Unemployment Compensation		2,700	
Employer Medicare		4,691	
Contracts with Private Agencies		46,404	
Dues and Memberships		1,780	
Rentals		984	
Asphalt		17,645	
Asphalt - Cold Mix		10,260	
Concrete		2,041	
Crushed Stone		5,433	
Riprap		8,875	
Pipe		3,064	
Road Signs		1,898	
Salt		7,741	
Sand		1,313	
Other Charges		4,681	
Communication Equipment		60	
Maintenance Equipment		1,353	
Total Highway and Bridge Maintenance			\$ 556,996

Operation and Maintenance of Equipment

Mechanic(s)	\$	40,173
Longevity Pay		2,000
Social Security		2,414
State Retirement		934
Employee and Dependent Insurance		12,924
Life Insurance		101
Unemployment Compensation		270
Employer Medicare		565
Other Contracted Services		300
Custodial Supplies		372
Diesel Fuel		44,503
Equipment and Machinery Parts		16,643

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Garage Supplies	\$	3,708	
Gasoline		13,633	
Lubricants		2,892	
Small Tools		287	
Tires and Tubes		3,549	
Vehicle Parts		3,512	
Other Charges		806	
Total Operation and Maintenance of Equipment			\$ 149,586

Other Charges

Advertising	\$	238	
Communication		2,528	
Electricity		2,853	
Propane Gas		3,056	
Water and Sewer		440	
Liability Insurance		12,657	
Trustee's Commission		12,440	
Vehicle and Equipment Insurance		12,657	
Total Other Charges			46,869

Employee Benefits

Workers' Compensation Insurance	\$	28,693	
Total Employee Benefits			28,693

Capital Outlay

Highway Equipment	\$	45,841	
State Aid Projects		414,414	
Other Capital Outlay		413,475	
Total Capital Outlay			873,730

Total Highway/Public Works Fund \$ 1,819,536

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	550,685	
Principal on Other Loans		73,030	
Total General Government			\$ 623,715

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education</u>		
Principal on Other Loans	\$ 253,970	
Total Education		\$ 253,970
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 26,883	
Interest on Other Loans	6,280	
Total General Government		33,163
<u>Education</u>		
Interest on Notes	\$ 9,552	
Interest on Other Loans	30,023	
Total Education		39,575
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 14,478	
Other Debt Service	11,000	
Total General Government		25,478
<u>Education</u>		
Other Debt Service	\$ 45,251	
Total Education		45,251
Total General Debt Service Fund		\$ 1,021,152
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 510,000	
Total Education Capital Projects		\$ 510,000
Total Education Capital Projects Fund		510,000
Total Governmental Funds - Primary Government		<u>\$ 6,903,684</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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,128,954	
Career Ladder Program		28,084	
Career Ladder Extended Contracts		7,992	
Homebound Teachers		12,923	
Educational Assistants		63,061	
Other Salaries and Wages		6,648	
Certified Substitute Teachers		10,000	
Non-certified Substitute Teachers		42,058	
Social Security		135,972	
State Retirement		199,930	
Medical Insurance		391,113	
Employer Medicare		31,786	
Maintenance and Repair Services - Equipment		185	
Instructional Supplies and Materials		39,991	
Textbooks		86,026	
Other Supplies and Materials		7,294	
Other Charges		788	
Regular Instruction Equipment		91,228	
Total Regular Instruction Program			\$ 3,284,033

Alternative Instruction Program

Teachers	\$	47,369	
Educational Assistants		16,572	
Social Security		3,720	
State Retirement		5,311	
Medical Insurance		12,376	
Employer Medicare		870	
Total Alternative Instruction Program			86,218

Special Education Program

Teachers	\$	273,244	
Career Ladder Program		1,000	
Homebound Teachers		9,339	
Educational Assistants		62,827	
Certified Substitute Teachers		330	
Non-certified Substitute Teachers		2,015	
Social Security		20,625	
State Retirement		29,027	
Medical Insurance		52,318	

(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.)

Employer Medicare	\$	4,824	
Instructional Supplies and Materials		152	
Total Special Education Program			\$ 455,701

Vocational Education Program

Teachers	\$	176,812	
Career Ladder Program		1,906	
Social Security		10,612	
State Retirement		16,174	
Medical Insurance		25,416	
Employer Medicare		2,482	
Instructional Supplies and Materials		3,654	
Other Charges		163	
Total Vocational Education Program			237,219

Support Services

Attendance

Supervisor/Director	\$	5,844	
Social Security		355	
State Retirement		529	
Medical Insurance		323	
Employer Medicare		83	
Total Attendance			7,134

Health Services

Medical Personnel	\$	42,410	
Social Security		2,532	
State Retirement		3,838	
Medical Insurance		5,737	
Employer Medicare		592	
Other Supplies and Materials		602	
Other Charges		258	
Total Health Services			55,969

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		134,270	
Clerical Personnel		2,000	
Other Salaries and Wages		27,126	

(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.)

