
ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



ANNUAL FINANCIAL REPORT
LINCOLN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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This financial report is available at www.comptroller.tn.gov

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Audit Highlights
Annual Financial Report
Lincoln County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2013.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY CLERK

- ◆ The office did not review its software audit logs.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office paid a litigant account twice.
- ◆ The office did not deposit some funds within three days of collection.
- ◆ The office did not review its software audit logs.

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK,
REGISTER OF DEEDS, AND SHERIFF**

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Lincoln County Officials
June 30, 2013

Officials

Peggy Bevels, County Mayor
Tim Gill, Highway Superintendent
Wanda Shelton, Director of Schools
Mary Jane Porter, Trustee
Paul Braden, Assessor of Property
Phyllis Counts, County Clerk
Gail Corder, Circuit and General Sessions Courts Clerk
Rebecca Bartlett, Clerk and Master
Randy Delap, Register of Deeds
Murray Blackwelder, Sheriff
Cole Bradford, Director of Finance

Board of County Commissioners

Peggy Bevels, County Mayor, Chairperson	Chris Thornton
R. Stephen Graham	Donny Ogle
Randy Bradford	Shirley Dangerfield
J. Thomas Stevenson	Tull Malone
Grady Reavis	William R. Askins, Jr.
Darrin Simms	Doug Cunningham
Ben Brown	Ricky Bryant
Anthony Taylor	Mark Monks
John Thorpe	Bill Newman
Sharon Eubanks	Wayne King
David Smith	Steve Guntherberg
Ray Moffett	Jack Towry
Ronald Jean	

Financial Management Committee

Peggy Bevels, County Mayor, Chairperson	Ben Brown
Tim Gill, Highway Superintendent	William R. Askins, Jr.
Wanda Shelton, Director of Schools	Mark Monks
Sharon Eubanks	

Board of Education

Jerry Pendergrass, Chairperson	Veronica King
Robert Strobe	June Towry
Dexter Sullivan	Brent Malone
Brandon Kolle	Thomas Stevenson

Audit Committee (appointed October 15, 2013)

William R. Askins, Jr. Chairman	Mark Monks
Sharon Eubanks	David Smith
Ben Brown	

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
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Independent Auditor's Report

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

To the County Mayor and County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health System, which represent 80 percent, 60.5 percent, and 89.8 percent, respectively, of the assets, net position, and revenues of the business-type activities and the Lincoln County Board of Public Utilities which represent 20 percent, 39.5 percent, and 10.2 percent, respectively, of the assets, net position, and revenues of the business-type activities. The Lincoln County Health System and Lincoln County Board of Public Utilities comprise the primary government's entire business-type activities and are also major enterprise funds. In addition, we did not audit the financial statements of the discretely presented Lincoln County Emergency Communications District, which represent 6.4 percent, 7.2 percent, and 2.2 percent, respectively, of the assets, net position, and revenues of the

aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the Lincoln County Emergency Communications District, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes a restatement to the beginning net position of the governmental activities of the primary government for \$47,233. This restatement was necessary due to the implementation of GASB Statement No. 65.

Also, we draw attention to Note I.D.10. to the financial statements, which describes a reclassification to beginning net position of governmental activities and to beginning balances of governmental funds totaling \$66,163, which was necessary to reclassify the District Attorney General Fund from a special revenue fund to an agency fund.

As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for*

Service Concession Arrangements; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Lincoln County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plan and other postemployment benefits plans on pages 99-101 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County'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 Lincoln County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used

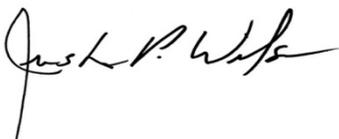
to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2014, on our consideration of Lincoln County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 13, 2014

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Lincoln County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln	Emergency
				School Department	Communi- cations District
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 8,972,777	\$ 8,972,777	\$ 1,019	\$ 697,001
Equity in Pooled Cash and Investments	13,084,571	0	13,084,571	5,828,212	0
Accounts Receivable	42,120	7,876,930	7,919,050	18,230	9,694
Allowance for Uncollectibles	(3,984)	(2,713,035)	(2,717,019)	0	0
Due from Other Governments	1,125,982	0	1,125,982	1,016,286	65,245
Due from Primary Government	0	0	0	6,827	0
Property Taxes Receivable	5,619,128	0	5,619,128	4,317,912	0
Allowance for Uncollectible Property Taxes	(97,469)	0	(97,469)	(74,898)	0
Accrued Interest Receivable	0	0	0	0	636
Prepaid Items	31,338	212,208	243,546	528,372	53,750
Notes Receivable - Long-term	0	272,186	272,186	0	0
Other Assets	0	90,012	90,012	0	0
Inventories	0	828,839	828,839	22,683	0
Restricted Assets:					
Restricted Cash	0	9,576,997	9,576,997	0	0
Other Assets	0	300,113	300,113	0	106,785
Capital Assets:					
Assets Not Depreciated:					
Land	8,919,087	1,601,449	10,520,536	957,984	208,327
Construction in Progress	28,236	498,656	526,892	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	2,657,416	34,503,229	37,160,645	19,135,478	417,910
Ground Improvements	0	1,362,081	1,362,081	0	210,393
Infrastructure	6,272,381	0	6,272,381	0	0
Other Capital Assets	2,558,372	3,272,016	5,830,388	3,436,388	648,119
Total Assets	\$ 40,237,178	\$ 66,654,458	\$ 106,891,636	\$ 35,194,493	\$ 2,417,860
LIABILITIES					
Accounts Payable	\$ 392,918	\$ 1,336,756	\$ 1,729,674	\$ 152,950	\$ 20,185
Accrued Payroll	111,644	0	111,644	920,207	0
Accrued Liabilities	0	1,272,342	1,272,342	0	0
Due to Component Units	6,827	0	6,827	0	0
Due to State of Tennessee	6,534	0	6,534	0	0
Due to Cities	210,056	0	210,056	37,539	121,227
Accrued Interest Payable	160,868	148,279	309,147	0	0
Other Accrued Liabilities	0	1,071,285	1,071,285	0	0
Noncurrent Liabilities:					
Due Within One Year	1,331,831	1,016,994	2,348,825	32,276	0
Due in More Than One Year	12,044,650	22,427,496	34,472,146	785,965	0
Total Liabilities	\$ 14,265,328	\$ 27,273,152	\$ 41,538,480	\$ 1,928,937	\$ 141,412
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	\$ 5,376,369	\$ 0	\$ 5,376,369	\$ 4,131,369	\$ 0
Total Deferred Inflows of Resources	\$ 5,376,369	\$ 0	\$ 5,376,369	\$ 4,131,369	\$ 0
NET POSITION					
Net Investment in Capital Assets	\$ 19,243,172	\$ 17,792,941	\$ 37,036,113	\$ 23,529,850	\$ 1,484,749
Restricted for:					
General Government	8,850	0	8,850	0	0
Finance	8,297	0	8,297	0	0
Administration of Justice	198,271	0	198,271	0	0
Public Safety	225,481	0	225,481	0	0
Public Health and Welfare	1,096,580	0	1,096,580	0	0
Highway/Public Works	2,558,213	0	2,558,213	0	0
Debt Service	43,160	1,361,395	1,404,555	0	0
Instruction	0	0	0	94,116	0
Central Cafeteria	0	0	0	409,348	0
Other Purposes	0	67,533	67,533	0	0
Unrestricted	(2,786,543)	20,159,437	17,372,894	5,100,873	791,699
Total Net Position	\$ 20,595,481	\$ 39,381,306	\$ 59,976,787	\$ 29,134,187	\$ 2,276,448

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

Exhibit B

Lincoln County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position											
	Program Revenues					Governmental Activities			Primary Government Business-type Activities		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities		Total	Lincoln County School Department	Emergency Communications District		
Primary Government:												
Governmental Activities:												
General Government	\$ 1,179,412	\$ 255,343	\$ 15,164	\$ 0	\$ (908,905)	\$ 0	\$ (908,905)	\$ 0	\$ 0	\$ 0	0	
Finance	1,026,458	778,714	0	0	(247,744)	0	(247,744)	0	0	0	0	
Administration of Justice	1,190,810	665,716	9,000	0	(516,094)	0	(516,094)	0	0	0	0	
Public Safety	5,109,423	601,303	21,138	81,050	(4,405,932)	0	(4,405,932)	0	0	0	0	
Public Health and Welfare	1,531,712	984,143	423,325	14,143	(110,101)	0	(110,101)	0	0	0	0	
Social, Cultural, and Recreational Services	156,859	31,516	850	0	(124,493)	0	(124,493)	0	0	0	0	
Agriculture and Natural Resources	175,476	0	21,726	0	(153,750)	0	(153,750)	0	0	0	0	
Other Operations	444,338	0	0	0	(444,338)	0	(444,338)	0	0	0	0	
Highways/Public Works	3,353,750	46,229	1,870,003	41,036	(1,396,482)	0	(1,396,482)	0	0	0	0	
Interest on Long-term Debt	673,679	0	0	0	(673,679)	0	(673,679)	0	0	0	0	
Other Debt Service	24,259	0	0	0	(24,259)	0	(24,259)	0	0	0	0	
Total Governmental Activities	\$ 14,866,176	\$ 3,362,964	\$ 2,361,206	\$ 136,229	\$ (9,005,777)	\$ 0	\$ (9,005,777)	\$ 0	\$ 0	\$ 0	0	
Business-type Activities:												
Lincoln County Health System	\$ 41,547,156	\$ 39,247,409	\$ 192,733	\$ 55,700	\$ 0	\$ (2,051,314)	\$ (2,051,314)	\$ 0	\$ 0	\$ 0	0	
Lincoln County Board of Public Utilities	4,242,447	4,480,813	0	0	0	0	238,366	238,366	0	0	0	
Total Business-type Activities	\$ 45,789,603	\$ 43,728,222	\$ 192,733	\$ 55,700	\$ 0	\$ (1,812,948)	\$ (1,812,948)	\$ 0	\$ 0	\$ 0	0	
Total Primary Government	\$ 60,655,779	\$ 47,091,186	\$ 2,553,939	\$ 191,929	\$ (9,005,777)	\$ (1,812,948)	\$ (10,818,725)	\$ 0	\$ 0	\$ 0	0	
Component Units:												
Lincoln County School Department	\$ 32,383,555	\$ 922,828	\$ 4,116,661	\$ 0	\$ 0	\$ 0	\$ 0	\$ (27,344,066)	\$ 0	\$ (45,820)	0	
Emergency Communications District	469,431	423,611	0	0	0	0	0	0	0	0	0	
Total Component Units	\$ 32,852,986	\$ 1,346,439	\$ 4,116,661	\$ 0	\$ 0	\$ 0	\$ 0	\$ (27,344,066)	\$ 0	\$ (45,820)	0	

(Continued)

Exhibit B

Lincoln County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lincoln County School Department	Emergency Communications District
		Governmental Activities	Primary Government Business-type Activities	Total		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes		\$ 5,444,705	\$ 0	\$ 5,444,705	\$ 4,199,153	\$ 0
Property Taxes Levied for Debt Service		16,142	0	16,142	0	0
Local Option Sales Tax		1,699,341	0	1,699,341	2,654,477	0
Other Local Taxes:						
Wheel Tax		1,434,536	0	1,434,536	0	0
Business Tax		273,483	0	273,483	0	0
Wholesale Beer Tax		0	0	0	105,366	0
Litigation Tax - Special Purpose		91,190	0	91,190	0	0
Litigation Tax - Jail, Workhouse, or Courthouse		79,746	0	79,746	0	0
Litigation Tax - General		78,656	0	78,656	0	0
Litigation Tax - Courtroom Security		78,878	0	78,878	0	0
Mineral Severance Tax		39,821	0	39,821	0	0
Hotel/Motel Tax		32,601	0	32,601	0	0
Other Local Taxes		2,382	0	2,382	2,311	0
Grants and Contributions Not Restricted to Specific Programs		1,499,457	0	1,499,457	19,677,358	281,319
Unrestricted Investment Earnings		60,988	93,787	154,775	691	5,993
Miscellaneous		111,961	0	111,961	78,966	100
Insurance Recovery		2,475	0	2,475	25,207	0
Gain (Loss) on Disposal of Capital Assets		(11,064)	(2,033)	(13,097)	18,014	0
Total General Revenues		\$ 10,935,298	\$ 91,754	\$ 11,027,052	\$ 26,761,573	\$ 287,412
Change in Net Position		\$ 1,929,521	\$ (1,721,194)	\$ 208,327	\$ (582,493)	\$ 241,592
Net Position, July 1, 2012		18,779,356	41,102,500	59,881,856	29,716,680	2,034,856
Restatement - See Note I.D.9		(47,233)	0	(47,233)	0	0
Reclassification - See Note I.D.10		(66,163)	0	(66,163)	0	0
Net Position, June 30, 2013		\$ 20,642,714	\$ 39,381,306	\$ 60,024,020	\$ 29,134,187	\$ 2,276,448

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

Exhibit C-1

Lincoln County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Equity in Pooled Cash and Investments	\$ 3,854,305	\$ 2,237,449	\$ 5,594,990	\$ 1,397,827	\$ 13,084,571
Accounts Receivable	25,537	12,476	0	4,107	42,120
Allowance for Uncollectibles	0	0	0	(3,984)	(3,984)
Due from Other Governments	342,917	351,222	286,346	145,497	1,125,982
Due from Other Funds	0	800	0	254	1,054
Property Taxes Receivable	4,562,961	1,040,112	16,055	0	5,619,128
Allowance for Uncollectible Property Taxes	(79,149)	(18,042)	(278)	0	(97,469)
Prepaid Items	31,338	0	0	0	31,338
Total Assets	\$ 8,737,909	\$ 3,624,017	\$ 5,897,113	\$ 1,543,701	\$ 19,802,740
LIABILITIES					
Accounts Payable	\$ 292,481	\$ 59,711	\$ 0	\$ 40,726	\$ 392,918
Accrued Payroll	98,100	10,916	0	2,628	111,644
Due to Other Funds	1,054	0	0	0	1,054
Due to Component Units	6,827	0	0	0	6,827
Due to State of Tennessee	6,534	0	0	0	6,534
Due to Cities	188,101	0	0	21,955	210,056
Total Liabilities	\$ 593,097	\$ 70,627	\$ 0	\$ 65,309	\$ 729,033
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	\$ 4,365,831	\$ 995,177	\$ 15,361	\$ 0	\$ 5,376,369
Deferred Delinquent Property Taxes	107,041	24,400	377	0	131,818
Other Deferred/Unavailable Revenue	109,470	175,447	145,867	73,666	504,450
Total Deferred Inflows of Resources	\$ 4,582,342	\$ 1,195,024	\$ 161,605	\$ 73,666	\$ 6,012,637
FUND BALANCES					
Nonspendable:					
Prepaid Items	\$ 31,338	\$ 0	\$ 0	\$ 0	\$ 31,338
Restricted:					
Restricted for General Government	8,850	0	0	0	8,850
Restricted for Finance	8,297	0	0	0	8,297
Restricted for Administration of Justice	198,271	0	0	0	198,271
Restricted for Public Safety	16,557	0	0	208,924	225,481
Restricted for Public Health and Welfare	54,042	0	0	1,195,802	1,249,844
Restricted for Highways/Public Works	0	2,358,366	0	0	2,358,366
Restricted for Debt Service	0	0	43,160	0	43,160
Committed:					
Committed for Capital Outlay	258,917	0	0	0	258,917
Committed for Debt Service	0	0	5,692,348	0	5,692,348
Assigned:					
Assigned for General Government	214,243	0	0	0	214,243
Assigned for Finance	1,550	0	0	0	1,550
Assigned for Administration of Justice	11,089	0	0	0	11,089
Assigned for Public Safety	67,943	0	0	0	67,943
Assigned for Public Health and Welfare	22,712	0	0	0	22,712
Assigned for Agriculture and Natural Resources	100	0	0	0	100
Unassigned	2,668,561	0	0	0	2,668,561
Total Fund Balances	\$ 3,562,470	\$ 2,358,366	\$ 5,735,508	\$ 1,404,726	\$ 13,061,070
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,737,909	\$ 3,624,017	\$ 5,897,113	\$ 1,543,701	\$ 19,802,740

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

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 13,061,070
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 8,919,087	
Add: construction in progress	28,236	
Add: buildings and improvements net of accumulated depreciation	2,657,416	
Add: infrastructure net of accumulated depreciation	6,272,381	
Add: other capital assets net of accumulated depreciation	<u>2,558,372</u>	20,435,492
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (234,000)	
Less: bonds payable	(12,505,000)	
Less: compensated absences payable	(175,367)	
Less: landfill closure/postclosure care costs	(226,930)	
Less: other postemployment benefits liability	(235,184)	
Less: accrued interest on note and bonds	<u>(160,868)</u>	(13,537,349)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>636,268</u>
Net position of governmental activities (Exhibit A)		<u>\$ 20,595,481</u>

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

Exhibit C-3

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 5,740,953	\$ 1,831,781	\$ 2,359,890	\$ 0	\$ 9,932,624
Licenses and Permits	96,584	0	0	0	96,584
Fines, Forfeitures, and Penalties	174,251	0	0	163,051	337,302
Charges for Current Services	82,693	0	0	854,884	937,577
Other Local Revenues	343,323	46,271	0	13,248	402,842
Fees Received from County Officials	1,336,709	0	0	0	1,336,709
State of Tennessee	1,705,031	1,901,015	0	14,143	3,620,189
Federal Government	116,766	38,632	0	0	155,398
Other Governments and Citizens Groups	25	0	0	0	25
Total Revenues	\$ 9,596,335	\$ 3,817,699	\$ 2,359,890	\$ 1,045,326	\$ 16,819,250
<u>Expenditures</u>					
Current:					
General Government	\$ 1,381,509	\$ 0	\$ 0	\$ 0	\$ 1,381,509
Finance	1,021,483	0	0	64	1,021,547
Administration of Justice	1,168,436	0	0	6,188	1,174,624
Public Safety	4,486,002	0	0	46,547	4,532,549
Public Health and Welfare	624,206	0	0	763,384	1,387,590
Social, Cultural, and Recreational Services	156,216	0	0	0	156,216
Agriculture and Natural Resources	143,738	0	0	0	143,738
Other Operations	565,864	0	0	0	565,864
Highways	0	2,961,669	0	0	2,961,669
Debt Service:					
Principal on Debt	0	0	1,174,000	0	1,174,000
Interest on Debt	0	0	684,068	0	684,068
Other Debt Service	0	0	24,259	0	24,259
Total Expenditures	\$ 9,547,454	\$ 2,961,669	\$ 1,882,327	\$ 816,183	\$ 15,207,633
Excess (Deficiency) of Revenues Over Expenditures	\$ 48,881	\$ 856,030	\$ 477,563	\$ 229,143	\$ 1,611,617
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 2,475	\$ 0	\$ 0	\$ 2,475
Total Other Financing Sources (Uses)	\$ 0	\$ 2,475	\$ 0	\$ 0	\$ 2,475
Net Change in Fund Balances	\$ 48,881	\$ 858,505	\$ 477,563	\$ 229,143	\$ 1,614,092
Reclassification	0	0	0	(66,163)	(66,163)
Fund Balance, July 1, 2012	3,513,589	1,499,861	5,257,945	1,241,746	11,513,141
Fund Balance, June 30, 2013	\$ 3,562,470	\$ 2,358,366	\$ 5,735,508	\$ 1,404,726	\$ 13,061,070

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

Exhibit C-4

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2013

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)		\$ 1,614,092
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 839,001	
Less: current-year depreciation expense	<u>(1,642,825)</u>	(803,824)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to increase net position.		
Add: assets donated and capitalized	\$ 45,000	
Less: loss on disposal of capital assets	(11,064)	
Less: proceeds from the sale of capital assets	<u>(19,595)</u>	14,341
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2012	\$ (676,637)	
Add: deferred delinquent property taxes and other deferred June 30, 2013	<u>636,268</u>	(40,369)
(4) The issuance of long-term debt (e.g., bonds, notes) 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 position. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 1,120,000	
Add: principal payments on note	<u>54,000</u>	1,174,000
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 10,389	
Change in compensated absences payable	(9,775)	
Change in other postemployment benefits liability	(39,948)	
Change in landfill closure/postclosure care costs	<u>10,615</u>	(28,719)
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,929,521</u>

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

Exhibit C-5

Lincoln County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 5,740,953	\$ 0	\$ 0	\$ 5,740,953	\$ 5,473,794	\$ 5,560,533	\$ 180,420
Licenses and Permits	96,584	0	0	96,584	90,000	90,000	6,584
Fines, Forfeitures, and Penalties	174,251	0	0	174,251	163,666	168,968	5,283
Charges for Current Services	82,693	0	0	82,693	81,500	81,500	1,193
Other Local Revenues	343,323	0	0	343,323	189,021	197,321	146,002
Fees Received from County Officials	1,336,709	0	0	1,336,709	1,215,000	1,219,000	117,709
State of Tennessee	1,705,031	0	0	1,705,031	1,754,160	1,771,910	(66,879)
Federal Government	116,766	0	0	116,766	54,487	175,085	(58,319)
Other Governments and Citizens Groups	25	0	0	25	0	0	25
Total Revenues	\$ 9,596,335	\$ 0	\$ 0	\$ 9,596,335	\$ 9,021,628	\$ 9,264,317	\$ 332,018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures							
General Government							
County Commission	\$ 128,086	\$ 0	\$ 0	\$ 128,086	\$ 141,825	\$ 141,825	\$ 13,739
County Mayor/Executive	154,570	0	0	154,570	166,453	166,282	11,712
County Attorney	32,122	0	0	32,122	78,914	78,914	46,792
Election Commission	273,538	(8,060)	0	265,478	326,192	326,018	60,540
Register of Deeds	170,852	(50)	588	171,390	191,536	195,872	24,482
Planning	24,847	0	0	24,847	87,000	87,000	62,153
County Buildings	581,368	(15,392)	715	566,691	612,477	617,376	50,685
Preservation of Records	16,126	(3,900)	2,335	14,561	11,344	14,694	133
Finance							
Accounting and Budgeting	297,657	(223)	0	297,434	307,854	307,896	10,462
Property Assessor's Office	193,156	0	873	194,029	207,804	207,846	13,817
Reappraisal Program	101,364	0	0	101,364	107,867	108,258	6,894
County Trustee's Office	201,245	0	0	201,245	211,724	218,552	17,307
County Clerk's Office	228,061	0	677	228,738	233,932	233,542	4,804
Administration of Justice							
Circuit Court	512,965	(1,317)	120	511,768	487,342	574,010	62,242

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
General Sessions Court	\$ 158,027	\$ 0	\$ 0	\$ 158,027	\$ 161,287	\$ 162,613	\$ 4,586
Chancery Court	243,786	(738)	1,730	244,778	252,781	252,391	7,613
Juvenile Court	164,899	0	0	164,899	154,562	170,545	5,646
Judicial Commissioners	33,107	0	0	33,107	34,798	34,798	1,691
Courtroom Security	55,652	0	9,239	64,891	51,460	77,381	12,490
<u>Public Safety</u>							
Sheriff's Department	2,100,230	(4,522)	1,013	2,096,721	2,050,765	2,174,784	78,063
Special Patrols	8,244	0	0	8,244	0	24,920	16,676
Jail	2,043,492	(2,115)	1,074	2,042,451	1,980,782	2,176,109	133,658
Fire Prevention and Control	135,382	(1,337)	63,156	197,201	171,663	212,163	14,962
Civil Defense	198,654	(941)	2,700	200,413	179,190	242,964	42,551
<u>Public Health and Welfare</u>							
Local Health Center	430,422	(2,880)	100	427,642	449,319	449,319	21,677
Maternal and Child Health Services	27,500	0	0	27,500	27,500	27,500	0
Other Local Health Services	7,500	0	0	7,500	7,500	7,500	0
Regional Mental Health Center	4,000	0	0	4,000	4,000	4,000	0
Other Local Welfare Services	8,803	0	0	8,803	8,803	8,803	0
Sanitation Management	120,231	0	0	120,231	139,793	140,038	19,807
Other Public Health and Welfare	25,750	0	0	25,750	25,750	25,750	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	14,350	0	0	14,350	14,350	14,350	0
Libraries	104,866	0	0	104,866	104,866	104,866	0
Parks and Fair Boards	32,000	0	0	32,000	32,000	32,000	0
Other Social, Cultural, and Recreational	5,000	0	0	5,000	0	5,000	0
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	85,692	0	0	85,692	94,925	94,925	9,233
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	56,046	(216)	100	55,930	56,368	56,329	399

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
Other Operations							
Industrial Development	\$ 203,014	\$ 0	\$ 0	\$ 203,014	\$ 145,244	\$ 244,329	\$ 41,315
Other Economic and Community Development	16,469	0	0	16,469	22,500	78,148	61,679
Airport	22,417	0	0	22,417	22,417	22,417	0
Veterans' Services	22,517	(250)	0	22,267	21,793	24,793	2,526
Contributions to Other Agencies	9,900	0	0	9,900	4,900	9,900	0
Miscellaneous	291,547	(100)	0	291,447	311,195	315,195	23,748
Total Expenditures	\$ 9,547,454	\$ (42,041)	\$ 84,420	\$ 9,589,833	\$ 9,704,775	\$ 10,473,915	\$ 884,082
Excess (Deficiency) of Revenues Over Expenditures	\$ 48,881	\$ 42,041	\$ (84,420)	\$ 6,502	\$ (683,147)	\$ (1,209,598)	\$ 1,216,100
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 48,881	\$ 42,041	\$ (84,420)	\$ 6,502	\$ (683,147)	\$ (1,209,598)	\$ 1,216,100
	3,513,589	(42,041)	0	3,471,548	3,267,952	3,471,548	0
Fund Balance, June 30, 2013	\$ 3,562,470	\$ 0	\$ (84,420)	\$ 3,478,050	\$ 2,584,805	\$ 2,261,950	\$ 1,216,100

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

Exhibit C-6

Lincoln County, Tennessee
 Statement of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,831,781	\$ 0	\$ 0	\$ 1,831,781	\$ 1,360,697	\$ 1,748,189	\$ 83,592
Other Local Revenues	46,271	0	0	46,271	2,500	2,500	43,771
State of Tennessee	1,901,015	0	0	1,901,015	1,824,163	1,824,163	76,852
Federal Government	38,632	0	0	38,632	0	0	38,632
Total Revenues	\$ 3,817,699	\$ 0	\$ 0	\$ 3,817,699	\$ 3,187,360	\$ 3,574,852	\$ 242,847
Expenditures							
<u>Highways</u>							
Administration	\$ 194,316	\$ 0	\$ 0	\$ 194,316	\$ 221,968	\$ 221,968	\$ 27,652
Highway and Bridge Maintenance	1,489,135	0	4,200	1,493,335	1,399,726	1,787,218	293,883
Operation and Maintenance of Equipment	623,079	(2,500)	0	620,579	881,659	843,659	223,080
Quarry Operations	262,514	0	0	262,514	349,738	374,738	112,224
Other Charges	100,511	0	0	100,511	125,500	118,500	17,989
Employee Benefits	91,355	0	0	91,355	80,000	100,000	8,645
Capital Outlay	200,759	0	0	200,759	282,000	282,000	81,241
Total Expenditures	\$ 2,961,669	\$ (2,500)	\$ 4,200	\$ 2,963,369	\$ 3,340,591	\$ 3,728,083	\$ 764,714
Excess (Deficiency) of Revenues Over Expenditures	\$ 856,030	\$ 2,500	\$ (4,200)	\$ 854,330	\$ (153,231)	\$ (153,231)	\$ 1,007,561
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,475	\$ 0	\$ 0	\$ 2,475	\$ 0	\$ 0	\$ 2,475
Total Other Financing Sources	\$ 2,475	\$ 0	\$ 0	\$ 2,475	\$ 0	\$ 0	\$ 2,475
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 858,505	\$ 2,500	\$ (4,200)	\$ 856,805	\$ (153,231)	\$ (153,231)	\$ 1,010,036
Fund Balance, June 30, 2013	\$ 1,499,861	\$ (2,500)	\$ 0	\$ 1,497,361	\$ 1,153,231	\$ 1,497,361	\$ 0
Fund Balance, June 30, 2013	\$ 2,358,366	\$ 0	\$ (4,200)	\$ 2,354,166	\$ 1,000,000	\$ 1,344,130	\$ 1,010,036

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

Exhibit D-1

Lincoln County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Major Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,293,268	\$ 2,679,509	\$ 8,972,777
Restricted Cash	42,539	0	42,539
Accounts Receivable	7,622,934	253,996	7,876,930
Allowance for Uncollectibles	(2,710,835)	(2,200)	(2,713,035)
Inventories	713,174	115,665	828,839
Prepaid Items	207,917	4,291	212,208
Other Assets	89,262	750	90,012
Total Current Assets	<u>\$ 12,258,259</u>	<u>\$ 3,052,011</u>	<u>\$ 15,310,270</u>
Noncurrent Assets:			
Restricted Cash	\$ 0	\$ 290,054	\$ 290,054
Special Funds	9,244,404	0	9,244,404
Long-term Portion of Note Receivable	272,186	0	272,186
Other Assets	300,113	0	300,113
Capital Assets (Net of Accumulated Depreciation):			
Land	1,073,754	527,695	1,601,449
Construction in Progress	238,506	260,150	498,656
Ground Improvements	1,362,081	0	1,362,081
Buildings and Improvements	12,415,585	22,087,644	34,503,229
Machinery and Equipment	3,272,016	0	3,272,016
Total Noncurrent Assets	<u>\$ 28,178,645</u>	<u>\$ 23,165,543</u>	<u>\$ 51,344,188</u>
Total Assets	<u>\$ 40,436,904</u>	<u>\$ 26,217,554</u>	<u>\$ 66,654,458</u>

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 1,164,483	\$ 172,273	\$ 1,336,756
Accrued Liabilities	1,223,426	48,916	1,272,342
Advance Payments from Customers	0	25,800	25,800
Accrued Interest	54,660	93,619	148,279
Accrued Leave	980,983	9,433	990,416
Current Maturities of Long-term Debt	871,819	145,175	1,016,994
Patient Trust Funds	42,539	0	42,539
Payable from Restricted Assets - Customer Deposits	0	12,530	12,530
Total Current Liabilities	<u>\$ 4,337,910</u>	<u>\$ 507,746</u>	<u>\$ 4,845,656</u>
Noncurrent Liabilities:			
Long-term Debt	\$ 12,277,816	\$ 10,149,680	\$ 22,427,496
Total Noncurrent Liabilities	<u>\$ 12,277,816</u>	<u>\$ 10,149,680</u>	<u>\$ 22,427,496</u>
Total Liabilities	<u>\$ 16,615,726</u>	<u>\$ 10,657,426</u>	<u>\$ 27,273,152</u>
NET POSITION			
Net Investment in Capital Assets	\$ 5,212,307	\$ 12,580,634	\$ 17,792,941
Restricted for Debt Service	1,083,871	277,524	1,361,395
Restricted for Other Purposes	67,533	0	67,533
Unrestricted	17,457,467	2,701,970	20,159,437
Total Net Position	<u>\$ 23,821,178</u>	<u>\$ 15,560,128</u>	<u>\$ 39,381,306</u>

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

Exhibit D-2

Lincoln County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Major Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Operating Revenues</u>			
Charges for Current Services	\$ 38,172,872	\$ 4,480,813	\$ 42,653,685
Other Local Revenues	1,074,537	0	1,074,537
Total Operating Revenues	<u>\$ 39,247,409</u>	<u>\$ 4,480,813</u>	<u>\$ 43,728,222</u>
<u>Operating Expenses</u>			
Public Health and Welfare	\$ 38,755,972	\$ 2,919,253	\$ 41,675,225
Depreciation Expense	2,154,046	904,770	3,058,816
Total Operating Expenses	<u>\$ 40,910,018</u>	<u>\$ 3,824,023</u>	<u>\$ 44,734,041</u>
Operating Income (Loss)	<u>\$ (1,662,609)</u>	<u>\$ 656,790</u>	<u>\$ (1,005,819)</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 92,358	\$ 1,429	\$ 93,787
Interest Expense	(590,012)	(418,424)	(1,008,436)
Amortization	(47,126)	0	(47,126)
Noncapital Grants and Contributions	192,733	0	192,733
Loss on Disposal of Capital Assets	(2,033)	0	(2,033)
Total Nonoperating Revenues (Expenses)	<u>\$ (354,080)</u>	<u>\$ (416,995)</u>	<u>\$ (771,075)</u>
Income Before Contributions	\$ (2,016,689)	\$ 239,795	\$ (1,776,894)
Capital Contributions	55,700	0	55,700
Change in Net Position	<u>\$ (1,960,989)</u>	<u>\$ 239,795</u>	<u>\$ (1,721,194)</u>
Net Position, July 1, 2012	<u>25,782,167</u>	<u>15,320,333</u>	<u>41,102,500</u>
Net Position, June 30, 2013	<u>\$ 23,821,178</u>	<u>\$ 15,560,128</u>	<u>\$ 39,381,306</u>

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

Exhibit D-3

Lincoln County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-type Activities - Major Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 40,782,252	\$ 4,409,377	\$ 45,191,629
Payments to Employees	(24,106,118)	(1,091,676)	(25,197,794)
Payments to Suppliers	(15,819,059)	(1,692,925)	(17,511,984)
Received from Operating Portions of Tap Fees	0	71,400	71,400
Customer Deposits Returned	0	(485)	(485)
Net Cash Provided By (Used In) Operating Activities	\$ 857,075	\$ 1,695,691	\$ 2,552,766
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition/Construction of Capital Assets	\$ (974,474)	\$ (686,124)	\$ (1,660,598)
Proceeds from Disposal of Capital Assets	1,303	54,068	55,371
Principal Advances on Bond Anticipation Notes	0	575,445	575,445
Principal Payments on Long-term Debt	(776,717)	(443,811)	(1,220,528)
Interest Payments on Long-term Debt	(582,281)	(335,424)	(917,705)
Capital Contributions	55,700	0	55,700
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (2,276,469)	\$ (835,846)	\$ (3,112,315)
<u>Cash Flows from Noncapital Financing Activities</u>			
Noncapital Grants	\$ 192,733	\$ 0	\$ 192,733
Net Cash Provided By (Used In) Noncapital Financing Activities	\$ 192,733	\$ 0	\$ 192,733
<u>Cash Flows from Investing Activities</u>			
Investment Income	\$ 95,432	\$ 1,429	\$ 96,861
Increase in Restricted Investments	(51,359)	0	(51,359)
Net Cash Provided By (Used In) Investing Activities	\$ 44,073	\$ 1,429	\$ 45,502
Net Increase (Decrease) in Cash	\$ (1,182,588)	\$ 861,274	\$ (321,314)
Cash, July 1, 2012	7,475,856	2,108,289	9,584,145
Cash, June 30, 2013	\$ 6,293,268	\$ 2,969,563	\$ 9,262,831

(Continued)

Exhibit D-3

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

	<u>Business-type Activities -</u> <u>Major Enterprise Funds</u>		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>			
Operating (Loss) Income	\$ (1,662,609)	\$ 656,790	\$ (1,005,819)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:			
Depreciation Expense	2,154,046	904,770	3,058,816
Provision for Bad Debts	6,470,303	0	6,470,303
Advances Under Note Receivable Arrangements	(28,515)	0	(28,515)
Provision for Note Receivable Arrangements	190,097	0	190,097
Investment in Insurance Funds, Net	(15,790)	0	(15,790)
(Increase) Decrease in Accounts Receivable	(6,263,232)	(36)	(6,263,268)
(Increase) Decrease in Other Receivables	(4,521)	0	(4,521)
(Increase) Decrease in Inventories	3,569	23,101	26,670
(Increase) Decrease in Prepaid Items	(53,335)	(191)	(53,526)
(Increase) Decrease in Other Assets	(35,849)	0	(35,849)
Increase (Decrease) in Accounts Payable	296,480	121,051	417,531
Increase (Decrease) in Customer Deposits	0	(485)	(485)
Increase (Decrease) in Accrued Leave	0	(4,790)	(4,790)
Increase (Decrease) in Accrued Liabilities	(193,569)	(4,519)	(198,088)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 857,075</u>	<u>\$ 1,695,691</u>	<u>\$ 2,552,766</u>
<u>Reconciliation of Cash With Statement of Net Position</u>			
Cash Per Net Position	\$ 6,293,268	\$ 2,679,509	\$ 8,972,777
Noncurrent Assets: Restricted Cash Per Net Position	0	290,054	290,054
Cash, June 30, 2013	<u>\$ 6,293,268</u>	<u>\$ 2,969,563</u>	<u>\$ 9,262,831</u>
<u>Noncash Investing, Capital, and Financing Activities</u>			
Series 2004 Bonds Refunded	\$ (6,795,000)	\$ 0	\$ (6,795,000)
Series 2013 Bond Proceeds Used to Refund 2004 Bonds	6,735,000	0	6,735,000
Issue Costs Paid by Series 2013 Refunding Bonds	(77,086)	0	(77,086)

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

Exhibit E

Lincoln County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,828,989
Equity in Pooled Cash and Investments	454,204
Investments	96,741
Accounts Receivable	5,894
Due from Other Governments	480,412
Property Taxes Receivable	1,301,216
Allowance for Uncollectible Property Taxes	<u>(22,531)</u>
Total Assets	<u>\$ 4,144,925</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 8,200
Accrued Payroll	1,521
Due to Other Taxing Units	1,828,618
Due to Litigants, Heirs, and Others	2,009,254
Due to Joint Ventures	<u>297,332</u>
Total Liabilities	<u>\$ 4,144,925</u>

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

LINCOLN COUNTY, TENNESSEE
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LINCOLN COUNTY, TENNESSEE
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LINCOLN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Lincoln County School Department operates the public school system in the county, and the voters of Lincoln County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

The Lincoln County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Lincoln County Emergency

Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Lincoln County issues all debt for the discretely presented Lincoln County School Department. The county did not contribute any debt proceeds to the School Department during the year ended June 30, 2013.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Lincoln County reports the following major governmental funds:

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

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’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.

Lincoln County reports the following major proprietary funds:

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

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

Additionally, Lincoln County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lincoln County, the city school system’s share of educational revenues, state

grants and other restricted revenues held for the benefit of the Judicial District Drug Task Force, and restricted revenues held for the benefit of the Office of District Attorney General. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

Special Revenue Funds – These funds account for 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.

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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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

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

statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Central Cafeteria funds. Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes and solid waste receivables are shown with an allowance for uncollectibles. Solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to one percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources 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 and Prepaid Items

Inventories of the discretely presented School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaid items 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), 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 (infrastructure \$25,000) or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources; current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

It is the policy of the Lincoln County general government to allow two weeks of vacation after one year of service, with a maximum accumulation of 20 days, which will be paid to employees upon separation from service. Highway Department employees are allowed two weeks of vacation after one year of service, with no accumulation

of unused vacation days. Support personnel of the discretely presented Lincoln County School Department earn one day of vacation for each 20 days of employment with a maximum accumulation of 15 days, which will be paid to employees upon separation from service. There is no liability for unpaid accumulated sick leave since neither Lincoln County nor the School Department has a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, Lincoln County had \$11,546,680 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county'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 county'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 County Commission, 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 county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Financial Management Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – includes 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.

9. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement to beginning net position totaling \$47,233 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

10. Reclassification

In prior years, the District Attorney General Fund was classified as a special revenue fund; however, effective July 1, 2012, this fund has been reclassified as an agency fund to better reflect the control of these funds by the district attorney general. A reclassification of beginning balances totaling \$66,163 has been recognized in the government-wide and the governmental funds financial statements.

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 Position

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 Position.

Discretely Presented Lincoln County School Department

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

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 position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Lincoln County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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.

Investment Balances. As of June 30, 2013, Lincoln County had the following investments carried at amortized cost.