Social Security	\$	9,892	
State Retirement		14,821	
Medical Insurance		16,024	
Employer Medicare		2,313	
Contracts with Government Agencies		35,647	
Evaluation and Testing		3,246	
Postal Charges		39	
Other Contracted Services		20,000	
Other Supplies and Materials		35,140	
In Service/Staff Development		3,417	
Other Charges		4,436	
Other Equipment		2,287	
Total Other Student Support			\$ 311,658

Regular Instruction Program

Supervisor/Director	\$	169,681	
Career Ladder Program		1,000	
Librarians		70,278	
Educational Assistants		15,160	
Other Salaries and Wages		40,773	
Social Security		17,682	
State Retirement		25,285	
Medical Insurance		41,778	
Employer Medicare		4,135	
Travel		1,236	
Library Books/Media		4,427	
Other Supplies and Materials		584	
In Service/Staff Development		1,146	
Total Regular Instruction Program			393,165

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		122	
State Retirement		124	
Medical Insurance		87	
Employer Medicare		29	
Travel		1,651	
Total Special Education Program			4,013

(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.)

Vocational Education Program

Supervisor/Director	\$	20,323	
Career Ladder Program		434	
Social Security		1,230	
State Retirement		1,878	
Medical Insurance		1,944	
Employer Medicare		288	
Total Vocational Education Program			\$ 26,097

Other Programs

On-Behalf Payments to OPEB	\$	21,333	
Total Other Programs			21,333

Board of Education

Board and Committee Members Fees	\$	1,250	
Social Security		78	
Medical Insurance		16,246	
Unemployment Compensation		3,555	
Employer Medicare		18	
Audit Services		3,500	
Dues and Memberships		6,020	
Travel		106	
Liability Insurance		13,364	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		56,950	
Workers' Compensation Insurance		69,288	
In Service/Staff Development		3,102	
Criminal Investigation of Applicants - TBI		2,640	
Other Charges		13,612	
Total Board of Education			189,904

Director of Schools

County Official/Administrative Officer	\$	76,184	
Clerical Personnel		3,000	
Social Security		4,909	
State Retirement		6,895	
Medical Insurance		14,630	
Dental Insurance		850	
Employer Medicare		1,148	
Communication		31,532	

(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.)

Travel	\$	1,243	
Office Supplies		4,335	
Other Charges		7,561	
Administration Equipment		4,158	
Total Director of Schools			\$ 156,445

Office of the Principal

Principals	\$	125,486	
Career Ladder Program		3,000	
Assistant Principals		104,689	
Secretary(ies)		61,812	
Clerical Personnel		56,389	
Social Security		20,542	
State Retirement		28,407	
Medical Insurance		73,414	
Employer Medicare		4,804	
Communication		386	
Other Charges		139	
Total Office of the Principal			479,068

Fiscal Services

Supervisor/Director	\$	37,302	
Accountants/Bookkeepers		29,864	
Social Security		4,031	
State Retirement		4,151	
Medical Insurance		4,300	
Employer Medicare		943	
Total Fiscal Services			80,591

Operation of Plant

Custodial Personnel	\$	160,969	
Social Security		8,787	
State Retirement		9,424	
Medical Insurance		65,637	
Employer Medicare		2,055	
Other Contracted Services		4,600	
Electricity		262,133	
Natural Gas		31,044	
Water and Sewer		30,733	

(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.)

Other Supplies and Materials	\$	55,067	
Building and Contents Insurance		39,173	
Total Operation of Plant			\$ 669,622

Maintenance of Plant

Maintenance Personnel	\$	83,090	
Social Security		5,007	
State Retirement		5,135	
Medical Insurance		7,396	
Employer Medicare		1,171	
Maintenance and Repair Services - Buildings		5,294	
Maintenance and Repair Services - Equipment		20,076	
Pest Control		2,976	
Other Contracted Services		3,000	
Other Supplies and Materials		41,907	
Other Charges		1,804	
Maintenance Equipment		594	
Total Maintenance of Plant			177,450

Transportation

Mechanic(s)	\$	34,160	
Bus Drivers		186,091	
Social Security		12,616	
State Retirement		13,457	
Medical Insurance		8,581	
Employer Medicare		3,137	
Medical and Dental Services		2,380	
Diesel Fuel		62,225	
Tires and Tubes		7,767	
Vehicle Parts		23,734	
Other Supplies and Materials		2,177	
Vehicle and Equipment Insurance		11,465	
Other Charges		9,614	
Transportation Equipment		156,762	
Total Transportation			534,166