Investment	Maturities	Cost
Nonpooled:		
Constitutional Officers - Agency Fund:		
Clerk and Master:		
Long-term Certificates of Deposit	10-12-40	\$ 96,048
Mutual Funds	none	<u>693</u>
Total Nonpooled		<u>\$ 96,741</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments, as previously disclosed. Lincoln County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lincoln County has no investment policy that would further limit its investment choices.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 8,919,087	\$ 0	\$ 0	\$ 8,919,087
Construction in Progress	0	28,236	0	<u>28,236</u>
Total Capital Assets Not Depreciated	<u>\$ 8,919,087</u>	<u>\$ 28,236</u>	<u>\$ 0</u>	<u>\$ 8,947,323</u>

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,526,074	\$ 8,450	\$ 0	\$ 9,534,524
Infrastructure	22,446,053	367,858	0	22,813,911
Other Capital Assets	7,728,382	479,457	(241,624)	7,966,215
Total Capital Assets Depreciated	\$ 39,700,509	\$ 855,765	\$ (241,624)	\$ 40,314,650
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,506,915	\$ 370,193	\$ 0	\$ 6,877,108
Infrastructure	15,762,224	779,306	0	16,541,530
Other Capital Assets	5,125,482	493,326	(210,965)	5,407,843
Total Accumulated Depreciation	\$ 27,394,621	\$ 1,642,825	\$ (210,965)	\$ 28,826,481
Total Capital Assets Depreciated, Net	\$ 12,305,888	\$ (787,060)	\$ (30,659)	\$ 11,488,169
Governmental Activities Capital Assets, Net	\$ 21,224,975	\$ (758,824)	\$ (30,659)	\$ 20,435,492

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

Governmental Activities:

General Government	\$ 93,569
Administration of Justice	6,305
Public Safety	472,460
Public Health and Welfare	122,390
Agriculture and Natural Resources	19,377
Highways/Public Works	928,724
Total Depreciation Expense - Governmental Activities	\$ 1,642,825

Discretely Presented Lincoln County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 957,984	\$ 0	\$ 0	\$ 957,984
Total Capital Assets Not Depreciated	<u>\$ 957,984</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 957,984</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 41,238,723	\$ 99,832	\$ 0	\$ 41,338,555
Other Capital Assets	5,349,548	1,468,286	(489,035)	6,328,799
Total Capital Assets Depreciated	<u>\$ 46,588,271</u>	<u>\$ 1,568,118</u>	<u>\$ (489,035)</u>	<u>\$ 47,667,354</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 20,964,588	\$ 1,238,489	\$ 0	\$ 22,203,077
Other Capital Assets	2,937,987	433,559	(479,135)	2,892,411
Total Accumulated Depreciation	<u>\$ 23,902,575</u>	<u>\$ 1,672,048</u>	<u>\$ (479,135)</u>	<u>\$ 25,095,488</u>
Total Capital Assets Depreciated, Net	<u>\$ 22,685,696</u>	<u>\$ (103,930)</u>	<u>\$ (9,900)</u>	<u>\$ 22,571,866</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 23,643,680</u></u>	<u><u>\$ (103,930)</u></u>	<u><u>\$ (9,900)</u></u>	<u><u>\$ 23,529,850</u></u>

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

Governmental Activities:

Support Services	\$ 414,134
Operation of Non-Instructional Services	<u>1,257,914</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,672,048</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: General Purpose School	Primary Government: General	\$ 6,827

D. Long-term Obligations

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

General Obligation Notes and Bonds

Lincoln County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and the capital outlay note are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding and the capital outlay note were issued for original terms of up to 20 years for bonds and seven years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds and the capital outlay note outstanding as of June 30, 2013, 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 6-30-13</u>
General Obligation Bonds - Refunding	3.93 to 5.25 %	5-1-21	\$ 21,235,000	\$ 12,505,000
Capital Outlay Note	2.545	5-1-17	391,000	234,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 56,000	\$ 6,100	\$ 62,100
2015	58,000	4,812	62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 234,000	\$ 16,043	\$ 250,043

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,110,000	\$ 621,665	\$ 1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017	1,965,000	383,645	2,348,645
2018	1,775,000	284,706	2,059,706
2019-2021	4,005,000	346,665	4,351,665
Total	\$ 12,505,000	\$ 2,680,839	\$ 15,185,839

There is \$5,735,508 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the note totaled \$382, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the primary government (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Postemployment Benefits
Balance, July 1, 2012	\$ 13,625,000	\$ 288,000	\$ 195,236
Additions	0	0	46,519
Reductions	(1,120,000)	(54,000)	(6,571)
Balance, June 30, 2013	\$ 12,505,000	\$ 234,000	\$ 235,184
Balance Due Within One Year	\$ 1,110,000	\$ 56,000	\$ 0

Governmental Activities (Cont.):

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2012	\$ 165,592	\$ 237,545
Additions	136,919	4,232
Reductions	(127,144)	(14,847)
Balance, June 30, 2013	\$ 175,367	\$ 226,930
Balance Due Within One Year	\$ 157,831	\$ 8,000

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 13,376,481
Less: Balances Due Within One Year	<u>(1,331,831)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 12,044,650</u>

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

Discretely Presented Lincoln County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Lincoln County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 30,078	\$ 638,041
Additions	47,442	325,431
Reductions	(45,244)	(177,507)
Balance, June 30, 2013	<u>\$ 32,276</u>	<u>\$ 785,965</u>
Balance Due Within One Year	<u>\$ 32,276</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 818,241
Less: Balances Due Within One Year	<u>(32,276)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 785,965</u>

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

E. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lincoln County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$100,355 and \$35,045, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Lincoln County is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial

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

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

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

Discretely Presented Lincoln County School Department

The discretely presented Lincoln County School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any

risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Lincoln County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Contingent Liabilities

The county is involved in several pending lawsuits. However, the county attorney estimates that the potential claims against the county, not covered by insurance, resulting from such litigation should not be material to the county's financial statements.

D. Change in Administration

Assessor of Property Tammy Moore left office on August 31, 2012, and was succeeded by Paul Braden effective September 1, 2012.

E. Landfill Postclosure Care Costs

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

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Lincoln County and the City of Fayetteville closed their sanitary landfill in 1995. Lincoln County and the City of Fayetteville each agreed to pay 50 percent of the postclosure costs. The \$226,930 reported as postclosure care liability at June 30, 2013, represents the county's share based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$74,866 to the operations of the library during the year ended June 30, 2013.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$22,417 to the operations of the airport during the year ended June 30, 2013.

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

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Giles, Franklin, Moore and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2013.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$203,014 to the operations of the Industrial Development Board during the year ended June 30, 2013.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the

DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2013.

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

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

Administrative Offices:

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

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

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

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

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

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

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

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

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

Funding Policy

Lincoln County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 6.12 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

For the year ended June 30, 2013, Lincoln County’s annual pension cost of \$1,163,637 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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, 2011, was two 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
6-30-13	\$1,163,367	100%	\$0
6-30-12	1,214,403	100	0
6-30-11	1,124,223	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.09 percent funded. The actuarial accrued liability for benefits was \$40.03 million, and the actuarial value of assets was \$39.26 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.77 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.59 million, and the ratio of the UAAL to the covered payroll was 4.35 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 Lincoln County School Department contributes to the State Employees, Teachers, and Higher Education Employee 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, 2013, was 8.88 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, 2013, 2012, and

2011, were \$1,324,696, \$1,312,332, and \$1,270,558, respectively, equal to the required contributions for each year.

2. Deferred Compensation

The Lincoln County School Department offers its employees a deferred compensation plan established pursuant IRC Section 403(b). All costs of administering and funding this program are the responsibility of plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan.

H. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$258 to \$1,299 per month. Lincoln County and the School Department recognized expenditures of \$6,571 and \$177,507,

respectively, for postemployment health care during the year ended June 30, 2013.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 327,000	\$ 47,000
Interest on the NOPEBO	25,522	7,809
Adjustment to the ARC	(27,091)	(8,290)
Annual OPEB cost	<u>\$ 325,431</u>	<u>\$ 46,519</u>
Less: Amount of contribution	(177,507)	(6,571)
Increase/decrease in NOPEBO	<u>\$ 147,924</u>	<u>\$ 39,948</u>
Net OPEB obligation, 7-1-12	<u>638,041</u>	<u>195,236</u>
Net OPEB obligation, 6-30-13	<u><u>\$ 785,965</u></u>	<u><u>\$ 235,184</u></u>

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 285,887	63%	\$ 479,598
6-30-12	"	322,821	51	638,041
6-30-13	"	325,431	55	785,965
6-30-11	Local Government Group	68,231	16	154,906
6-30-12	"	46,619	13	195,236
6-30-13	"	46,519	14	235,184

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

(dollars in thousands)	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 2,756	\$ 279
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,756	\$ 279
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,428	\$ 5,191
UAAL as a % of covered payroll	16%	5%

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 and the Local Government 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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include 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 July 1, 2007.

I. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

J. Purchasing Law

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

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

A. Summary of Significant Accounting Policies

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

Principles of Departmental Combination – The health system’s financial statements include the following financial activities also referred to herein as departments: Lincoln Medical Center (medical center), Lincoln Medical Center EMS (ambulance service), Lincoln Medical Home Health and Hospice (home health care), Patrick Rehab-Wellness Center (wellness center), and Lincoln and Donalson Care Centers (care centers). Hospital-based departments include the medical center, ambulance service, home health care, and wellness center. All significant interdepartmental transactions have been eliminated.

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 acute care beds and ten geropsych beds. The ambulance service provides emergency medical

transportation services. The home health care provides skilled nursing, therapy, personal care, and hospice services. The wellness center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The care centers provide long-term health care services. The care centers are licensed for 115 intermediate-level care beds and 125 skilled-level care beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center's financial statements include Lincoln Medical Center Auxiliary Gift Shop (auxiliary). The auxiliary is not a separate legal entity, and it is subject to financial accountability to the committee. As of and for the year ended June 30, 2013, the auxiliary's total assets, current assets, and net position totaled \$67,533, and are reported as restricted for other purposes in the Statement of Net Position. Their loss from operations totaled \$10,903. During 2013, the auxiliary made noncapital contributions of \$21,992 to the health system.

Basis of Accounting – The health system uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

The accompanying financial statements of the health system conform with accounting principles generally accepted in the United States as applied to governments and general practices of governmental health care entities. The Governmental Accounting Standards Board is the standard setting body for establishing governmental accounting and financial reporting standards. The *GASB Codification of Governmental Accounting and Financial Reporting Standards* document these principles.

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

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

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the established useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2013.

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

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

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

Compensated Absences – The health system's employees earn paid time off (PTO) benefits for vacation, sick, and holiday leave at varying rates that may accumulate up to a specified maximum depending on years of service. In the event of termination, an eligible employee is paid for accumulated PTO benefits. The estimated amount of PTO payable is accrued when earned and reported as a current liability in the accompanying financial statements.

Deferred Financing Costs – Financing costs incurred for issuance of bonds are amortized over the term of the respective bond issue using the straight-line method. Amortization expense was \$47,126 for the year ended June 30, 2013.

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

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

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

Net Position – Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The reserve amount is in compliance with the required amount. The health system does not have any deferred outflows of resources required to be reported for the year ended June 30, 2013.

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

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

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

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

Investment income, nonexchange revenues, grants, contributions and incentive payments received for purposes other than capital asset acquisition, are reported as nonoperating revenues. During the current year the health system received unrestricted payments to provide meaningful use electronic health records as further described in Note VI.P.

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

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

B. Designated Net Position

Unrestricted net position includes special funds designated by the health system totaling \$8,101,736 as of June 30, 2013, for specific purposes such as future capital improvements, insurance, and debt service, as discussed in Note VI.E. The designated funds remain under the control of the health system, which may at its discretion, later use the funds for other purposes.

C. Charity Care

Charges foregone for services and supplies furnished under the health system's charity care policy totaled \$724,086 for the year ended June 30, 2013.

D. Net Patient Service Revenue

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

Medicare – Medical center inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that

is based on clinical, diagnostic, and other factors. Medical center outpatient services to Medicare beneficiaries are paid using a prospective payment system based on the patient's ambulatory classification group. Geropsych services, ambulance services, and rehab services related to Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

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

Revenue from the Medicare program accounted for approximately 31 percent and 29 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2013.

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2010.

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

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

Revenue from the Medicaid program accounted for approximately seven percent and 56 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2013.

Others – The medical center, ambulance service, and wellness center have entered into payment agreements with certain commercial insurance carriers and managed care health plans. The basis for reimbursement under these

agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per-diem rates.

The medical center received \$4,501 from an endowment fund for the year ended June 30, 2013, for patient care that is included in net patient service revenue.

E. Deposits and Special Funds

The health system’s carrying amount of deposits was \$6,293,268, and the bank balance was \$6,577,810 as of June 30, 2013. The health system’s carrying amount for special funds, excluding an amount held under an indenture agreement, was \$8,203,072, and the bank balance was \$8,175,824 as of June 30, 2013. The bank balances totaling \$14,753,634 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool. The bank balances are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the outstanding Series 2007 and 2013 bonds. The reserve fund consists of a money market fund that normally invests at least 80 percent of its assets in U.S. Treasury securities and repurchase agreements for those securities. Its value as of June 30, 2013, was \$1,083,871. Generally, these investments maintain a dollar weighted average maturity at 60 days or less.

These investments are exposed to declines in fair values due to interest rate changes. The health system’s exposure is mitigated through the limited maturities of the investments.

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

Special funds are held as follows as of June 30, 2013:

Internally Designated for Capital Improvements, Insurance, and Debt Service	\$ 8,101,736
Restricted by Contributors	58,797
Held Under an Indenture Agreement	1,083,871
Held Under Patient Trust Fund Arrangements - Cash	42,539
Less: Amounts Reclassified to Meet Current Liabilities	<u>(42,539)</u>
Total	<u><u>\$ 9,244,404</u></u>

F. Notes Receivable Arrangements

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash or continuation of the physicians’ medical practices for a certain period based upon the terms of these arrangements. Net advances to

physicians totaled \$28,515 for the year ended June 30, 2013. Net repayments, primarily from amortization of advances to physicians, totaled \$190,097 for the year ended June 30, 2013. As of June 30, 2013, net advances totaling \$272,186 were due under these arrangements.

G. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 773,754	\$ 0	\$ 0	\$ 773,754
Property Under Capitalized Lease	300,000	0	0	300,000
Construction in Progress	25,262	213,244	0	238,506
Other Assets Not in Service	5,200	0	(5,200)	0
Total Capital Assets Not Depreciated	\$ 1,104,216	\$ 213,244	\$ (5,200)	\$ 1,312,260
Capital Assets Depreciated:				
Ground Improvements	\$ 2,308,042	\$ 0	\$ 0	\$ 2,308,042
Buildings and Improvements	27,168,572	191,975	0	27,360,547
Equipment	15,863,839	574,455	(217,329)	16,220,965
Total Capital Assets Depreciated	\$ 45,340,453	\$ 766,430	\$ (217,329)	\$ 45,889,554
Less Accumulated Depreciation For:				
Ground Improvements	\$ (865,427)	\$ (80,534)	\$ 0	\$ (945,961)
Buildings and Improvements	(14,109,385)	(835,577)	0	(14,944,962)
Equipment	(11,925,007)	(1,237,935)	213,993	(12,948,949)
Total Accumulated Depreciation	\$ (26,899,819)	\$ (2,154,046)	\$ 213,993	\$ (28,839,872)
Capital Assets, Net	\$ 19,544,850	\$ (1,174,372)	\$ (8,536)	\$ 18,361,942

The general depreciation rates based on the useful lives for depreciable capital assets are five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment under capital lease. Depreciation and amortization expense for the year ended

June 30, 2013, totaled \$2,154,046. Accumulated amortization for equipment under capital lease obligations was \$204,894 at June 30, 2013.

During the current year, the health system completed its construction project at the care center and began the renovation of the entrance and the parking lot at the wellness center. This project is expected to be completed by July 2013. Additionally, planning cost has been incurred for the expansion of certain areas at the medical center.

H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2013:

	Balance			Balance	Due
	7-1-12	Additions	Reductions	6-30-13	Within
					One Year
Series 1998, due in installments of \$475,000 to \$495,000 through May 2013, at interest rates ranging from 5% to 5.125%	\$ 495,000	\$ 0	\$ (495,000)	\$ 0	0
Series 2004, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$45,000 to \$800,000 through May 2023, at an interest rate of 3.875%	6,840,000	0	(6,840,000)	0	0
Series 2007, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$10,000 to \$1,040,000 through May 2028, at an interest rate of 4.2%	4,895,000	0	(10,000)	4,885,000	10,000
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$155,000 to \$220,000 through May 2021, at an interest rate of 3.93%	1,705,000	0	(160,000)	1,545,000	170,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	172,799	0	(30,817)	141,982	33,210

	Balance 7-1-12	Additions	Reductions	Balance 6-30-13	Due Within One Year
Capital Lease Obligation, due in monthly installments of \$3,917 through August 2016, at an interest rate of 5.45%	168,428	0	(35,900)	132,528	38,609
Series 2013, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$620,000 and \$730,000 through May 2023 at an interest rate of 2%	0	6,735,000	0	6,735,000	620,000
Total long-term debt	\$ 14,276,227	\$ 6,735,000	\$ (7,571,717)	\$ 13,439,510	\$ 871,819
Less current maturities of long-term debt	(776,718)			(871,819)	
Less Series 2004 deferred refunding costs	(246,745)			0	
Less Series 2007 deferred refunding costs	(178,814)			(161,333)	
Less Series 2013 deferred refunding costs	0			(311,256)	
Add unamortized bond premium	0			182,714	
Total noncurrent liabilities	\$ 13,073,950			\$ 12,277,816	

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2013, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2014	\$ 871,819	\$ 405,784
2015	887,310	393,514
2016	908,222	367,901
2017	892,159	342,479
2018	870,000	320,305
2019-2023	4,225,000	1,276,943
2024-2028	4,785,000	619,710
Total	\$ 13,439,510	\$ 3,726,636

Series 1998 – The Series 1998 Hospital Facility Lease Revenue and Tax Bonds were issued totaling \$15,000,000 to construct and purchase equipment for the new medical center built in 2001. The bonds were paid in full in 2013.

Series 2004 – In a prior year, the health system defeased a portion of the Series 1998 bonds by issuance of \$7,115,000 Series 2004 Hospital Facility

Lease Revenue and Tax Refunding Bonds and placed the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2013, \$6,625,000 of the bonds outstanding is considered defeased.

The Series 2004 bonds maturing on or after May 1, 2014, were redeemed by an advance refunding in June 2013 as discussed below.

Series 2007 – The health system defeased portions of the Series 1998 and Series 2001 bonds by issuance of \$4,960,000 Series 2007 Hospital Facility Lease Revenue and Tax Refunding Bonds and \$1,905,000 Series 2007 General Obligation Refunding Bonds and placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2013, \$6,655,000 of the bonds outstanding are considered defeased.

Both Series 2007 bonds are the ultimate obligation of Lincoln County, Tennessee. Both Series 2007 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2017.

Series 2013 – On June 5, 2013, the Industrial Development Board of the City of Fayetteville and Lincoln County, Tennessee, issued \$6,735,000 Hospital Facility Lease Revenue and Tax Refunding Bonds to advance refund \$6,795,000 of the Series 2004 bonds described above.

The net proceeds of \$6,918,992 (which includes a net premium of \$183,992 less payments for issue costs totaling \$77,086 and accrued interest \$46,906) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004 refunded bonds. As a result, the Series 2004 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$311,256. This difference is being netted against the new debt and amortized through the new debt maturity. This advanced refunding was undertaken to reduce the health system's total debt service payments over the next ten years by \$842,103 and to obtain an economic gain of \$772,821.

The Series 2013 bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 2013 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus

interest accrued to the redemption date for bonds maturing after May 1, 2023. The Series 2013 bonds are on a parity lien with the Series 2007 bonds.

For the year ended June 30, 2013, the health system did not maintain the required debt service covenant ratio of 1.15:1 established for the outstanding Series 2007 and Series 2013 bonds. To cure this technical deficiency as required by the bond's covenant, the health system has retained a consultant to recommend procedures to maintain this ratio in the future.

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

I. Pension Plan

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

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

Plan Description

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

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

Funding Policy

Lincoln County requires employees to contribute five percent of their earnable compensation. Plan members are required to contribute at an actuarially determined rate. The current rate is 6.12 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The health system contributions for participating departments for the years ended June 30, 2013, 2012, and 2011, were \$638,024, \$679,037, and \$589,946, respectively, equal to the required contributions for each year.

Care Centers

The care centers adopted a defined contribution pension plan, under sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. Participants become fully vested after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution, up to the first three percent of gross pay. Employer and employee contributions under this plan totaled \$28,195 and \$116,608, respectively, for the year ended June 30, 2013.

Deferred Compensation Plan

The health system offers an optional deferred compensation plan to its employees created in accordance with Section 457 of the Internal Revenue Code. This plan is available to all employees on a voluntary basis and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The plan is administered through a third-party administrator, the Hartford Group. The health system does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related

liabilities to plan participants have been excluded from the health system's financial statements.

J. Risk Management

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

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

As of June 30, 2013, the health system accrued \$141,481 for an estimated claims lag. Changes in the reported liability for 2013 resulted from the following:

	<u>2013</u>
Balance, 7-1-12	\$ 305,464
Current-year Claims and Settlements	2,580,431
Claim Payments	<u>(2,744,414)</u>
Balance, 6-30-13	<u>\$ 141,481</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2013, this internally designated cash, including interest earned, totaled \$159,452.

K. Concentrations of Credit Risk

The health system grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2013:

Medicare	30 %
Medicaid	19
Other Third-party Payors	21
Patients	<u>30</u>
 Total	 <u><u>100 %</u></u>

L. Management Agreement

Effective March 1, 2012, the health system entered into an agreement with Quorum Health Resources, LLC, (QHR) to provide management services and certain special personnel, as defined in the agreement. The agreement is for a three-year term that expires February 28, 2015, with a two-year “opt out provision” after its effective date. The annual management fee is \$322,032 payable in monthly installments, subject to annual adjustments by an inflation factor of the lessor of five percent or percentage increase in the Medical Component of the Consumer Price Index, as defined in the agreement. The annual fee is in addition to payments for special personnel and reimbursements. Prior to this date, the health system operated under an interim agreement with QHR. Management fees paid for 2013 were \$813,259. Total payments to QHR for 2013 were \$817,521, which includes reimbursement for travel, dues, and special personnel who provide services to the health system.

M. Contingencies and Commitments

The health system is involved in litigation arising in the ordinary course of business. The ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. After consultation with legal counsel, management estimates that those matters not covered by insurance will be resolved without material adverse effect on the health system’s financial position or results of operations.

Also, in the ordinary course of business, the health system has maintenance and service contract commitments under agreements with various vendors to maintain equipment and provide medical services for terms not to exceed generally a five-year period.

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. The health system leases various equipment and property under operating leases that can be canceled under terms less than one year.

The following is a schedule by year of future minimum noncancellable lease payments as of June 30, 2013:

Year Ending June 30	Amount
2014	\$ 15,000
2015	15,000
2016	15,000
2017	<u>13,750</u>
Total	<u>\$ 58,750</u>

Rental expense under all operating leases for 2013 totaled \$263,347.

The health system leases office space in its medical office building to physicians primarily under three-year lease terms and also leases office space at Lincoln Care Center. The following is a schedule by year of future minimum rentals under noncancellable leases that expire under existing terms through 2016:

Year Ending June 30	Amount
2014	\$ 96,077
2015	62,225
2016	<u>10,593</u>
Total	<u>\$ 168,895</u>

Rental income received for 2013 totaled \$242,545. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment (see Note VI.G.) as follows:

Cost	\$ 3,569,499
Accumulated Depreciation	<u>(1,199,408)</u>
Net Book Value	<u>\$ 2,370,091</u>

N. Lincoln County Health System Foundation

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

However, for informational purposes only, a summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows as of June 30, 2013:

Assets, Cash, and Cash Equivalents	<u>\$ 34,054</u>
Unrestricted Net Position	<u>\$ 34,054</u>
Support and Revenue	\$ 33,146
Expenses	<u>(47,130)</u>
Deficiency of Support and Revenue Over Expenses	<u>\$ (13,984)</u>
Unrestricted Net Position, July 1, 2012	<u>48,038</u>
Unrestricted Net Position, June 30, 2013	<u>\$ 34,054</u>

O. Pledged Revenues

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

	Current-Year	Percent of	Remaining Pledge	Commitment
Operating Revenues	Principal and Interest Paid on Revenue Bonds	Current Revenue	Based on Future Principal and Interest Requirements	Period Through Fiscal Year
\$ 39,247,409	\$ 1,046,009	2.7%	\$ 15,022,388	2028

P. Electronic Health Record Incentive Payments

The health system received \$183,499 in Medicare and Medicaid Electronic Health Record (EHR) unrestricted incentive payments for the year ended June 30, 2013, which is reported as nonoperating revenue. The Health Information Technology for Economic and Clinical Health Act (HITECH Act) established programs under Medicare and Medicaid to provide incentive payments for the meaningful use of certified EHR technology. The health system anticipates receiving additional incentive payments totaling \$1.5 million through 2015.

Q. Net Service Revenue

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the health system management analyzes its past collection history utilizing a hindsight review methodology along with identification of collection trends and current status

of the existing receivables for each of its major sources of revenue to estimate the allowance for doubtful accounts and provision of bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

The difference between the standard rates (or the discounted rates) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The allowance for doubtful accounts ranged from 38.4 percent to 39.7 percent of accounts receivable as of June 30, 2013 and 2012, respectively. Total net write-offs increased \$1,019,887 to \$6,241,440 for 2013 from \$5,221,553 for 2012. The increase was a result of negative trends experienced in the collection of amounts due from patients in 2013. The health system has not changed its charity care or uninsured discount policies during the fiscal years 2013 or 2012.

The following schedule summarizes total revenues for the fiscal year ended June 30, 2013:

Patient Service Revenue (net of contractual allowances and discounts)	\$ 44,643,175
Provision for Bad Debt	<u>(6,470,303)</u>
Net Patient Revenue Less Provision for Bad Debt	\$ 38,172,872
Other Operating Revenue	<u>1,074,537</u>
Total Revenue	<u>\$ 39,247,409</u>

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

A. Summary of Significant Accounting Policies

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

bonds issued by the board. Some bonds issued for the board are secured by a pledge of the taxing authority of Lincoln County.

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

Basis of Accounting – The board is classified as a proprietary fund by the Governmental Accounting Standards Board (GASB) and is accounted for using a total economic resources measurement focus. The board is intended to operate in a manner whereby the costs of providing water distribution services and system expansion are recovered through user charges. The financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred.

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

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates relate to depreciation and the value of distribution lines contributed to the system.

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

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

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

Materials and Supplies Inventory – Inventory consists of repair and maintenance supplies and extension materials and is stated at the lower of average cost or replacement value.

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

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

Construction Period Interest – Interest on costs incurred during the period of plant construction, net of interest earned on temporary investment of financing proceeds, is capitalized until such plant is substantially complete and placed into service. No interest was capitalized in the year ended June 30, 2013.

Allowance for Doubtful Accounts – The board charges doubtful accounts arising from water sales receivable to bad debts when it is probable that the account will be uncollectible. Bad debts offset against water sales revenues in 2013 were \$25,021.

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

Compensated Employee Absences – Employees accrue 12 days sick leave each year with no accumulation limit. Sick leave does not vest, and no liability for unused sick leave is recorded in the financial statements. Employees accrue vacation leave from one to three weeks annually based on years of service. Vacation leave is used or lost if not taken by each employee's anniversary date. The total accrued leave of \$9,433 at June 30, 2013, was considered a current liability.

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

Net Position – Net position is classified as follows:

1. Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds and notes attributable to the acquisition, construction, or improvement of those assets.

2. Restricted – This component of net position consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
3. Unrestricted net position – This component of net position consists of assets that do not meet the definition of restricted or net investment in capital assets.

B. Long-term Debt

Bonds and notes are payable from revenues of the board and are also secured by Lincoln County property taxes for the Series 2002, 2004, 2007, 2008, and 2010 issues. All debt may be prepaid. Parity bonds may be issued if net revenues of the board are at least 120 percent of scheduled bond payments. The board's net revenues exceeded this requirement in the year ended June 30, 2013.

The board had the following bonds and notes outstanding at June 30, 2013:

Interim Certificate of Indebtedness Series, 2010, issued June 18, 2012, with interest of 2.75% and principal due February 17, 2015	\$ 3,194,445
Water Revenue and Tax Bonds, Series 2007, issued April 23, 2008, due monthly to USDA in annual principal and interest amounts of \$90,360 through 2046 at 4.125%	1,622,103
Water Revenue and Tax Bonds, Series 2004, issued September 22, 2005, due monthly to USDA in annual principal and interest amounts of \$73,308 through 2043 at 4.25%	1,244,203
Waterworks Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual principal and interest amounts of \$21,384 through 2041 at 4.75%	328,026
Waterworks Revenue Bond, Series 2000, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	947,734
Waterworks Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	616,372
Waterworks Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	<u>2,341,972</u>
Total	\$ 10,294,855
Less: current portion of long-term debt	<u>(145,175)</u>
Long-term portion, net	<u><u>\$ 10,149,680</u></u>

Changes in principal balances during the year ended June 30, 2013, are summarized as follows:

Beginning balance	\$ 10,163,221
Advances on interim certificate of indebtedness	575,445
Payoff of water revenue and tax capital outlay note	(305,000)
Principal paid on bonds	<u>(138,811)</u>
Total	<u>\$ 10,294,855</u>

On February 17, 2011, the board issued a bank bond anticipation note to provide funding for the Phase V. construction project. On June 18, 2012, the bank bond anticipation note was paid off with the proceeds of a USDA interim certificate of indebtedness. The interim certificate of indebtedness has a total principal amount of \$4,702,000, accrues interest at 2.75 percent, and is payable from the proceeds of the Water Revenue and Tax Bond, Series 2010. The bond has a maximum principal amount of \$4,827,000, a maximum interest rate of 2.75 percent, and is payable over 38 years. At the maximum principal advance and interest rate, the monthly payment required for the bond will be \$17,088. The interim certificate of indebtedness was originally due February 13, 2013, but was extended to February 13, 2015, in February 2013.

Principal and interest payments on bonds outstanding at June 30, 2013, excluding the interim certificate of indebtedness, are summarized as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2014	\$ 145,175	\$ 317,401	\$ 462,576
2015	151,961	310,615	462,576
2016	158,368	304,208	462,576
2017	166,472	296,104	462,576
2018	174,260	288,316	462,576
2019-2023	1,000,812	1,312,068	2,312,880
2024-2028	1,257,850	1,055,030	2,312,880
2029-2033	1,582,448	730,432	2,312,880
2034-2038	1,403,212	361,393	1,764,605
2039-2043	813,141	132,412	945,553
2044-2046	246,711	14,463	261,174
Total	<u>\$ 7,100,410</u>	<u>\$ 5,122,442</u>	<u>\$ 12,222,852</u>

C. Capital Assets

Major classes of utility plant are as follows:

	Balance				Balance
	7-1-12	Additions	Disposals	Transfers	6-30-13
Non-Depreciable:					
Land	\$ 527,695	\$ 0	\$ 0	\$ 0	\$ 527,695
Construction in Progress	3,074,977	287,089	(11,500)	(3,090,416)	260,150
Total Non-Depreciable Assets	<u>\$ 3,602,672</u>	<u>\$ 287,089</u>	<u>\$ (11,500)</u>	<u>\$ (3,090,416)</u>	<u>\$ 787,845</u>
Depreciable:					
Distribution Lines and Tanks	\$ 26,706,235	\$ 0	\$ 0	\$ 3,090,416	\$ 29,796,651
Wells and Treatment Plant	4,590,887	0	0	0	4,590,887
Buildings and Equipment	2,681,820	106,024	(257,166)	0	2,530,678
Total Depreciable Assets	<u>\$ 33,978,942</u>	<u>\$ 106,024</u>	<u>\$ (257,166)</u>	<u>\$ 3,090,416</u>	<u>\$ 36,918,216</u>
Total Capital Assets	<u>\$ 37,581,614</u>	<u>\$ 393,113</u>	<u>\$ (268,666)</u>	<u>\$ 0</u>	<u>\$ 37,706,061</u>

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

	Balance			Balance
	7-1-12	Additions	Disposals	6-30-13
Distribution and Tanks	\$ 10,741,010	\$ 689,970	\$ (11,500)	\$ 11,419,480
Wells and Treatment Plant	1,323,240	107,200	0	1,430,440
Buildings and Equipment	2,076,150	107,600	(203,098)	1,980,652
Total Depreciation	<u>\$ 14,140,400</u>	<u>\$ 904,770</u>	<u>\$ (214,598)</u>	<u>\$ 14,830,572</u>

The addition to accumulated depreciation consists of depreciation expense.

D. Restricted Assets

Cash is held in sinking fund reserve funds, which are to be accumulated up to the maximum annual debt service and used for bond payments in the event funds are not otherwise available. These funds are mandated by bond covenants for bonds not secured by property taxes of Lincoln County. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits. Balances in the restricted funds at June 30, 2013, were:

	Balance 6-30-13
Sinking Fund Reserve Fund - 1996 Bond	\$ 173,880
Sinking Fund Reserve Fund - 1998 Bond	42,756
Sinking Fund Reserve Fund - 2000 Bond	60,888
Customer Deposits	<u>12,530</u>
Total	<u>\$ 290,054</u>

E. Deposits and Investments

State law and bond covenants in general restrict the board's investments to either U.S. Treasury or agency obligations or to certificates of deposit insured or collateralized by direct United States Treasury obligations. The laws of the State of Tennessee require deposits to either be insured by the FDIC, held by banks that participate in the Tennessee Collateral Pool, or collateralized by securities pledged at 105 percent of the value of uninsured deposits. The board does not have policies regarding deposits, investments, and related risks. In 2013, the board's interest earned was from liquid fund accounts, which were carried at cost.

Custodial credit risk is the risk that in the event of a bank failure, the board's deposits may not be returned to it. As of June 30, 2013, \$514,280 of the board's bank balance of \$2,999,160 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 19,280
Uninsured and collateral held by pledging bank's agent in the board's name	<u>495,000</u>
Total	<u>\$ 514,280</u>

F. Pension Plan

Plan Description

Employees of the Lincoln County Board of Public Utilities 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 board 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, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

The board requires its employees to contribute five percent of their earnable compensation. The board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2013, was 8.55 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the board is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the board's annual pension cost of \$92,034 to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 increases 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 board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was five 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
6-30-13	\$ 92,034	100%	\$0
6-30-12	98,955	100	0
6-30-11	109,340	100	0

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.9 percent funded. The actuarial accrued liability for benefits was \$2.12 million and the actuarial value of the assets was \$1.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.28 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.23 million, and the ratio of the UAAL to the covered payroll was 22.5 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.

G. Water Sources

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

H. Risk Management and Liability

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2013, the board participated in a public entity risk pool for coverage of general liability, property, and workers’ compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$5,000 (\$4,000 prior to April 1, 2013) per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$5,000. The plan liability at year end is determined based on subsequent payments. The change in the liability for medical benefits for the year ended June 30, 2013, is as follows:

Balance, June 30, 2012	\$ 713
Payments made	(23,940)
Incurred claims	<u>24,026</u>
Balance, June 30, 2013	<u>\$ 799</u>

The board continues to carry commercial insurance for other risks of loss, including employee bonds and employee health and accident losses above the \$5,000 level. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

I. Related-party Transactions

The board provides water to Lincoln County related entities at the same billing rate as other customers. In the year ended June 30, 2013, these sales totaled \$28,505, and accounts receivable at June 30, 2013, related to these sales were \$854.

J. Contingency

During the year ended June 30, 2013, the Tennessee Comptroller issued a report that concluded the board's former superintendent paid employees amounts in excess of what had been approved by the board of commissioners. The board has filed claims to recover those payments as well as related pension contributions; however, the outcome of this matter cannot presently be determined. Any recoveries will be recorded at the time of receipt.

K. Current and Planned Projects

The board is requesting permits from the State of Tennessee that would allow for the construction of a water treatment plant on the Elk River. The plant would enhance the water available from the board's current wells that are the primary source of water to 91 percent of the board's customers. At June 30, 2013, the board had purchased land for \$202,000, and had recorded construction in progress cost of \$163,551 related to the roadway, other site development costs, and engineering and permitting costs. The estimated cost of the treatment plant and related distribution lines is \$18,000,000. No significant costs are anticipated to be incurred in the near-term and actual plant construction is not expected to begin within the next four years.

At June 30, 2013, the board had incurred costs of \$3,187,015 on the Phase V project, which includes \$3,090,416 of mains that are complete and in service in addition to \$96,599 of construction in progress. The project will consist of the replacement of approximately 22 miles of waterline in Park City and the surrounding area. Construction began in July 2011, and is expected to be completed in the June 30, 2015 year. The project cost of \$6,638,000 will be funded by a Rural Utility Service bond of \$4,827,000 and a grant of \$1,811,000. Both the bond and grant require compliance with requirements of the American Recovery and Reinvestment Act of 2009. Monthly debt service on the bond is anticipated to be approximately \$17,088. The board approved a monthly \$1.50 per customer rate increase in September 2010 to assist with debt service. The board will also be required to make monthly additions of \$29,000 to an asset management reserve to fund short-lived equipment and system costs that are currently paid for from current operations.

VIII. OTHER NOTES – DISCRETELY PRESENTED LINCOLN COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Accounting Policies

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

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

The accounting policies and the reporting requirements of the Lincoln County Emergency Communications District conform to generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). The district is classified as a proprietary fund by GASB. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned (operating revenues as described in Note VIII. B are recognized when collected by the service providers) and expenses when incurred. Operating

revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Deferred revenues, primarily grant contributions, are recorded when resources have been received, but not yet earned or not considered to be available to liquidate liabilities of the current period. Operating expenses include the cost of contractual services, supplies, repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The district classifies net position as:

1. Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation.
2. Restricted – This component of net position consists of constraints placed on net assets use through external constraints imposed by creditors, grantors, or laws or regulations of other governments.
3. Unrestricted net position – This component of net position consists of assets that do not meet the definition of restricted or net investment in capital assets.

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

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

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

Accounts Receivable – Accounts receivable represent fees collected by certain service providers that are due to the district as of year-end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2013, in the opinion of management, there were no uncollectible accounts receivable.

Property and Equipment – Property and equipment are stated at cost. The capitalization threshold for an individual item is \$500. Depreciation expense is calculated on the straight-line method. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years, land improvement is

15 years, and communication and office equipment is three to 15 years. Maintenance and repairs are charged to expense as incurred.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the year ended June 30, 2013.

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

Deposits and Investments – Statutes authorize the district to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. In 2013, the district invested only in certificates of deposit with maturities of two to three and one-half years, which are carried at cost.

Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. At June 30, 2013, all of the district's cash was insured through participation in the State of Tennessee bank collateral pool.

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

Budgetary Basis – The district adopts a budget in accordance with the requirements of Section 7-86-120, *Tennessee Code Annotated*. The budget is adopted on another comprehensive basis of accounting, which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes expenditures for capital assets and does not include noncash expenses such as depreciation.

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

B. Operations

The district receives operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2 to business customers. These are the maximum charges allowed by the Emergency Communications District Law, and there are no plans to decrease them in the near future. The district has contracted for services to lease and maintain lines and equipment for approximately \$3,200 per month. The actual monthly costs vary depending on the number of users on the system.

The district also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25 percent of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

C. On-Behalf Payments for Dispatch Services

The City of Fayetteville and Lincoln County provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payments for dispatch salaries and benefits on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$660,040 for the year ended June 30, 2013. These payments include salaries, taxes, and related benefits for the year ended June 30, 2013.

D. Property and Equipment

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance		Balance
	7-1-12	Increases	6-30-13
Land	\$ 171,110	\$ 37,217	\$ 208,327
Land Improvements	261,353	0	261,353
Building	599,767	0	599,767
Communication and Office Equipment	1,256,990	95,252	1,352,242
Vehicles	28,244	59,985	88,229
Total	<u>\$ 2,358,555</u>	<u>\$ 192,454</u>	<u>\$ 2,509,918</u>

The related activity for accumulated depreciation for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Increases	Balance 6-30-13
Land Improvements	\$ 32,922	\$ 18,038	\$ 50,960
Building	164,815	17,042	181,857
Communication Equipment	648,667	115,260	763,927
Vehicles	22,286	6,139	28,425
Total	<u>\$ 868,690</u>	<u>\$ 156,479</u>	<u>\$ 1,025,169</u>

Depreciation for the year ended June 30, 2013, totaled \$156,479.

E. Planned Projects

Planning is in progress for the construction of two towers, one at property acquired during the current year located near the Communications Center and the other in Park City. The projects are expected to cost approximately \$175,000, and will be funded by funds held by the Tennessee Emergency Communications Board of approximately \$122,000 with the remainder being funded by board funds. Construction is anticipated to begin during the year ended June 30, 2014.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Lincoln County, Tennessee
Schedule of Funding Progress – Pension Plans
Primary Government, Discretely Presented Lincoln County School Department,
and Lincoln County Board of Public Utilities
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
Primary Government and School Department							
Governmental Activities	7-1-11	\$ 39,261	\$ 40,027	\$ 766	98.09 %	\$ 17,591	4.35 %
"	7-1-09	31,267	31,267	0	100	16,810	0
"	7-1-07	28,908	28,908	0	100	15,339	0
Primary Government - Business-type Activities							
Board of Public Utilities	7-1-11	1,841	2,119	278	86.9	1,234	22.5
"	7-1-09	1,205	1,205	0	100	1,113	0
"	7-1-07	823	823	0	100	899	0

Exhibit F-2

Lincoln County, Tennessee
Schedule of Funding Progress -- Other Postemployment Benefits Plans
Primary Government and Discretely Presented Lincoln County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-09	\$ 0	\$ 468	\$ 468	0 %	\$ 4,795	10 %
"	7-1-10	0	497	497	0	4,975	10
"	7-1-11	0	279	279	0	5,191	5
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-09	0	2,565	2,565	0	17,931	14
"	7-1-10	0	2,659	2,659	0	18,092	15
"	7-1-11	0	2,756	2,756	0	17,429	16

LINCOLN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**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.

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

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General. Effective July 1, 2012, this fund has been reclassified as an agency fund.