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,444	
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(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Salaries and Wages	\$	21,402	
Social Security		1,748	
State Retirement		778	
Medical Insurance		2,443	
Employer Medicare		409	
Other Supplies and Materials		4,481	
Total Community Services			\$ 38,705

Early Childhood Education

Supervisor/Director	\$	6,485	
Teachers		38,235	
Educational Assistants		14,740	
Social Security		3,227	
State Retirement		4,958	
Medical Insurance		24,187	
Employer Medicare		755	
Instructional Supplies and Materials		2,460	
In Service/Staff Development		293	
Other Charges		297	
Total Early Childhood Education			95,637

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	25,936	
Total Regular Capital Outlay			25,936

Principal on Debt

Education

Principal on Capital Leases	\$	19,762	
Total Education			19,762

Interest on Debt

Education

Interest on Capital Leases	\$	9,338	
Total Education			9,338

Total General Purpose School Fund \$ 7,359,164

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	262,296	
Certified Substitute Teachers		780	
Non-certified Substitute Teachers		550	
Social Security		15,788	
State Retirement		23,466	
Medical Insurance		17,778	
Employer Medicare		3,707	
Instructional Supplies and Materials		24,087	
Other Charges		32	
Regular Instruction Equipment		4,868	
Total Regular Instruction Program			\$ 353,352

Special Education Program

Teachers	\$	46,353	
Educational Assistants		92,363	
Certified Substitute Teachers		475	
Non-certified Substitute Teachers		2,826	
Social Security		8,789	
State Retirement		7,822	
Medical Insurance		7,619	
Employer Medicare		2,055	
Contracts with Private Agencies		12,402	
Maintenance and Repair Services - Equipment		192	
Instructional Supplies and Materials		7,465	
Other Supplies and Materials		15	
Special Education Equipment		2,103	
Total Special Education Program			190,479

Vocational Education Program

Instructional Supplies and Materials	\$	4,068	
Vocational Instruction Equipment		20,170	
Total Vocational Education Program			24,238

Support Services

Health Services

Medical Personnel	\$	9,627	
Social Security		488	
State Retirement		871	
Medical Insurance		6,368	

(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.)

Health Services (Cont.)

Employer Medicare	\$	114	
Drugs and Medical Supplies		202	
Total Health Services			\$ 17,670

Other Student Support

Other Salaries and Wages	\$	467	
Evaluation and Testing		13,540	
Travel		2,392	
Other Supplies and Materials		1,947	
Total Other Student Support			18,346

Regular Instruction Program

Supervisor/Director	\$	13,563	
Social Security		821	
State Retirement		1,227	
Medical Insurance		1,195	
Employer Medicare		192	
Travel		1,505	
In Service/Staff Development		38,736	
Total Regular Instruction Program			57,239

Special Education Program

Supervisor/Director	\$	5,000	
Clerical Personnel		2,000	
Social Security		433	
State Retirement		576	
Employer Medicare		101	
Travel		6,457	
Total Special Education Program			14,567

Vocational Education Program

Travel	\$	503	
Total Vocational Education Program			503

Total School Federal Projects Fund \$ 676,394

(Continued)

Exhibit K-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	197,387	
Social Security		11,393	
State Retirement		10,133	
Medical Insurance		43,701	
Employer Medicare		2,665	
Maintenance and Repair Services - Equipment		7,540	
Transportation - Other than Students		1,528	
Travel		2,098	
Food Supplies		219,143	
Office Supplies		1,040	
USDA - Commodities		17,335	
Other Supplies and Materials		12,586	
Other Charges		2,668	
Food Service Equipment		2,226	
Total Food Service			\$ 531,443

Total Central Cafeteria Fund \$ 531,443

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	31,808	
Building Improvements		422,876	
Total Education Capital Projects			\$ 454,684

Total Education Capital Projects Fund 454,684

Total Governmental Funds - Metropolitan School Department \$ 9,021,685

SINGLE AUDIT SECTION



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

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

December 18, 2012

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, 2012, which collectively comprise the metropolitan government's basic financial statements and have issued our report thereon dated December 18, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department (enterprise fund) and the discretely presented Moore County Emergency Communications District, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

The management of Metropolitan Government of Lynchburg, Moore County is responsible for establishing and maintaining effective 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 a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: 12.04. 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.

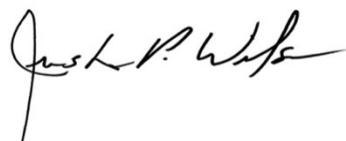
Compliance and Other Matters

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 12.01, 12.02, and 12.03.