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

Exhibit G-1

Lincoln County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Solid</u>	<u>Drug</u>	<u>Nonmajor</u>
	<u>Waste /</u>	<u>Control</u>	<u>Governmental</u>
	<u>Sanitation</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,188,873	\$ 208,954	\$ 1,397,827
Accounts Receivable	4,107	0	4,107
Allowance for Uncollectibles	(3,984)	0	(3,984)
Due from Other Governments	145,497	0	145,497
Due from Other Funds	254	0	254
Total Assets	<u>\$ 1,334,747</u>	<u>\$ 208,954</u>	<u>\$ 1,543,701</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 40,696	\$ 30	\$ 40,726
Accrued Payroll	2,628	0	2,628
Due to Cities	21,955	0	21,955
Total Liabilities	<u>\$ 65,279</u>	<u>\$ 30</u>	<u>\$ 65,309</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 73,666	\$ 0	\$ 73,666
Total Deferred Inflows of Resources	<u>\$ 73,666</u>	<u>\$ 0</u>	<u>\$ 73,666</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety	\$ 0	\$ 208,924	\$ 208,924
Restricted for Public Health and Welfare	1,195,802	0	1,195,802
Total Fund Balances	<u>\$ 1,195,802</u>	<u>\$ 208,924</u>	<u>\$ 1,404,726</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,334,747</u>	<u>\$ 208,954</u>	<u>\$ 1,543,701</u>

Exhibit G-2

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 163,051	\$ 0	\$ 0	\$ 0	\$ 163,051
Charges for Current Services	848,632	0	0	6,252	0	854,884
Other Local Revenues	13,248	0	0	0	0	13,248
State of Tennessee	14,143	0	0	0	0	14,143
Total Revenues	\$ 876,023	\$ 163,051	\$ 0	\$ 6,252	\$ 0	\$ 1,045,326
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 64	\$ 0	\$ 64
Administration of Justice	0	0	0	6,188	0	6,188
Public Safety	0	46,547	0	0	0	46,547
Public Health and Welfare	763,384	0	0	0	0	763,384
Total Expenditures	\$ 763,384	\$ 46,547	\$ 0	\$ 6,252	\$ 0	\$ 816,183
Excess (Deficiency) of Revenues Over Expenditures	\$ 112,639	\$ 116,504	\$ 0	\$ 0	\$ 0	\$ 229,143
Net Change in Fund Balances Reclassification	\$ 112,639	\$ 116,504	\$ 0	\$ 0	\$ 0	\$ 229,143
Fund Balance, July 1, 2012	0	0	(66,163)	0	0	(66,163)
Fund Balance, July 1, 2012	1,083,163	92,420	66,163	0	0	1,241,746
Fund Balance, June 30, 2013	\$ 1,195,802	\$ 208,924	\$ 0	\$ 0	\$ 0	\$ 1,404,726

Exhibit G-3

Lincoln County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Solid Waste/Sanitation Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 848,632	\$ 0	\$ 0	\$ 848,632	\$ 832,000	\$ 832,000	\$ 16,632
Other Local Revenues	13,248	0	0	13,248	5,100	5,100	8,148
State of Tennessee	14,143	0	0	14,143	25,100	37,849	(23,706)
Total Revenues	\$ 876,023	\$ 0	\$ 0	\$ 876,023	\$ 862,200	\$ 874,949	\$ 1,074
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 46,570	\$ (20,000)	\$ 0	\$ 26,570	\$ 20,000	\$ 38,213	\$ 11,643
Convenience Centers	137,213	(8,215)	28,077	157,075	208,178	208,178	51,103
Other Waste Disposal	568,967	0	9,420	578,387	646,096	646,096	67,709
Postclosure Care Costs	10,634	0	0	10,634	50,000	50,000	39,366
Total Expenditures	\$ 763,384	\$ (28,215)	\$ 37,497	\$ 772,666	\$ 924,274	\$ 942,487	\$ 169,821
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ 112,639	\$ 28,215	\$ (37,497)	\$ 103,357	\$ (62,074)	\$ (67,538)	\$ 170,895
<u>Net Change in Fund Balance Fund Balance, July 1, 2012</u>							
	\$ 1,083,163	\$ (28,215)	\$ (37,497)	\$ 1,054,948	\$ 1,034,114	\$ 1,054,948	\$ 0
<u>Fund Balance, June 30, 2013</u>							
	\$ 1,195,802	\$ 0	\$ (37,497)	\$ 1,158,305	\$ 972,040	\$ 987,410	\$ 170,895

Exhibit G-4

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 163,051 \$	0 \$	163,051 \$	11,500 \$	11,500 \$	151,551
Total Revenues	\$ 163,051 \$	0 \$	163,051 \$	11,500 \$	11,500 \$	151,551
<u>Expenditures</u>						
Public Safety						
Drug Enforcement	\$ 46,547 \$	10,384 \$	56,931 \$	35,700 \$	70,700 \$	13,769
Total Expenditures	\$ 46,547 \$	10,384 \$	56,931 \$	35,700 \$	70,700 \$	13,769
Excess (Deficiency) of Revenues Over Expenditures	\$ 116,504 \$	(10,384) \$	106,120 \$	(24,200) \$	(59,200) \$	165,320
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 116,504 \$	(10,384) \$	106,120 \$	(24,200) \$	(59,200) \$	165,320
	92,420	0	92,420	85,479	92,420	0
Fund Balance, June 30, 2013	\$ 208,924 \$	(10,384) \$	198,540 \$	61,279 \$	33,220 \$	165,320

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

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,359,890	\$ 2,160,570	\$ 2,344,465	\$ 15,425
Total Revenues	\$ 2,359,890	\$ 2,160,570	\$ 2,344,465	\$ 15,425
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 153,825	\$ 54,000	\$ 153,825	\$ 0
Education	1,020,175	1,120,000	1,020,175	0
<u>Interest on Debt</u>				
General Government	48,819	7,234	48,819	0
Education	635,249	676,835	635,250	1
<u>Other Debt Service</u>				
General Government	23,638	40,000	40,000	16,362
Education	621	5,000	5,000	4,379
Total Expenditures	\$ 1,882,327	\$ 1,903,069	\$ 1,903,069	\$ 20,742
Excess (Deficiency) of Revenues Over Expenditures	\$ 477,563	\$ 257,501	\$ 441,396	\$ 36,167
Net Change in Fund Balance	\$ 477,563	\$ 257,501	\$ 441,396	\$ 36,167
Fund Balance, July 1, 2012	5,257,945	5,250,694	5,257,945	0
Fund Balance, June 30, 2013	\$ 5,735,508	\$ 5,508,195	\$ 5,699,341	\$ 36,167

Fiduciary Funds

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

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

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

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

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

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

Exhibit I-1

Lincoln County, Tennessee
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 June 30, 2013

	Agency Funds					Total
	Cities - Sales Tax	City School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency	District Attorney General	
Cash	\$ 0	\$ 0	\$ 57	\$ 1,828,932	\$ 0	\$ 1,828,989
Equity in Pooled Cash and Investments	0	80,573	292,370	0	81,261	454,204
Investments	0	0	0	96,741	0	96,741
Accounts Receivable	0	0	3,574	2,320	0	5,894
Due from Other Governments	294,944	174,416	11,052	0	0	480,412
Property Taxes Receivable	0	1,301,216	0	0	0	1,301,216
Allowance for Uncollectible Property Taxes	0	(22,531)	0	0	0	(22,531)
Total Assets	\$ 294,944	\$ 1,533,674	\$ 307,053	\$ 1,927,993	\$ 81,261	\$ 4,144,925
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 8,200	\$ 0	\$ 0	\$ 8,200
Accrued Payroll	0	0	1,521	0	0	1,521
Due to Other Taxing Units	294,944	1,533,674	0	0	0	1,828,618
Due to Litigants, Heirs, and Others	0	0	0	1,927,993	81,261	2,009,254
Due to Joint Ventures	0	0	297,332	0	0	297,332
Total Liabilities	\$ 294,944	\$ 1,533,674	\$ 307,053	\$ 1,927,993	\$ 81,261	\$ 4,144,925

Exhibit I-2

Lincoln County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,763,441	\$ 1,763,441	\$ 0
Due from Other Governments	303,315	294,944	303,315	294,944
Total Assets	\$ 303,315	\$ 2,058,385	\$ 2,066,756	\$ 294,944
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 303,315	\$ 2,058,385	\$ 2,066,756	\$ 294,944
Total Liabilities	\$ 303,315	\$ 2,058,385	\$ 2,066,756	\$ 294,944
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 79,613	\$ 2,118,844	\$ 2,117,884	\$ 80,573
Due from Other Governments	166,884	174,416	166,884	174,416
Property Taxes Receivable	1,243,417	1,301,216	1,243,417	1,301,216
Allowance for Uncollectible Property Taxes	(21,296)	(22,531)	(21,296)	(22,531)
Total Assets	\$ 1,468,618	\$ 3,571,945	\$ 3,506,889	\$ 1,533,674
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,468,618	\$ 3,571,945	\$ 3,506,889	\$ 1,533,674
Total Liabilities	\$ 1,468,618	\$ 3,571,945	\$ 3,506,889	\$ 1,533,674
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 641	\$ 57	\$ 641	\$ 57
Equity in Pooled Cash and Investments	337,817	292,370	337,817	292,370
Accounts Receivable	14,592	3,574	14,592	3,574
Due from Other Governments	11,061	11,052	11,061	11,052
Total Assets	\$ 364,111	\$ 307,053	\$ 364,111	\$ 307,053
<u>Liabilities</u>				
Accounts Payable	\$ 9,406	\$ 8,200	\$ 9,406	\$ 8,200
Accrued Payroll	1,613	1,521	1,613	1,521
Due to Joint Ventures	353,092	297,332	353,092	297,332
Total Liabilities	\$ 364,111	\$ 307,053	\$ 364,111	\$ 307,053

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,686,361	\$ 8,403,829	\$ 8,261,258	\$ 1,828,932
Investments	350,378	0	253,637	96,741
Accounts Receivable	9,477	2,320	9,477	2,320
Total Assets	\$ 2,046,216	\$ 8,406,149	\$ 8,524,372	\$ 1,927,993
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,046,216	\$ 8,406,149	\$ 8,524,372	\$ 1,927,993
Total Liabilities	\$ 2,046,216	\$ 8,406,149	\$ 8,524,372	\$ 1,927,993
<u>District Attorney General Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 88,893	\$ 7,632	\$ 81,261
Total Assets	\$ 0	\$ 88,893	\$ 7,632	\$ 81,261
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 88,893	\$ 7,632	\$ 81,261
Total Liabilities	\$ 0	\$ 88,893	\$ 7,632	\$ 81,261
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,687,002	\$ 8,403,886	\$ 8,261,899	\$ 1,828,989
Equity in Pooled Cash and Investments	417,430	4,263,548	4,226,774	454,204
Investments	350,378	0	253,637	96,741
Account Receivable	24,069	5,894	24,069	5,894
Due from Other Governments	481,260	480,412	481,260	480,412
Property Taxes Receivable	1,243,417	1,301,216	1,243,417	1,301,216
Allowance for Uncollectible Property Taxes	(21,296)	(22,531)	(21,296)	(22,531)
Total Assets	\$ 4,182,260	\$ 14,432,425	\$ 14,469,760	\$ 4,144,925
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 9,406	\$ 8,200	\$ 9,406	\$ 8,200
Accrued Payroll	1,613	1,521	1,613	1,521
Due to Other Taxing Units	1,771,933	5,630,330	5,573,645	1,828,618
Due to Litigants, Heirs, and Others	2,046,216	8,495,042	8,532,004	2,009,254
Due to Joint Ventures	353,092	297,332	353,092	297,332
Total Liabilities	\$ 4,182,260	\$ 14,432,425	\$ 14,469,760	\$ 4,144,925

Lincoln County School Department

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

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

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

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

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

Exhibit J-1

Lincoln County, Tennessee
Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 17,700,390	\$ 0	\$ 2,362,470	\$ (15,337,920)
Support Services	11,149,928	47,803	341,391	(10,760,734)
Operation of Non-Instructional Services	3,533,237	875,025	1,412,800	(1,245,412)
Total Governmental Activities	\$ 32,383,555	\$ 922,828	\$ 4,116,661	\$ (27,344,066)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes			\$	4,199,153
Local Option Sales Tax				2,654,477
Wholesale Beer Tax				105,366
Other Local Taxes				2,311
Grants and Contributions Not Restricted to Specific Programs				19,677,358
Unrestricted Investment Earnings				691
Miscellaneous				78,966
Insurance Recovery				25,207
Gain on Sale of Capital Assets				18,044
Total General Revenues			\$	26,761,573
Change in Net Position			\$	(582,493)
Net Position, July 1, 2012				29,716,680
Net Position, June 30, 2013			\$	29,134,187

Exhibit J-2

Lincoln County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Lincoln County School Department
 June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,019	\$ 1,019
Equity in Pooled Cash and Investments	5,183,480	644,732	5,828,212
Inventories	0	22,683	22,683
Accounts Receivable	6,593	11,637	18,230
Due from Other Governments	956,141	60,145	1,016,286
Due from Other Funds	13,625	0	13,625
Due from Primary Government	6,827	0	6,827
Property Taxes Receivable	4,317,912	0	4,317,912
Allowance for Uncollectible Property Taxes	(74,898)	0	(74,898)
Prepaid Items	528,372	0	528,372
Total Assets	<u>\$ 10,938,052</u>	<u>\$ 740,216</u>	<u>\$ 11,678,268</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 149,724	\$ 3,226	\$ 152,950
Accrued Payroll	802,266	117,941	920,207
Due to Other Funds	0	13,625	13,625
Due to Cities	0	37,539	37,539
Total Liabilities	<u>\$ 951,990</u>	<u>\$ 172,331</u>	<u>\$ 1,124,321</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 4,131,369	\$ 0	\$ 4,131,369
Deferred Delinquent Property Taxes	101,293	0	101,293
Other Deferred/Unavailable Revenue	664,111	0	664,111
Total Deferred Inflows of Resources	<u>\$ 4,896,773</u>	<u>\$ 0</u>	<u>\$ 4,896,773</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 22,683	\$ 22,683
Prepaid Items	528,372	0	528,372
Restricted:			
Restricted for Instruction	82,623	11,493	94,116
Restricted for Operation of Non-Instructional Services	0	409,348	409,348
Committed:			
Committed for Instruction	23,951	124,361	148,312
Assigned:			
Assigned for Instruction	4,996	0	4,996
Assigned for Support Services	32,936	0	32,936
Assigned for Operation of Non-Instructional Services	3,065	0	3,065
Assigned for Capital Outlay	67,135	0	67,135
Unassigned	4,346,211	0	4,346,211
Total Fund Balances	<u>\$ 5,089,289</u>	<u>\$ 567,885</u>	<u>\$ 5,657,174</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,938,052</u>	<u>\$ 740,216</u>	<u>\$ 11,678,268</u>

Exhibit J-3

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Lincoln County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	5,657,174
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	957,984	
Add: building and improvements net of accumulated depreciation		19,135,478	
Add: other capital assets net of accumulated depreciation		<u>3,436,388</u>	23,529,850
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability	\$	(785,965)	
Less: compensated absences payable		<u>(32,276)</u>	(818,241)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>765,404</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>29,134,187</u></u>

Exhibit J-4

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 6,967,074	\$ 0	\$ 6,967,074
Licenses and Permits	1,909	0	1,909
Charges for Current Services	60,125	862,703	922,828
Other Local Revenues	81,125	1,422	82,547
State of Tennessee	19,585,273	0	19,585,273
Federal Government	9,974	3,919,917	3,929,891
Other Governments and Citizens Groups	9,894	0	9,894
Total Revenues	<u>\$ 26,715,374</u>	<u>\$ 4,784,042</u>	<u>\$ 31,499,416</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 16,294,500	\$ 1,880,178	\$ 18,174,678
Support Services	9,386,792	708,202	10,094,994
Operation of Non-Instructional Services	1,300,819	2,225,357	3,526,176
Capital Outlay	333,655	0	333,655
Total Expenditures	<u>\$ 27,315,766</u>	<u>\$ 4,813,737</u>	<u>\$ 32,129,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (600,392)</u>	<u>\$ (29,695)</u>	<u>\$ (630,087)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 25,207	\$ 0	\$ 25,207
Total Other Financing Sources (Uses)	<u>\$ 25,207</u>	<u>\$ 0</u>	<u>\$ 25,207</u>
Net Change in Fund Balances	\$ (575,185)	\$ (29,695)	\$ (604,880)
Fund Balance, July 1, 2012	<u>5,664,474</u>	<u>597,580</u>	<u>6,262,054</u>
Fund Balance, June 30, 2013	<u>\$ 5,089,289</u>	<u>\$ 567,885</u>	<u>\$ 5,657,174</u>

Exhibit J-5

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

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)		\$	(604,880)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,568,118	
Less: current-year depreciation expense		<u>(1,672,048)</u>	(103,930)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: gain on disposal of capital assets	\$	18,044	
Less: proceeds from the sale of capital assets		<u>(27,944)</u>	(9,900)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2012	\$	(479,065)	
Add: deferred delinquent property taxes and other deferred June 30, 2013		<u>765,404</u>	286,339
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	(147,924)	
Change in compensated absences payable		<u>(2,198)</u>	<u>(150,122)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (582,493)</u>

Exhibit J-6

Lincoln County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,019	\$ 0	\$ 1,019
Equity in Pooled Cash and Investments	132,280	444,434	68,018	644,732
Inventories	0	22,683	0	22,683
Accounts Receivable	138	4,952	6,547	11,637
Due from Other Governments	60,145	0	0	60,145
Total Assets	<u>\$ 192,563</u>	<u>\$ 473,088</u>	<u>\$ 74,565</u>	<u>\$ 740,216</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 587	\$ 2,435	\$ 204	\$ 3,226
Accrued Payroll	79,319	38,622	0	117,941
Due to Other Funds	13,625	0	0	13,625
Due to Cities	37,539	0	0	37,539
Total Liabilities	<u>\$ 131,070</u>	<u>\$ 41,057</u>	<u>\$ 204</u>	<u>\$ 172,331</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 22,683	\$ 0	\$ 22,683
Restricted:				
Restricted for Instruction	11,493	0	0	11,493
Restricted for Operation of Non-Instructional Services	0	409,348	0	409,348
Committed:				
Committed for Instruction	50,000	0	74,361	124,361
Total Fund Balances	<u>\$ 61,493</u>	<u>\$ 432,031</u>	<u>\$ 74,361</u>	<u>\$ 567,885</u>
Total Liabilities and Fund Balances	<u>\$ 192,563</u>	<u>\$ 473,088</u>	<u>\$ 74,565</u>	<u>\$ 740,216</u>

Exhibit J-7

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 757,064	\$ 105,639	\$ 862,703
Other Local Revenues	0	1,422	0	1,422
Federal Government	2,582,287	1,337,630	0	3,919,917
Total Revenues	<u>\$ 2,582,287</u>	<u>\$ 2,096,116</u>	<u>\$ 105,639</u>	<u>\$ 4,784,042</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 1,880,178	\$ 0	\$ 0	\$ 1,880,178
Support Services	708,202	0	0	708,202
Operation of Non-Instructional Services	0	2,134,764	90,593	2,225,357
Total Expenditures	<u>\$ 2,588,380</u>	<u>\$ 2,134,764</u>	<u>\$ 90,593</u>	<u>\$ 4,813,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,093)</u>	<u>\$ (38,648)</u>	<u>\$ 15,046</u>	<u>\$ (29,695)</u>
Net Change in Fund Balances	\$ (6,093)	\$ (38,648)	\$ 15,046	\$ (29,695)
Fund Balance, July 1, 2012	67,586	470,679	59,315	597,580
Fund Balance, June 30, 2013	<u>\$ 61,493</u>	<u>\$ 432,031</u>	<u>\$ 74,361</u>	<u>\$ 567,885</u>

Exhibit J-8

Lincoln County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Lincoln County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 6,967,074	\$ 0	\$ 0	\$ 6,967,074	\$ 6,830,427	\$ 6,830,427	\$ 136,647
Licenses and Permits	1,909	0	0	1,909	1,900	1,900	9
Charges for Current Services	60,125	0	0	60,125	95,338	95,338	(35,213)
Other Local Revenues	81,125	0	0	81,125	25,181	25,181	55,944
State of Tennessee	19,585,273	0	0	19,585,273	18,610,379	19,915,884	(330,611)
Federal Government	9,974	0	0	9,974	0	445	9,529
Other Governments and Citizens Groups	9,894	0	0	9,894	10,703	20,557	(10,663)
Total Revenues	\$ 26,715,374	\$ 0	\$ 0	\$ 26,715,374	\$ 25,573,928	\$ 26,889,732	\$ (174,358)
Expenditures							
Instruction							
Regular Instruction Program	\$ 12,920,061	\$ (1,467)	\$ 1,788	\$ 12,920,382	\$ 13,618,867	\$ 13,451,933	\$ 531,551
Alternative Instruction Program	177,493	0	0	177,493	206,795	206,795	29,302
Special Education Program	1,973,460	(36)	1,195	1,974,619	1,973,580	2,021,080	46,461
Vocational Education Program	1,166,064	(9,591)	2,014	1,158,487	1,333,726	1,283,416	124,929
Student Body Education Program	57,422	0	0	57,422	101,338	101,338	43,916
Support Services							
Attendance	142,825	0	0	142,825	147,139	149,539	6,714
Health Services	245,524	0	0	245,524	254,021	254,521	8,997
Other Student Support	808,655	0	0	808,655	625,360	869,799	61,144
Regular Instruction Program	804,087	0	0	804,087	908,404	913,704	109,617
Special Education Program	71,907	0	0	71,907	78,185	79,520	7,613
Vocational Education Program	91,829	0	0	91,829	105,207	106,482	14,653
Other Programs	135,400	0	0	135,400	0	135,400	0
Board of Education	670,665	0	0	670,665	730,470	730,470	59,805
Director of Schools	273,811	0	400	274,211	292,082	297,082	22,871
Office of the Principal	1,181,050	0	0	1,181,050	1,259,081	1,278,081	97,031
Operation of Plant	1,899,467	0	0	1,899,467	2,273,297	2,273,297	373,830

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Maintenance of Plant	\$ 719,561	\$ (3,668)	\$ 32,535	\$ 748,428	\$ 774,062	\$ 868,276	\$ 119,848
Transportation	2,342,011	(518,034)	0	1,823,977	1,900,858	1,965,093	141,116
<u>Operation of Non-Instructional Services</u>							
Food Service	104,821	0	0	104,821	103,285	105,835	1,014
Community Services	295,742	0	0	295,742	10,703	316,481	20,739
Early Childhood Education	900,256	(2,999)	3,065	900,322	224,570	928,221	27,899
Capital Outlay							
Regular Capital Outlay	333,655	(36,678)	67,135	364,112	793,500	729,987	365,875
Total Expenditures	\$ 27,315,766	\$ (572,473)	\$ 108,132	\$ 26,851,425	\$ 27,714,530	\$ 29,066,350	\$ 2,214,925
Excess (Deficiency) of Revenues Over Expenditures	\$ (600,392)	\$ 572,473	\$ (108,132)	\$ (136,051)	\$ (2,140,602)	\$ (2,176,618)	\$ 2,040,567
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 25,207	\$ 0	\$ 0	\$ 25,207	\$ 0	\$ 0	\$ 25,207
Total Other Financing Sources	\$ 25,207	\$ 0	\$ 0	\$ 25,207	\$ 0	\$ 0	\$ 25,207
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (575,185)	\$ 572,473	\$ (108,132)	\$ (110,844)	\$ (2,140,602)	\$ (2,176,618)	\$ 2,065,774
	5,664,474	(572,473)	0	5,092,001	4,301,501	5,092,001	0
Fund Balance, June 30, 2013	\$ 5,089,289	\$ 0	\$ (108,132)	\$ 4,981,157	\$ 2,160,899	\$ 2,915,383	\$ 2,065,774

Exhibit J-9

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lincoln County School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,582,287	\$ 3,046,295	\$ 3,046,295	\$ (464,008)
Total Revenues	\$ 2,582,287	\$ 3,046,295	\$ 3,046,295	\$ (464,008)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,171,175	\$ 1,263,427	\$ 1,263,392	\$ 92,217
Alternative Instruction Program	26,399	27,309	26,849	450
Special Education Program	571,163	769,264	769,264	198,101
Vocational Education Program	111,441	111,406	111,441	0
<u>Support Services</u>				
Other Student Support	46,065	68,921	68,921	22,856
Regular Instruction Program	396,424	575,987	575,987	179,563
Special Education Program	180,498	203,918	204,378	23,880
Vocational Education Program	1,079	1,500	1,500	421
Transportation	84,136	105,795	105,795	21,659
Total Expenditures	\$ 2,588,380	\$ 3,127,527	\$ 3,127,527	\$ 539,147
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,093)	\$ (81,232)	\$ (81,232)	\$ 75,139
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 139,400	\$ 0	\$ 0
Transfers Out	0	(139,400)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (6,093)	\$ (81,232)	\$ (81,232)	\$ 75,139
Fund Balance, July 1, 2012	67,586	81,232	81,232	(13,646)
Fund Balance, June 30, 2013	\$ 61,493	\$ 0	\$ 0	\$ 61,493

Exhibit J-10

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 757,064 \$	0 \$	757,064 \$	729,000 \$	729,000 \$	28,064
Other Local Revenues	1,422	0	1,422	6,400	6,400	(4,978)
Federal Government	1,337,630	0	1,337,630	1,227,000	1,348,246	(10,616)
Total Revenues	\$ 2,096,116 \$	0 \$	2,096,116 \$	1,962,400 \$	2,083,646 \$	12,470
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 2,134,764 \$	9,820 \$	2,144,584 \$	2,048,762 \$	2,170,007 \$	25,423
Total Expenditures	\$ 2,134,764 \$	9,820 \$	2,144,584 \$	2,048,762 \$	2,170,007 \$	25,423
Excess (Deficiency) of Revenues Over Expenditures	\$ (38,648) \$	(9,820) \$	(48,468) \$	(86,362) \$	(86,361) \$	37,893
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (38,648) \$	(9,820) \$	(48,468) \$	(86,362) \$	(86,361) \$	37,893
	470,679	0	470,679	417,026	470,679	0
Fund Balance, June 30, 2013	\$ 432,031 \$	(9,820) \$	422,211 \$	330,664 \$	384,318 \$	37,893

Exhibit J-11

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lincoln County School Department
Extended School Program Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 105,639	\$ 104,360	\$ 104,360	\$ 1,279
Total Revenues	\$ 105,639	\$ 104,360	\$ 104,360	\$ 1,279
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 90,593	\$ 104,360	\$ 104,360	\$ 13,767
Total Expenditures	\$ 90,593	\$ 104,360	\$ 104,360	\$ 13,767
Excess (Deficiency) of Revenues Over Expenditures	\$ 15,046	\$ 0	\$ 0	\$ 15,046
Net Change in Fund Balance	\$ 15,046	\$ 0	\$ 0	\$ 15,046
Fund Balance, July 1, 2012	59,315	51,435	59,315	0
Fund Balance, June 30, 2013	\$ 74,361	\$ 51,435	\$ 59,315	\$ 15,046

MISCELLANEOUS SCHEDULES

Exhibit K-1

Lincoln County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
<u>NOTE PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Courthouse HVAC System	\$ 391,000	2.545 %	10-13-10	5-1-17	\$ 288,000	\$ 54,000	\$ 234,000
Total Bonds Payable					<u>\$ 288,000</u>	<u>\$ 54,000</u>	<u>\$ 234,000</u>
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
General Obligation School Refunding	14,765,000	4 to 5.25	8-1-01	4-1-21	\$ 10,710,000	\$ 845,000	\$ 9,865,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	2,915,000	275,000	2,640,000
Total Bonds Payable					<u>\$ 13,625,000</u>	<u>\$ 1,120,000</u>	<u>\$ 12,505,000</u>

Exhibit K-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2014	\$ 56,000	\$ 6,100	\$ 62,100
2015	58,000	4,812	62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 234,000	\$ 16,043	\$ 250,043

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 1,110,000	\$ 621,665	\$ 1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017	1,965,000	383,645	2,348,645
2018	1,775,000	284,706	2,059,706
2019	1,730,000	195,941	1,925,941
2020	1,400,000	109,736	1,509,736
2021	875,000	40,988	915,988
Total	\$ 12,505,000	\$ 2,680,839	\$ 15,185,839

Exhibit K-3

Lincoln County, Tennessee
Schedule of Investments
June 30, 2013

Fund and Type	Date of Purchase	Date of Maturity	Interest Rate	Amount
<u>Constitutional Officers - Agency Fund</u>				
<u>Clerk and Master:</u>				
Long-term Certificates of Deposit	various	10-12-40	varies	\$ 96,048
Mutual Funds	various	none	varies	693
Total Non-pooled Investments				\$ 96,741

Exhibit K-4

Lincoln County, Tennessee
Schedule of Notes Receivable
June 30, 2013

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Notes</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Lincoln County Health System Fund</u> Advances to Physicians	Physicians	Varies	Varies	Varies	Varies	\$ 272,186

Lincoln County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 72,463	\$ 50,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, TCA	69,013	100,000	"
Director of Schools	State Board of Education and Local Board of Education	104,838 (1)	50,000	"
Trustee	Section 8-24-102, TCA	62,739	1,109,000	"
Assessor of Property:				
Tammy Moore (7-1-12 through 8-31-12)	Section 8-24-102, TCA	10,457	25,000	"
Paul Braden (9-1-12 through 6-30-13)	Section 8-24-102, TCA	52,282	50,000	"
County Clerk	Section 8-24-102, TCA	62,739	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	62,739	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Judge	62,739 (2)	50,000	"
Register of Deeds	Section 8-24-102, TCA	62,739	25,000	"
Sheriff	Section 8-24-102, TCA	69,013	25,000	"
Director of Finance	County Commission	72,739 (3)	50,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - School Departments			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000. Does not include a travel allowance of \$400 per month.

(2) Does not include special commissioner fees of \$6,188.

(3) Includes \$10,000 for serving as the solid waste administrative officer.

Exhibit K-6

Lincoln County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	General Debt Service		
Local Taxes								
County Property Taxes								
Current Property Tax	\$ 4,251,916	\$ 0	\$ 0	\$ 0	\$ 969,528	\$ 14,724	\$ 5,236,168	
Trustee's Collections - Prior Year	111,982	0	0	0	25,327	964	138,273	
Trustee's Collections - Bankruptcy	7,072	0	0	0	1,542	221	8,835	
Circuit/Clerk & Master Collections - Prior Years	41,621	0	0	0	9,525	144	51,290	
Interest and Penalty	21,539	0	0	0	4,909	83	26,531	
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0	2,733	
Payments in-Lieu-of Taxes - Local Utilities	207,602	0	0	0	0	0	207,602	
Payments in-Lieu-of Taxes - Other	384,020	0	0	0	0	0	384,020	
County Local Option Taxes								
Local Option Sales Tax	0	0	0	0	0	1,701,227	1,701,227	
Hotel/Motel Tax	32,601	0	0	0	0	0	32,601	
Wheel Tax	92,856	0	0	0	781,129	560,551	1,434,536	
Litigation Tax - General	78,656	0	0	0	0	0	78,656	
Litigation Tax - Special Purpose	91,190	0	0	0	0	0	91,190	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	79,746	79,746	
Litigation Tax - Courtroom Security	78,878	0	0	0	0	0	78,878	
Business Tax	288,619	0	0	0	0	0	288,619	
Mineral Severance Tax	0	0	0	0	39,821	0	39,821	
Statutory Local Taxes								
Bank Excise Tax	49,623	0	0	0	0	0	49,623	
Wholesale Beer Tax	45	0	0	0	0	0	45	
Interstate Telecommunications Tax	0	0	0	0	0	2,230	2,230	
Total Local Taxes	\$ 5,740,953	\$ 0	\$ 0	\$ 0	\$ 1,831,781	\$ 2,359,890	\$ 9,932,624	
Licenses and Permits								
Licenses								
Cable TV Franchise	\$ 86,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 86,969	
Permits								
Other Permits	9,615	0	0	0	0	0	9,615	
Total Licenses and Permits	\$ 96,584	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 96,584	
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	\$ 304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 304	
Officers Costs	4,062	0	0	0	0	0	4,062	
Drug Control Fines	1,875	0	1,854	0	0	0	3,729	

(Continued)

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	\$ 1,409	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,409
Judicial Commissioner Fees	4	0	0	0	0	0	0	4
DUI Treatment Fines	100	0	0	0	0	0	0	100
Data Entry Fee - Circuit Court	1,034	0	0	0	0	0	0	1,034
Courtroom Security Fee	1,244	0	0	0	0	0	0	1,244
<u>General Sessions Court</u>								
Fines	24,982	0	0	0	0	0	0	24,982
Officers Costs	39,886	0	0	0	0	0	0	39,886
Game and Fish Fines	1,697	0	0	0	0	0	0	1,697
Drug Control Fines	1,125	0	25,924	0	0	0	0	27,049
Drug Court Fees	532	0	0	0	0	0	0	532
Jail Fees	38,722	0	0	0	0	0	0	38,722
Judicial Commissioner Fees	2,758	0	0	0	0	0	0	2,758
DUI Treatment Fines	7,659	0	0	0	0	0	0	7,659
Data Entry Fee - General Sessions Court	11,054	0	0	0	0	0	0	11,054
Courtroom Security Fee	5,150	0	0	0	0	0	0	5,150
<u>Juvenile Court</u>								
Fines	2,912	0	0	0	0	0	0	2,912
<u>Chancery Court</u>								
Officers Costs	5,206	0	0	0	0	0	0	5,206
Data Entry Fee - Chancery Court	1,706	0	0	0	0	0	0	1,706
Courtroom Security Fee	49	0	0	0	0	0	0	49
<u>Other Courts - In-county</u>								
Fines	20,746	0	0	0	0	0	0	20,746
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	42,625	0	0	0	0	42,625
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	35	0	92,648	0	0	0	0	92,683
Total Fines, Forfeitures, and Penalties	\$ 174,251	\$ 0	\$ 163,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 337,302
<u>Charges for Current Services</u>								
General Service Charges	\$ 0	\$ 55,315	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55,315
Commercial and Industrial Waste Collection Charge	0	793,317	0	0	0	0	0	793,317
Residential Waste Collection Charge	3,987	0	0	0	0	0	0	3,987
Patient Charges								

(Continued)

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees</u>								
Copy Fees	\$ 486	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	486
Telephone Commissions	53,012	0	0	0	0	0	0	53,012
Vending Machine Collections	60	0	0	0	0	0	0	60
Constitutional Officers' Fees and Commissions	0	0	0	64	0	0	0	64
Special Commissioner Fees/Special Master Fees	0	0	0	6,188	0	0	0	6,188
Data Processing Fee - Register	11,418	0	0	0	0	0	0	11,418
Data Processing Fee - Sheriff	4,577	0	0	0	0	0	0	4,577
Sexual Offender Registration Fees - Sheriff	4,100	0	0	0	0	0	0	4,100
Data Processing Fee - County Clerk	2,970	0	0	0	0	0	0	2,970
<u>Other Charges for Services</u>								
Other Charges for Services	2,083	0	0	0	0	0	0	2,083
Total Charges for Current Services	\$ 82,693	\$ 848,632	\$ 0	\$ 6,252	\$ 0	\$ 0	\$ 0	\$ 937,577
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 60,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	60,988
Lease/Rentals	151,241	0	0	0	0	0	0	151,241
Sale of Materials and Supplies	0	8,981	0	0	46,229	0	0	55,210
Commissary Sales	2,450	0	0	0	0	0	0	2,450
Miscellaneous Refunds	111,285	4,267	0	0	42	0	0	115,594
<u>Nonrecurring Items</u>								
Sale of Property	17,054	0	0	0	0	0	0	17,054
Damages Recovered from Individuals	240	0	0	0	0	0	0	240
Contributions and Gifts	65	0	0	0	0	0	0	65
Total Other Local Revenues	\$ 343,323	\$ 13,248	\$ 0	\$ 0	\$ 46,271	\$ 0	\$ 0	\$ 402,842
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 416,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	416,639
Circuit Court Clerk	102,280	0	0	0	0	0	0	102,280
General Sessions Court Clerk	195,266	0	0	0	0	0	0	195,266
Clerk and Master	115,280	0	0	0	0	0	0	115,280
Register	143,758	0	0	0	0	0	0	143,758
Sheriff	7,031	0	0	0	0	0	0	7,031
Trustee	356,455	0	0	0	0	0	0	356,455
Total Fees Received from County Officials	\$ 1,336,709	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,336,709

(Continued)

Exhibit K-6

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee</u>								
General Government Grants	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Juvenile Services Program								
Public Safety Grants	14,400	0	0	0	0	0	0	14,400
Law Enforcement Training Programs								
Health and Welfare Grants	326,743	0	0	0	0	0	0	326,743
Health Department Programs								
Public Works Grants	0	0	0	0	35,031	0	0	35,031
State Aid Program	29,343	0	0	0	0	0	0	29,343
Litter Program								
Other State Revenues	64,697	0	0	0	0	0	0	64,697
Alcoholic Beverage Tax	785,435	0	0	0	0	0	0	785,435
State Revenue Sharing - T. V.A.	441,067	0	0	0	0	0	0	441,067
Contracted Prisoner Boarding	0	0	0	0	1,841,913	0	0	1,841,913
Gasoline and Motor Fuel Tax	0	0	0	0	24,071	0	0	24,071
Petroleum Special Tax	15,164	0	0	0	0	0	0	15,164
Registrar's Salary Supplement	5,257	0	0	0	0	0	0	5,257
State Shared Sales Tax - Cities	3,925	14,143	0	0	0	0	0	18,068
Other State Grants	10,000	0	0	0	0	0	0	10,000
Other State Revenues								
Total State of Tennessee	\$ 1,705,031	\$ 14,143	\$ 0	\$ 0	\$ 1,901,015	\$ 0	\$ 0	\$ 3,620,189
<u>Federal Government</u>								
Federal Through State								
Homeland Security Grants	\$ 81,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,050
Other Federal through State	16,097	0	0	0	0	0	0	16,097
Direct Federal Revenue								
Other Direct Federal Revenue	19,619	0	0	0	38,632	0	0	58,251
Total Federal Government	\$ 116,766	\$ 0	\$ 0	\$ 0	\$ 38,632	\$ 0	\$ 0	\$ 155,398
<u>Other Governments and Citizens Groups</u>								
Citizens Groups								
Donations	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25
Total Other Governments and Citizens Groups	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25
<u>Total</u>	\$ 9,596,335	\$ 876,023	\$ 163,051	\$ 6,252	\$ 3,817,699	\$ 2,359,890	\$ 0	\$ 16,819,250

Exhibit K-7

Lincoln County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Lincoln County School Department
 For the Year Ended June 30, 2013

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,023,817	\$ 0	\$ 0	\$ 0	\$ 0	4,023,817
Trustee's Collections - Prior Year	109,893	0	0	0	0	109,893
Trustee's Collections - Bankruptcy	6,897	0	0	0	0	6,897
Circuit/Clerk & Master Collections - Prior Years	39,685	0	0	0	0	39,685
Interest and Penalty	20,387	0	0	0	0	20,387
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,658,824	0	0	0	0	2,658,824
<u>Statutory Local Taxes</u>						
Wholesale Beer Tax	105,366	0	0	0	0	105,366
Interstate Telecommunications Tax	2,205	0	0	0	0	2,205
Total Local Taxes	\$ 6,967,074	\$ 0	\$ 0	\$ 0	\$ 0	6,967,074
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,909	\$ 0	\$ 0	\$ 0	\$ 0	1,909
Total Licenses and Permits	\$ 1,909	\$ 0	\$ 0	\$ 0	\$ 0	1,909
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 465,208	\$ 0	\$ 0	465,208
Lunch Payments - Adults	0	0	44,353	0	0	44,353
Income from Breakfast	0	0	148,481	0	0	148,481
Special Milk Sales	0	0	3,733	0	0	3,733
A la carte Sales	0	0	95,289	0	0	95,289
Receipts from Individual Schools	47,803	0	0	0	0	47,803
Community Service Fees - Children	0	0	0	105,639	0	105,639
<u>Other Charges for Services</u>						
Other Charges for Services	12,322	0	0	0	0	12,322
Total Charges for Current Services	\$ 60,125	\$ 0	\$ 757,064	\$ 105,639	\$ 0	922,828
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 691	\$ 0	\$ 0	691
Sale of Materials and Supplies	618	0	0	0	0	618
Sale of Recycled Materials	337	0	0	0	0	337
Refund of Telecommunication & Internet Fees (E-Rate)	27,825	0	0	0	0	27,825
Miscellaneous Refunds	24,610	0	731	0	0	25,341
<u>Nonrecurring Items</u>						
Sale of Property	27,735	0	0	0	0	27,735
Total Other Local Revenues	\$ 81,125	\$ 0	\$ 1,422	\$ 0	\$ 0	82,547
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 135,400	\$ 0	\$ 0	\$ 0	\$ 0	135,400
<u>State Education Funds</u>						
Basic Education Program	18,282,388	0	0	0	0	18,282,388
Early Childhood Education	429,100	0	0	0	0	429,100
School Food Service	21,061	0	0	0	0	21,061
Energy Efficient School Initiative	23,697	0	0	0	0	23,697
Driver Education	7,531	0	0	0	0	7,531
Other State Education Funds	402,599	0	0	0	0	402,599
Career Ladder Program	137,400	0	0	0	0	137,400
Career Ladder - Extended Contract	42,500	0	0	0	0	42,500
<u>Other State Revenues</u>						
Income Tax	88,016	0	0	0	0	88,016

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Total
	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program		
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Beer Tax	\$ 14,381	\$ 0	\$ 0	\$ 0	\$ 0	14,381
Other State Grants	1,200	0	0	0	0	1,200
Total State of Tennessee	<u>\$ 19,585,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>19,585,273</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 910,325	\$ 0	\$ 0	910,325
USDA - Commodities	0	0	121,246	0	0	121,246
Breakfast	0	0	295,045	0	0	295,045
USDA - Other	0	0	11,014	0	0	11,014
Vocational Education - Basic Grants to States	0	79,410	0	0	0	79,410
Other Vocational	0	52,341	0	0	0	52,341
Title I Grants to Local Education Agencies	0	1,145,370	0	0	0	1,145,370
Special Education - Grants to States	0	812,572	0	0	0	812,572
Special Education Preschool Grants	0	33,098	0	0	0	33,098
English Language Acquisition Grants	0	4,706	0	0	0	4,706
Rural Education	0	50,648	0	0	0	50,648
Eisenhower Professional Development State Grants	0	177,222	0	0	0	177,222
Race-to-the-Top - ARRA	110	202,414	0	0	0	202,524
Other Federal through State	9,864	24,506	0	0	0	34,370
Total Federal Government	<u>\$ 9,974</u>	<u>\$ 2,582,287</u>	<u>\$ 1,337,630</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>3,929,891</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 9,894	\$ 0	\$ 0	\$ 0	\$ 0	9,894
Total Other Governments and Citizens Groups	<u>\$ 9,894</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>9,894</u>
Total	<u>\$ 26,715,374</u>	<u>\$ 2,582,287</u>	<u>\$ 2,096,116</u>	<u>\$ 105,639</u>	<u>\$ 0</u>	<u>31,499,416</u>

Exhibit K-8

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	94,453	
Social Security		5,856	
Employer Medicare		1,370	
Contributions		6,827	
Dues and Memberships		2,328	
Postal Charges		1,303	
Other Charges		15,949	
Total County Commission			\$ 128,086

County Mayor/Executive

County Official/Administrative Officer	\$	72,463	
Secretary(ies)		19,588	
Clerical Personnel		24,792	
Other Salaries and Wages		3,317	
Social Security		7,050	
State Retirement		5,952	
Medical Insurance		6,687	
Employer Medicare		1,649	
Communication		1,969	
Dues and Memberships		1,820	
Legal Notices, Recording, and Court Costs		377	
Maintenance and Repair Services - Office Equipment		90	
Postal Charges		570	
Travel		1,414	
Duplicating Supplies		1,520	
Office Supplies		3,191	
Periodicals		1,312	
In Service/Staff Development		370	
Office Equipment		439	
Total County Mayor/Executive			154,570

County Attorney

County Official/Administrative Officer	\$	25,466	
Social Security		1,579	
Employer Medicare		369	
Other Contracted Services		3,208	
Other Charges		1,500	
Total County Attorney			32,122

Election Commission

County Official/Administrative Officer	\$	56,465	
Deputy(ies)		50,458	
Election Commission		12,038	
Election Workers		66,318	
Social Security		7,322	
State Retirement		6,544	
Medical Insurance		6,680	
Employer Medicare		1,712	
Communication		3,766	
Data Processing Services		4,038	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	6,589	
Maintenance Agreements		9,677	
Postal Charges		4,930	
Printing, Stationery, and Forms		8,284	
Other Contracted Services		13,056	
Duplicating Supplies		999	
Office Supplies		2,597	
Other Supplies and Materials		4,520	
In Service/Staff Development		7,545	
Total Election Commission			\$ 273,538