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

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

INDEPENDENT AUDITOR'S REPORT

December 18, 2012

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Compliance

We have audited Metropolitan Government of Lynchburg, Moore County, Tennessee's compliance 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, 2012. 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, 2012.

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 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.

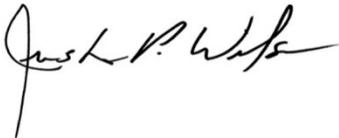
Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated December 18, 2012. 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.

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/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, 2012

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)	\$ 81,211
National School Lunch Program	10.555	(2)	217,398 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	17,335 (3)
Cooperative Forestry Assistance	10.664	(2)	1,923
Rural Business Enterprise Grants	10.769	(2)	15,299
Total U.S. Department of Agriculture			<u>\$ 333,166</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 10,947
Total U.S. Department of Transportation			<u>\$ 10,947</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 1,400
Total U.S. Institute of Museum and Library Services			<u>\$ 1,400</u>
U.S. Environmental Protection Agency:			
Passed-through State Department of Environment and Conservation:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS7000110-0	\$ 66,828
Total U.S. Environmental Protection Agency			<u>\$ 66,828</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 144,410
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	228,234
Special Education Preschool Grants	84.173	N/A	9,969
Career and Technical Education - Basic Grants to States	84.048	N/A	27,600
Education Technology State Grants	84.318	N/A	101
Improving Teacher Quality State Grants	84.367	N/A	21,168
Education Technology State Grants - Recovery Act	84.386	N/A	7,763
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	24,180
State Fiscal Stabilization Funds (SFSF) - Government Services - Recovery Act	84.397	N/A	2,452
Education Jobs Program	84.410	(2)	212,969
Total U.S. Department of Education			<u>\$ 678,846</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(4)	\$ 31,718
Homeland Security Grant Program	97.067	(5)	48,825
Total U.S. Department of Homeland Security			<u>\$ 80,543</u>
Total Expenditures of Federal Grants			<u>\$ 1,171,730</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)	\$ 87,894
Disaster Grants - Public Assistance (Presidentially Declared Disaster) - State Department of Military	N/A	(6)	4,704
Litter Program - State Department of Transportation	N/A	(7)	40,754
Early Childhood Education - State Department of Education	N/A	(2)	94,066
Coordinated School Health - State Department of Education	N/A	(2)	85,000
Safe Schools Act 2003 - State Department of Education	N/A	(2)	4,160
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	<u>9,000</u>
Total State Grants			<u>\$ 325,578</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 \$234,733.
- (4) 34101-26712: \$12,685; 34101-02912: \$15,124; 34101-0000008104: \$2,632; 34101-0000008992: \$1,277.
- (5) 34101-5801: \$4,365; 34101-2529: \$44,460.
- (6) 34101-0000008104: \$2,959; 34101-0000008992: \$1,745.
- (7) 11LIT064: \$10,429; 12LIT064: \$30,325.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF METROPOLITAN MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	147	General Fund appropriations exceeded estimated available funding

**OFFICES OF METROPOLITAN MAYOR; TRUSTEE; METROPOLITAN CLERK;
CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK
AND MASTER; REGISTER; AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.06	150	Duties were not segregated adequately

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unqualified.
2. The audit of the financial statements of the metropolitan government disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were 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), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Education Jobs Program (CFDA No. 84.410) 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; however, management did not provide responses for inclusion in this report.

OFFICE OF METROPOLITAN MAYOR

FINDING 12.01 **GENERAL FUND APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING**

(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 \$15,542. 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 prior-year audit reports.

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 HIGHWAY SUPERINTENDENT

FINDING 12.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the Metropolitan Council in the Capital Outlay major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$8,730. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to hold spending to the limit authorized by the Metropolitan Council, which resulted in unauthorized expenditures.

RECOMMENDATION

The Highway Superintendent should ensure that expenditures are held within appropriations approved by the Metropolitan Council.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 12.03 **EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under *Government Auditing Standards*)**

Our audit noted the following deficiencies in budget operations:

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>General Purpose School</u>	
Transportation	\$ 3,856
<u>School Federal Projects</u>	
Vocational Education Program	14,090
Regular Instruction Program	6,407

- B. Expenditures exceeded total appropriations approved by the Metropolitan Council in the Central Cafeteria Fund by \$6,409.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limit authorized by the Metropolitan Council, which resulted in unauthorized expenditures.

RECOMMENDATION

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

OFFICES OF METROPOLITAN MAYOR; TRUSTEE; METROPOLITAN CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF

FINDING 12.04

DUTIES WERE NOT SEGREGATED ADEQUATELY

(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 Local Government 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, 2012**

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