Register of Deeds

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		58,861	
Social Security		7,438	
State Retirement		6,719	
Medical Insurance		10,903	
Employer Medicare		1,740	
Communication		1,054	
Data Processing Services		10,654	
Dues and Memberships		653	
Postal Charges		503	
Duplicating Supplies		1,192	
Office Supplies		6,720	
In Service/Staff Development		1,676	
Total Register of Deeds			170,852

Planning

Board and Committee Members Fees	\$	4,561	
Contracts with Government Agencies		19,939	
Other Charges		347	
Total Planning			24,847

County Buildings

Custodial Personnel	\$	27,422	
Social Security		1,700	
State Retirement		973	
Employer Medicare		398	
Communication		5,457	
Janitorial Services		32,181	
Maintenance and Repair Services - Buildings		41,316	
Maintenance and Repair Services - Equipment		40,888	
Pest Control		864	
Disposal Fees		540	
Custodial Supplies		13,042	
Electricity		81,765	
Natural Gas		11,720	
Water and Sewer		5,351	
Building and Contents Insurance		305,997	
Land		1,359	
Other Construction		10,395	
Total County Buildings			581,368

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Board and Committee Members Fees	\$	4,500	
Social Security		279	
Employer Medicare		65	
Other Contracted Services		8,697	
Office Supplies		116	
Office Equipment		2,469	
Total Preservation of Records			\$ 16,126

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	62,739	
Accountants/Bookkeepers		148,269	
Social Security		12,634	
State Retirement		12,914	
Medical Insurance		13,367	
Employer Medicare		2,955	
Communication		3,859	
Contracts with Government Agencies		10,008	
Data Processing Services		7,354	
Dues and Memberships		870	
Legal Notices, Recording, and Court Costs		2,548	
Maintenance Agreements		1,807	
Postal Charges		4,578	
Printing, Stationery, and Forms		4,405	
Travel		685	
Duplicating Supplies		2,741	
Office Supplies		4,641	
Other Supplies and Materials		205	
In Service/Staff Development		829	
Office Equipment		249	
Total Accounting and Budgeting			297,657

Property Assessor's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		46,861	
Other Salaries and Wages		17,148	
Board and Committee Members Fees		3,493	
Social Security		7,723	
State Retirement		6,707	
Medical Insurance		13,367	
Employer Medicare		1,806	
Communication		1,276	
Contracts with Private Agencies		9,805	
Data Processing Services		3,790	
Dues and Memberships		1,500	
Legal Notices, Recording, and Court Costs		786	
Maintenance Agreements		1,233	
Postal Charges		7,691	
Travel		905	
Duplicating Supplies		1,568	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Gasoline	\$	1,779	
Office Supplies		1,431	
In Service/Staff Development		945	
Office Equipment		603	
Total Property Assessor's Office			\$ 193,156

Reappraisal Program

Secretary(ies)	\$	28,293	
Part-time Personnel		8,615	
Other Salaries and Wages		38,202	
Social Security		4,506	
State Retirement		4,070	
Medical Insurance		13,375	
Employer Medicare		1,054	
Contracts with Government Agencies		3,249	
Total Reappraisal Program			101,364

County Trustee's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		54,532	
Other Salaries and Wages		14,724	
Social Security		7,916	
State Retirement		7,003	
Medical Insurance		11,177	
Employer Medicare		1,893	
Communication		1,724	
Contracts with Government Agencies		14,352	
Data Processing Services		7,500	
Dues and Memberships		653	
Legal Notices, Recording, and Court Costs		61	
Maintenance Agreements		3,195	
Postal Charges		7,163	
Duplicating Supplies		891	
Office Supplies		3,408	
In Service/Staff Development		1,814	
Office Equipment		500	
Total County Trustee's Office			201,245

County Clerk's Office

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		91,925	
Social Security		9,359	
State Retirement		9,465	
Medical Insurance		26,741	
Employer Medicare		2,189	
Communication		1,110	
Data Processing Services		7,400	
Dues and Memberships		678	
Maintenance Agreements		4,875	
Postal Charges		6,388	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery, and Forms	\$	1,289	
Duplicating Supplies		736	
Office Supplies		1,325	
In Service/Staff Development		1,842	
Total County Clerk's Office			\$ 228,061

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,739	
Clerical Personnel		215,669	
Other Salaries and Wages		2,300	
Jury and Witness Expense		7,868	
Social Security		17,027	
State Retirement		16,293	
Medical Insurance		44,833	
Employer Medicare		3,982	
Communication		4,442	
Contracts with Private Agencies		7,090	
Data Processing Services		7,101	
Dues and Memberships		768	
Evaluation and Testing		300	
Legal Notices, Recording, and Court Costs		483	
Maintenance Agreements		7,888	
Maintenance and Repair Services - Office Equipment		175	
Postal Charges		3,302	
Printing, Stationery, and Forms		5,791	
Other Contracted Services		1,170	
Duplicating Supplies		3,467	
Office Supplies		8,022	
In Service/Staff Development		69	
Office Equipment		92,186	
Total Circuit Court			512,965

General Sessions Court

Judge(s)	\$	130,464	
Social Security		6,882	
State Retirement		7,984	
Medical Insurance		6,679	
Employer Medicare		1,798	
Communication		1,259	
Evaluation and Testing		1,300	
Travel		1,298	
Office Supplies		363	
Total General Sessions Court			158,027

Chancery Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		103,745	
Other Salaries and Wages		3,225	
Jury and Witness Expense		56	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Social Security	\$	10,290	
State Retirement		10,189	
Medical Insurance		26,741	
Employer Medicare		2,407	
Communication		2,217	
Data Processing Services		6,799	
Dues and Memberships		718	
Legal Notices, Recording, and Court Costs		2,227	
Maintenance Agreements		340	
Postal Charges		1,750	
Printing, Stationery, and Forms		1,077	
Duplicating Supplies		2,235	
Office Supplies		4,194	
In Service/Staff Development		2,496	
Office Equipment		341	
Total Chancery Court			\$ 243,786

Juvenile Court

Assistant(s)	\$	37,502	
Youth Service Officer(s)		35,325	
Guidance Personnel		4,320	
Social Workers		1,980	
Salary Supplements		10,000	
Overtime Pay		1,416	
Other Salaries and Wages		19,501	
Social Security		6,719	
State Retirement		6,349	
Medical Insurance		6,687	
Employer Medicare		1,571	
Communication		2,805	
Postal Charges		265	
Travel		3,112	
Other Contracted Services		22,166	
Office Supplies		2,349	
Other Charges		2,832	
Total Juvenile Court			164,899

Judicial Commissioners

Other Salaries and Wages	\$	29,399	
Social Security		1,823	
Employer Medicare		426	
Communication		198	
In Service/Staff Development		1,261	
Total Judicial Commissioners			33,107

Courtroom Security

Deputy(ies)	\$	35,332	
Overtime Pay		2,856	
Social Security		2,289	
State Retirement		2,330	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Courtroom Security (Cont.)

Medical Insurance	\$	6,687	
Employer Medicare		535	
Maintenance and Repair Services - Buildings		2,907	
Other Contracted Services		2,716	
Total Courtroom Security			\$ 55,652

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Assistant(s)		48,141	
Deputy(ies)		437,230	
Investigator(s)		161,797	
Captain(s)		21,751	
Sergeant(s)		171,733	
Accountants/Bookkeepers		33,100	
Salary Supplements		14,400	
Part-time Personnel		9,690	
School Resource Officer		15,007	
Overtime Pay		87,063	
Social Security		67,892	
State Retirement		64,946	
Medical Insurance		129,147	
Employer Medicare		15,955	
Communication		194,828	
Contracts with Government Agencies		152,118	
Contributions		5,000	
Dues and Memberships		2,600	
Maintenance and Repair Services - Office Equipment		2,510	
Maintenance and Repair Services - Vehicles		39,403	
Medical and Dental Services		37,167	
Postal Charges		2,685	
Towing Services		4,015	
Travel		767	
Duplicating Supplies		1,993	
Gasoline		124,516	
Law Enforcement Supplies		14,339	
Office Supplies		4,724	
Uniforms		14,847	
Other Supplies and Materials		1,518	
In Service/Staff Development		9,966	
Other Charges		2,831	
Communication Equipment		2,089	
Motor Vehicles		133,823	
Office Equipment		1,626	
Total Sheriff's Department			2,100,230

Special Patrols

Overtime Pay	\$	7,263	
Social Security		443	
State Retirement		434	
Employer Medicare		104	
Total Special Patrols			8,244

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Supervisor/Director	\$	42,276	
Lieutenant(s)		35,429	
Sergeant(s)		152,635	
Guards		585,801	
Cafeteria Personnel		57,865	
Maintenance Personnel		27,992	
Overtime Pay		59,023	
Social Security		57,955	
State Retirement		53,078	
Medical Insurance		119,316	
Employer Medicare		13,554	
Architects		108,395	
Communication		3,496	
Data Processing Services		8,353	
Engineering Services		23,600	
Legal Services		424	
Maintenance and Repair Services - Buildings		15,718	
Maintenance and Repair Services - Equipment		21,291	
Maintenance and Repair Services - Vehicles		7,494	
Medical and Dental Services		157,968	
Pest Control		960	
Postal Charges		1,993	
Transportation - Other than Students		3,283	
Disposal Fees		1,920	
Custodial Supplies		42,800	
Drugs and Medical Supplies		38,519	
Duplicating Supplies		1,129	
Electricity		56,109	
Food Supplies		186,226	
Gasoline		31,507	
Natural Gas		8,867	
Office Supplies		6,888	
Prisoners Clothing		7,157	
Uniforms		10,462	
Water and Sewer		45,175	
Other Supplies and Materials		2,058	
In Service/Staff Development		7,329	
Other Charges		1,683	
Communication Equipment		816	
Law Enforcement Equipment		32,410	
Maintenance Equipment		937	
Office Equipment		3,601	
Total Jail			\$ 2,043,492

Fire Prevention and Control

Contributions	\$	16,318
Dues and Memberships		215
Maintenance and Repair Services - Buildings		12,004
Maintenance and Repair Services - Equipment		9,959
Maintenance and Repair Services - Vehicles		24,399

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Postal Charges	\$	132	
Travel		167	
Electricity		20,296	
Gasoline		19,595	
Natural Gas		11,490	
Office Supplies		348	
Water and Sewer		4,045	
Other Supplies and Materials		8,049	
Liability Insurance		3,617	
In Service/Staff Development		4,318	
Other Equipment		430	
Total Fire Prevention and Control			\$ 135,382

Civil Defense

Supervisor/Director	\$	43,818	
Deputy(ies)		34,798	
Part-time Personnel		21,658	
Social Security		6,141	
State Retirement		4,811	
Medical Insurance		6,680	
Employer Medicare		1,436	
Communication		3,324	
Data Processing Services		15,385	
Dues and Memberships		40	
Maintenance and Repair Services - Buildings		548	
Maintenance and Repair Services - Equipment		891	
Maintenance and Repair Services - Vehicles		4,517	
Pest Control		168	
Postal Charges		64	
Travel		897	
Custodial Supplies		246	
Duplicating Supplies		924	
Electricity		4,633	
Gasoline		5,460	
Natural Gas		2,695	
Office Supplies		788	
Road Signs		480	
Uniforms		623	
Water and Sewer		901	
Other Supplies and Materials		1,145	
In Service/Staff Development		50	
Other Charges		356	
Office Equipment		265	
Other Capital Outlay		34,912	
Total Civil Defense			198,654

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	267,458	
Social Security		16,521	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

State Retirement	\$	13,985	
Medical Insurance		7,250	
Employer Medicare		3,864	
Communication		3,342	
Contracts with Government Agencies		40,000	
Janitorial Services		46,860	
Maintenance and Repair Services - Equipment		8,236	
Pest Control		216	
Travel		9,485	
Disposal Fees		480	
Drugs and Medical Supplies		58	
Electricity		7,813	
Natural Gas		1,613	
Office Supplies		626	
Water and Sewer		1,739	
In Service/Staff Development		200	
Other Charges		676	
Total Local Health Center			\$ 430,422

Maternal and Child Health Services

Contracts with Other Public Agencies	\$	22,500	
Contributions		5,000	
Total Maternal and Child Health Services			27,500

Other Local Health Services

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

Regional Mental Health Center

Contributions	\$	4,000	
Total Regional Mental Health Center			4,000

Other Local Welfare Services

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

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries and Wages		28,136	
Social Security		1,749	
State Retirement		1,795	
Medical Insurance		6,687	
Employer Medicare		409	
Contracts with Private Agencies		63,273	
Instructional Supplies and Materials		11,948	
Other Charges		5,034	
Total Sanitation Management			120,231

Other Public Health and Welfare

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 14,350	
Total Adult Activities		\$ 14,350

Libraries

Contracts with Other Public Agencies	\$ 30,000	
Contributions	74,866	
Total Libraries		104,866

Parks and Fair Boards

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

Other Social, Cultural, and Recreational

Contributions	\$ 5,000	
Total Other Social, Cultural, and Recreational		5,000

Agriculture and Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$ 900	
Communication	1,095	
Contracts with Other Public Agencies	77,836	
Travel	2,000	
Duplicating Supplies	1,392	
Office Supplies	479	
Office Equipment	1,990	
Total Agriculture Extension Service		85,692

Forest Service

Contributions	\$ 2,000	
Total Forest Service		2,000

Soil Conservation

Secretary(ies)	\$ 18,372	
Other Salaries and Wages	22,604	
Social Security	2,484	
State Retirement	2,508	
Medical Insurance	6,687	
Employer Medicare	581	
Other Charges	2,810	
Total Soil Conservation		56,046

Other Operations

Industrial Development

Contracts with Other Public Agencies	\$ 55,231	
Contributions	147,783	
Total Industrial Development		203,014

Other Economic and Community Development

Contributions	\$ 12,500	
Engineering Services	3,969	
Total Other Economic and Community Development		16,469

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Airport Improvement	\$ 22,417	
Total Airport		\$ 22,417

Veterans' Services

Clerical Personnel	\$ 12,103	
Part-time Personnel	1,245	
Social Security	828	
Employer Medicare	194	
Communication	683	
Maintenance and Repair Services - Vehicles	2,650	
Postal Charges	46	
Travel	627	
Gasoline	4,116	
Office Supplies	25	
Total Veterans' Services		22,517

Contributions to Other Agencies

Contributions	\$ 9,900	
Total Contributions to Other Agencies		9,900

Miscellaneous

Unemployment Compensation	\$ 15,462	
Communication	887	
Dues and Memberships	6,278	
Medical and Dental Services	8,400	
Premiums on Corporate Surety Bonds	1,165	
Trustee's Commission	115,321	
Workers' Compensation Insurance	121,625	
Other Charges	22,409	
Total Miscellaneous		291,547

Total General Fund		\$ 9,547,454
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$ 40,000	
Solid Waste Equipment	6,570	
Total Sanitation Management		\$ 46,570

Convenience Centers

Part-time Personnel	\$ 47,608	
Social Security	2,952	
Employer Medicare	690	
Communication	3,099	
Contracts with Other Public Agencies	63,865	
Maintenance and Repair Services - Equipment	4,711	
Electricity	3,350	
Water and Sewer	591	
Other Supplies and Materials	312	

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Solid Waste Equipment	\$	8,950	
Other Capital Outlay		<u>1,085</u>	
Total Convenience Centers			\$ 137,213

Other Waste Disposal

County Official/Administrative Officer	\$	10,000	
Clerical Personnel		26,893	
Social Security		2,130	
State Retirement		2,258	
Medical Insurance		6,687	
Employer Medicare		498	
Contracts with Government Agencies		101,992	
Contracts with Other Public Agencies		345,972	
Engineering Services		350	
Legal Services		1,190	
Legal Notices, Recording, and Court Costs		134	
Travel		176	
Disposal Fees		57,531	
Trustee's Commission		7,454	
Other Charges		<u>5,702</u>	
Total Other Waste Disposal			568,967

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$	<u>10,634</u>	
Total Postclosure Care Costs			<u>10,634</u>

Total Solid Waste/Sanitation Fund \$ 763,384

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Towing Services		2,035	
Other Contracted Services		2,100	
Animal Food and Supplies		1,037	
Law Enforcement Supplies		5,502	
Trustee's Commission		1,760	
In Service/Staff Development		782	
Other Charges		95	
Motor Vehicles		<u>28,236</u>	
Total Drug Enforcement			\$ <u>46,547</u>

Total Drug Control Fund 46,547

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Bank Charges	\$	<u>64</u>	
Total County Clerk's Office			\$ 64

(Continued)

Exhibit K-8

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 6,188	
Total Chancery Court		\$ 6,188

Total Constitutional Officers - Fees Fund \$ 6,252

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 69,013	
Assistant(s)	42,864	
Accountants/Bookkeepers	37,454	
Longevity Pay	1,000	
Overtime Pay	418	
Social Security	9,421	
State Retirement	9,232	
Medical Insurance	6,680	
Employer Medicare	2,203	
Communication	2,708	
Dues and Memberships	3,956	
Janitorial Services	2,400	
Legal Notices, Recording, and Court Costs	41	
Maintenance and Repair Services - Office Equipment	570	
Postal Charges	448	
Travel	931	
Electricity	4,516	
Office Supplies	259	
Water and Sewer	202	
Total Administration		\$ 194,316

Highway and Bridge Maintenance

Foremen	\$ 97,221	
Equipment Operators	156,390	
Truck Drivers	171,388	
Laborers	132,962	
Longevity Pay	9,000	
Overtime Pay	535	
Social Security	34,249	
State Retirement	33,817	
Medical Insurance	94,080	
Employer Medicare	8,010	
Other Contracted Services	41,781	
Asphalt - Hot Mix	598,690	
Crushed Stone	42,614	
General Construction Materials	4,303	
Pipe - Metal	49,171	
Road Signs	14,924	
Total Highway and Bridge Maintenance		1,489,135

Operation and Maintenance of Equipment

Mechanic(s)	\$ 78,067	
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(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Longevity Pay	\$	1,000	
Overtime Pay		236	
Social Security		4,837	
State Retirement		4,553	
Medical Insurance		8,429	
Employer Medicare		1,131	
Laundry Service		1,169	
Maintenance and Repair Services - Equipment		36,239	
Diesel Fuel		206,182	
Equipment and Machinery Parts		141,516	
Garage Supplies		18,815	
Gasoline		40,702	
Lubricants		20,602	
Propane Gas		859	
Small Tools		1,191	
Tires and Tubes		56,555	
Communication Equipment		996	
Total Operation and Maintenance of Equipment			\$ 623,079

Quarry Operations

Foremen	\$	34,705	
Equipment Operators		28,621	
Truck Drivers		26,715	
Longevity Pay		1,000	
Overtime Pay		38	
Social Security		5,515	
State Retirement		4,472	
Medical Insurance		12,621	
Employer Medicare		1,290	
Explosive and Drilling Services		21,747	
Maintenance and Repair Services - Equipment		91,612	
Electricity		32,023	
Water and Sewer		1,522	
In Service/Staff Development		633	
Total Quarry Operations			262,514

Other Charges

Electricity	\$	512	
Trustee's Commission		46,366	
Vehicle and Equipment Insurance		53,633	
Total Other Charges			100,511

Employee Benefits

Unemployment Compensation	\$	3,037	
Workers' Compensation Insurance		88,318	
Total Employee Benefits			91,355

Capital Outlay

Engineering Services	\$	10,830	
Bridge Construction		37,807	
Highway Equipment		152,122	
Total Capital Outlay			200,759

Total Highway/Public Works Fund \$ 2,961,669

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 99,825	
Principal on Notes	<u>54,000</u>	
Total General Government		\$ 153,825
<u>Education</u>		
Principal on Bonds	<u>\$ 1,020,175</u>	
Total Education		1,020,175
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 41,585	
Interest on Notes	<u>7,234</u>	
Total General Government		48,819
<u>Education</u>		
Interest on Bonds	<u>\$ 635,249</u>	
Total Education		635,249
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 23,638	
Total General Government		23,638
<u>Education</u>		
Other Debt Issuance Charges	<u>\$ 621</u>	
Total Education		<u>621</u>
Total General Debt Service Fund		<u>\$ 1,882,327</u>
Total Governmental Funds - Primary Government		<u><u>\$ 15,207,633</u></u>

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	9,000,443	
Career Ladder Program		78,470	
Career Ladder Extended Contracts		36,000	
Educational Assistants		341,549	
Other Salaries and Wages		1,186	
Certified Substitute Teachers		13,878	
Non-certified Substitute Teachers		138,731	
Social Security		564,678	
State Retirement		825,443	
Employee and Dependent Insurance		59,819	
Medical Insurance		1,037,205	
Unemployment Compensation		9,919	
Employer Medicare		132,549	
Data Processing Services		31,350	
Maintenance and Repair Services - Equipment		29,823	
Other Contracted Services		5,992	
Instructional Supplies and Materials		82,506	
Textbooks		215,690	
Other Supplies and Materials		10,536	
Fee Waivers		51,639	
Other Charges		6,057	
Furniture and Fixtures		25,000	
Regular Instruction Equipment		162,681	
Other Equipment		58,917	
Total Regular Instruction Program			\$ 12,920,061

Alternative Instruction Program

Teachers	\$	142,310	
Career Ladder Program		1,000	
Social Security		8,689	
State Retirement		12,726	
Medical Insurance		10,736	
Employer Medicare		2,032	
Total Alternative Instruction Program			177,493

Special Education Program

Teachers	\$	964,416	
Career Ladder Program		7,985	
Educational Assistants		367,609	
Speech Pathologist		121,066	
Certified Substitute Teachers		2,245	
Non-certified Substitute Teachers		34,850	
Social Security		87,519	
State Retirement		116,506	
Employee and Dependent Insurance		61,098	
Medical Insurance		143,409	
Employer Medicare		20,452	
Contracts with Other Public Agencies		4,321	
Contracts with Private Agencies		8,000	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Maintenance and Repair Services - Equipment	\$	3,000	
Instructional Supplies and Materials		18,990	
Other Supplies and Materials		3,713	
Special Education Equipment		8,281	
Total Special Education Program			\$ 1,973,460

Vocational Education Program

Teachers	\$	816,367	
Career Ladder Program		6,000	
Non-certified Substitute Teachers		1,532	
Social Security		48,819	
State Retirement		73,026	
Medical Insurance		102,601	
Employer Medicare		11,417	
Maintenance and Repair Services - Equipment		18,335	
Instructional Supplies and Materials		40,595	
Other Charges		23,385	
Vocational Instruction Equipment		23,987	
Total Vocational Education Program			1,166,064

Student Body Education Program

Other Salaries and Wages	\$	45,109	
Social Security		2,697	
State Retirement		2,176	
Employer Medicare		647	
Other Charges		6,793	
Total Student Body Education Program			57,422

Support Services

Attendance

Supervisor/Director	\$	69,388	
Career Ladder Program		1,000	
Other Salaries and Wages		37,544	
Social Security		6,657	
State Retirement		8,548	
Medical Insurance		5,370	
Employer Medicare		1,557	
Travel		2,202	
Other Contracted Services		10,559	
Total Attendance			142,825

Health Services

Medical Personnel	\$	201,894	
Social Security		12,087	
State Retirement		11,910	
Employee and Dependent Insurance		14,859	
Employer Medicare		2,827	
Drugs and Medical Supplies		1,947	
Total Health Services			245,524

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		437,033	
Social Workers		17,000	
Clerical Personnel		16,303	
School Resource Officer		52,358	
Other Salaries and Wages		61,194	
In-Service Training		300	
Social Security		32,021	
State Retirement		46,599	
Medical Insurance		60,870	
Employer Medicare		7,489	
Evaluation and Testing		30,058	
Postal Charges		500	
Travel		9,044	
Other Contracted Services		1,730	
Textbooks		498	
Other Supplies and Materials		27,033	
In Service/Staff Development		1,013	
Other Charges		2,612	
Total Other Student Support			\$ 808,655

Regular Instruction Program

Supervisor/Director	\$	104,754	
Career Ladder Program		4,250	
Librarians		320,067	
Instructional Computer Personnel		82,974	
Other Salaries and Wages		42,307	
Social Security		33,238	
State Retirement		48,059	
Employee and Dependent Insurance		4,910	
Medical Insurance		55,043	
Employer Medicare		7,773	
Travel		3,836	
Other Contracted Services		1,200	
Instructional Supplies and Materials		3,853	
Library Books/Media		13,523	
In Service/Staff Development		33,177	
Other Charges		45,123	
Total Regular Instruction Program			804,087

Special Education Program

Supervisor/Director	\$	47,107	
Clerical Personnel		1,461	
Social Security		2,964	
State Retirement		4,272	
Medical Insurance		3,548	
Employer Medicare		693	
Travel		4,204	
Other Supplies and Materials		3,021	
In Service/Staff Development		4,637	
Total Special Education Program			71,907

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	34,593	
Career Ladder Program		1,000	
Clerical Personnel		25,425	
In-Service Training		3,600	
Social Security		4,017	
State Retirement		5,036	
Medical Insurance		621	
Employer Medicare		939	
Travel		8,598	
In Service/Staff Development		3,000	
Other Charges		5,000	
Total Vocational Education Program			\$ 91,829

Other Programs

On-Behalf Payments to OPEB	\$	135,400	
Total Other Programs			135,400

Board of Education

Secretary to Board	\$	750	
Board and Committee Members Fees		31,594	
Social Security		2,005	
State Retirement		67	
Employer Medicare		469	
Audit Services		9,872	
Dues and Memberships		7,632	
Legal Services		3,050	
Travel		941	
Liability Insurance		242,153	
Trustee's Commission		133,006	
Workers' Compensation Insurance		206,227	
Criminal Investigation of Applicants - TBI		5,608	
Other Charges		27,291	
Total Board of Education			670,665

Director of Schools

County Official/Administrative Officer	\$	104,838	
Secretary(ies)		79,370	
Other Salaries and Wages		3,994	
Social Security		11,797	
State Retirement		14,948	
Employee and Dependent Insurance		4,910	
Medical Insurance		6,098	
Employer Medicare		2,784	
Communication		25,854	
Postal Charges		1,805	
Travel		8,822	
Office Supplies		3,697	
Other Charges		722	
Administration Equipment		4,172	
Total Director of Schools			273,811

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Assistant(s)	\$	201,151	
Principals		500,779	
Career Ladder Program		10,000	
Clerical Personnel		192,788	
Social Security		54,062	
State Retirement		73,473	
Employee and Dependent Insurance		10,203	
Medical Insurance		61,821	
Employer Medicare		12,789	
Communication		14,087	
Contributions		46,000	
Travel		3,897	
Total Office of the Principal			\$ 1,181,050

Operation of Plant

Custodial Personnel	\$	424,762	
Social Security		25,305	
State Retirement		19,517	
Employee and Dependent Insurance		71,428	
Employer Medicare		5,918	
Other Contracted Services		11,916	
Custodial Supplies		67,700	
Electricity		1,018,045	
Natural Gas		147,505	
Water and Sewer		69,488	
Other Supplies and Materials		14,098	
Other Charges		23,785	
Total Operation of Plant			1,899,467

Maintenance of Plant

Supervisor/Director	\$	60,076	
Maintenance Personnel		178,187	
Other Salaries and Wages		122,994	
Social Security		21,359	
State Retirement		23,134	
Employee and Dependent Insurance		24,294	
Medical Insurance		19,278	
Employer Medicare		4,995	
Maintenance and Repair Services - Buildings		84,072	
Maintenance and Repair Services - Equipment		95,189	
General Construction Materials		21,018	
Other Supplies and Materials		26,645	
Other Charges		20,585	
Heating and Air Conditioning Equipment		17,735	
Total Maintenance of Plant			719,561

Transportation

Supervisor/Director	\$	34,593	
Mechanic(s)		92,497	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Bus Drivers	\$	501,670	
Other Salaries and Wages		13,321	
Social Security		36,461	
State Retirement		36,132	
Employee and Dependent Insurance		49,443	
Employer Medicare		9,187	
Communication		1,560	
Medical and Dental Services		5,339	
Gasoline		338,008	
Lubricants		7,580	
Tires and Tubes		22,342	
Vehicle Parts		75,414	
Other Supplies and Materials		13,377	
Other Charges		6,679	
Transportation Equipment		1,098,408	
Total Transportation	\$		2,342,011

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	76,274	
Social Security		4,684	
State Retirement		6,773	
Medical Insurance		5,505	
Employer Medicare		1,095	
Maintenance and Repair Services - Equipment		707	
Travel		3,666	
Other Contracted Services		1,067	
Other Supplies and Materials		2,000	
In Service/Staff Development		650	
Other Charges		2,400	
Total Food Service			104,821

Community Services

Teachers	\$	140,912	
Educational Assistants		28,881	
Other Salaries and Wages		33,462	
Social Security		12,602	
State Retirement		15,610	
Employer Medicare		2,947	
Communication		439	
Maintenance and Repair Services - Equipment		2,092	
Postal Charges		629	
Travel		1,748	
Textbooks		2,159	
Other Supplies and Materials		27,755	
In Service/Staff Development		7,067	
Other Charges		2,964	
Other Equipment		16,475	
Total Community Services			295,742

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education

Teachers	\$	418,744	
Educational Assistants		158,864	
Other Salaries and Wages		64,196	
Certified Substitute Teachers		385	
Non-certified Substitute Teachers		15,250	
Social Security		38,471	
State Retirement		50,855	
Employee and Dependent Insurance		40,477	
Medical Insurance		62,922	
Employer Medicare		8,998	
Travel		8,790	
Instructional Supplies and Materials		26,452	
Textbooks		2,079	
In Service/Staff Development		201	
Other Equipment		3,572	
Total Early Childhood Education			\$ 900,256

Capital Outlay

Regular Capital Outlay

Other Construction	\$	333,655	
Total Regular Capital Outlay			333,655

Total General Purpose School Fund \$ 27,315,766

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	651,729	
Educational Assistants		53,742	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		3,515	
Social Security		41,199	
State Retirement		60,542	
Medical Insurance		120,183	
Employer Medicare		9,638	
Instructional Supplies and Materials		7,905	
Regular Instruction Equipment		222,667	
Total Regular Instruction Program			\$ 1,171,175

Alternative Instruction Program

Teachers	\$	20,118	
Social Security		1,324	
State Retirement		1,884	
Medical Insurance		2,763	
Employer Medicare		310	
Total Alternative Instruction Program			26,399

Special Education Program

Educational Assistants	\$	297,529	
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(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Speech Pathologist	\$	92,315	
Other Salaries and Wages		24,307	
Social Security		23,974	
State Retirement		23,915	
Medical Insurance		40,195	
Employer Medicare		5,744	
Contracts with Private Agencies		62,400	
Instructional Supplies and Materials		298	
Other Supplies and Materials		8	
Special Education Equipment		478	
Total Special Education Program			\$ 571,163

Vocational Education Program

Teachers	\$	2,000	
Social Security		124	
State Retirement		178	
Employer Medicare		29	
Travel		3,044	
Instructional Supplies and Materials		9,281	
Other Supplies and Materials		16,904	
Other Charges		2,433	
Vocational Instruction Equipment		77,448	
Total Vocational Education Program			111,441

Support Services

Other Student Support

Evaluation and Testing	\$	18,194	
Travel		11,231	
In Service/Staff Development		8,000	
Other Charges		8,640	
Total Other Student Support			46,065

Regular Instruction Program

Supervisor/Director	\$	146,959	
Secretary(ies)		27,464	
Educational Assistants		18,979	
Other Salaries and Wages		9,338	
In-Service Training		21,532	
Social Security		13,557	
State Retirement		18,299	
Medical Insurance		18,517	
Employer Medicare		3,171	
Travel		3,881	
Other Contracted Services		5,498	
Other Supplies and Materials		11,132	
In Service/Staff Development		52,884	
Other Equipment		45,213	
Total Regular Instruction Program			396,424

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	9,421	
Clerical Personnel		13,149	
Social Security		1,122	
State Retirement		1,641	
Medical Insurance		4,953	
Employer Medicare		262	
Travel		1,662	
Other Contracted Services		146,663	
In Service/Staff Development		1,625	
Total Special Education Program			\$ 180,498

Vocational Education Program

Travel	\$	1,079	
Total Vocational Education Program			1,079

Transportation

Bus Drivers	\$	54,505	
Other Salaries and Wages		12,833	
Social Security		4,093	
State Retirement		3,477	
Medical Insurance		4,953	
Employer Medicare		957	
Contracts with Parents		3,318	
Total Transportation			84,136

Total School Federal Projects Fund \$ 2,588,380

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	637,003	
Other Salaries and Wages		23,162	
Social Security		38,605	
State Retirement		35,641	
Employee and Dependent Insurance		84,199	
Employer Medicare		9,161	
Communication		4,771	
Contracts with Private Agencies		53,660	
Dues and Memberships		2,423	
Maintenance and Repair Services - Equipment		35,185	
Other Contracted Services		16,415	
Custodial Supplies		20,484	
Food Preparation Supplies		62,016	
Food Supplies		1,056,540	
Office Supplies		3,155	
Uniforms		1,359	
Other Supplies and Materials		105	
Refunds		1,292	
Trustee's Commission		7	

(Continued)

Exhibit K-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Workers' Compensation Insurance	\$	13,119	
In Service/Staff Development		2,730	
Other Charges		1,320	
Food Service Equipment		32,412	
Total Food Service			\$ 2,134,764

Total Central Cafeteria Fund \$ 2,134,764

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	4,740	
Other Salaries and Wages		63,722	
Social Security		4,245	
State Retirement		4,742	
Employer Medicare		993	
Trustee's Commission		1,095	
Other Charges		11,056	
Total Community Services			\$ 90,593

Total Extended School Program Fund 90,593

Total Governmental Funds - Lincoln County School Department \$ 32,129,503

Exhibit K-10

Lincoln County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,212,215	\$ 1,212,215
Trustee's Collections - Prior Years	0	28,381	28,381
Trustee's Collections - Bankruptcy	0	1,937	1,937
Circuit/Clerk and Master Collections - Prior Years	0	11,912	11,912
Interest and Penalty	0	6,143	6,143
Local Option Sales Tax	1,763,441	798,582	2,562,023
Wholesale Beer Tax	0	31,752	31,752
Interstate Telecommunications Tax	0	611	611
Marriage Licenses	0	662	662
Income Tax	0	22,444	22,444
Beer Tax	0	4,205	4,205
Total Cash Receipts	<u>\$ 1,763,441</u>	<u>\$ 2,118,844</u>	<u>\$ 3,882,285</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,763,441	\$ 2,092,521	\$ 3,855,962
Trustee's Commission	0	25,363	25,363
Total Cash Disbursements	<u>\$ 1,763,441</u>	<u>\$ 2,117,884</u>	<u>\$ 3,881,325</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 960	\$ 960
Cash Balance, July 1, 2012	0	79,613	79,613
Cash Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 80,573</u>	<u>\$ 80,573</u>

Exhibit K-11

Lincoln County, Tennessee
Schedule of Utility Rates and Number of Customers
Lincoln County Board of Public Utilities
June 30, 2013

Meter Type	Number of Customers	Gallons	Rate
Residential and Commercial	8,709	First 1,000	\$ 23.99 minimum
		Next 4,000	4.14 per 1,000 gallons
		Over 5,000	4.17 per 1,000 gallons
Multi-User (Total 435 units. Rates are based on usage per each unit.)	127	First 1,000	20.44 minimum
		Next 4,000	4.02 per 1,000 gallons
		Over 5,000	4.05 per 1,000 gallons

Other Charges

Tap Fee - Individual - 3/4 inch	\$ 1,300
Tap Fee - Individual - 1 inch	1,550
Tap Fee - Subdivision lot	1,200
Service Fee - Individual	100
Service Fee - Subdivision lot	200

Exhibit K-12

Lincoln County, Tennessee
 Schedule of Water Reporting
 Lincoln County Board of Public Utilities
 For the Year Ended June 30, 2013

LINCOLN COUNTY BOARD OF PUBLIC UTILITIES
 AWWA REPORTING WORKSHEET-UNAUDITED
 JUNE 30, 2013

AWWA WLCC Free Water Audit Software: Reporting Worksheet [Back to Instructions](#)

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Water Audit Report for: **LINCOLN COUNTY BOARD OF PUBLIC UTILITIES**
 Reporting Year: **2013** **7/2012 - 6/2013**

Please enter data in the white cells below. Where available, metered values should be used. If metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED << Enter grading in column 'B'

Volume from own sources:	?	4	745.905	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	3	37.295	under-registered MG/Yr
Water imported:	?	10	77.160	MG/Yr
Water exported:	?	n/s	0.000	MG/Yr
WATER SUPPLIED:			860.360	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	?	9	498.436	MG/Yr
Billed unmetered:	?	n/s	0.000	MG/Yr
Unbilled metered:	?	10	0.161	MG/Yr
Unbilled unmetered:	?		10.755	MG/Yr
AUTHORIZED CONSUMPTION:	?		499.352	MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Click here [?] for help using option buttons below

Use buttons to select percentage of water supplied OR value

Point: 1.25% Value: []

WATER LOSSES (Water Supplied - Authorized Consumption) 361.009 MG/Yr

Apparent Losses

Unauthorized consumption:	?		2.151	MG/Yr
Customer metering inaccuracies:	?	6	25.716	MG/Yr
Systematic data handling errors:	?	9	1.000	MG/Yr
Apparent Losses:	?		28.867	MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Point: 0.25% Value: []

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

5.00% 8.00%

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?		332.142	MG/Yr
WATER LOSSES:			361.009	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?		371.924	MG/Yr
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= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	?	7	734.0	miles
Number of active AND inactive service connections:	?	9	8,790	
Connection density:	?		12	conn./mile main
Average length of customer service line:	?	6	20.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	?	2	75.0	psi

COST DATA

Total annual cost of operating water system:	?	8	\$4,381,250	\$/Year
Customer retail unit cost (applied to Apparent losses):	?	8	\$8.62	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	10	\$1,300.00	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	43.24
Non-revenue water as percent by cost of operating system:	15.91
Annual cost of Apparent Losses:	\$248,830
Annual cost of Real Losses:	\$431,785

Operational Efficiency Indicators

Apparent Losses per service connection per day:	9.00	gallons/connection/day
Real Losses per service connection per day*:	N/A	gallons/connection/day
Real Losses per length of main per day*:	1,239.75	gallons/mile/day
Real Losses per service connection per day per psi pressure:		gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	151.63	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	332.14	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.19	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 68 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Master meter error adjustment
- 3: Customer metering inaccuracies

[For more information, click here to see the Grading Matrix worksheet](#)

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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated February 13, 2014. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County Health System, Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District, as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2013-001, 2013-002, 2013-004, and 2013-005.

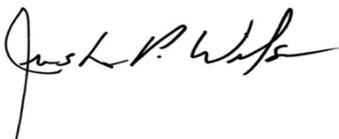
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item: 2013-003.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 13, 2014

JPW/kp



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 for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Lincoln County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lincoln County's major federal programs for the year ended June 30, 2013. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lincoln County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Lincoln County'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements. We issued our report thereon dated February 13, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 13, 2014

JPW/kp

Lincoln County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities, Recovery Act	10.781	N/A	\$ 356,766
Emergency Watershed Protection Program	10.923	N/A	38,632
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	295,045
National School Lunch Program	10.555	(2)	921,339 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	121,246 (3)
Total U.S. Department of Agriculture			<u>\$ 1,733,028</u>
U.S. Department of Justice:			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 2,861
Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government, Recovery Act	16.804	N/A	3,283
Passed-through Tennessee Administrative Office of the Courts:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	7,016
Total U.S. Department of Justice			<u>\$ 13,160</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 12,644
Total U.S. Department of Transportation			<u>\$ 12,644</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,134,497
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	828,776
Special Education - Preschool Grants	84.173	N/A	33,421
Career and Technical Education - Basic Grants to States	84.048	N/A	131,751
Safe and Drug-free Schools and Communities National Programs	84.184	(2)	11,017
Rural Education	84.358	(2)	50,655
Improving Teacher Quality State Grants	84.367	N/A	177,222
Teacher Incentive Fund	84.374	(2)	24,506
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	202,956
Passed-through City of Tullahoma School Department:			
English Language Acquisition State Grants	84.365	N/A	4,706
Total U.S. Department of Education			<u>\$ 2,599,507</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 36,652
Homeland Security Grant Program	97.067	(4)	44,398
Total U.S. Department of Homeland Security			<u>\$ 81,050</u>
Total Expenditures of Federal Awards			<u>\$ 4,439,389</u>

(Continued)

Lincoln County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Health Department Programs - State Department of Health	N/A	(2)	\$ 323,062
Early Childhood Education - State Department of Education	N/A	(2)	681,457
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	362,893
ConnectTN - State Department of Education	N/A	(2)	13,011
Coordinated School Health - State Department of Education	N/A	(2)	104,180
Family Resource Center - State Department of Education	N/A	(2)	29,612
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	22,332
Statewide Student Management Systems - State Department of Education	N/A	(2)	10,559
Waste Tire Grant - State Department of Environment and Conservation	N/A	DG-1337817	14,746
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
- State Department of Military	N/A	(2)	3,075
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	Z-13-LIT052-0	32,517
Archive Development Grant - Tennessee Secretary of State	N/A	(2)	850
Total State Grants			<u>\$ 1,607,294</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 \$1,042,585.
- (4) 34101-11612: \$28,001; 34101-35311: \$16,397.

Lincoln County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are the findings from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2012, that have not been corrected.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	179	The office did not deposit some funds within three days of collection

OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER OF DEEDS, AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.02	179	Duties were not segregated adequately

LINCOLN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on Lincoln County's financial statements is unmodified.
2. The audit of the financial statements of Lincoln County disclosed significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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), Water and Waste Disposal Systems for Rural Communities, ARRA (CFDA No. 10.781), and State Fiscal Stabilization Funds – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lincoln County qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY CLERK

FINDING 2013-001

THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software application used by the office generated a log that displayed changes made by users. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not consistently reviewed. Proper procedures for reviewing the log were implemented in March 2013.

RECOMMENDATION

The official should be consistent in the review of the software audit logs as a means of strengthening internal controls. Documentation of this review process should be maintained. Any unusual transactions should be investigated.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2013-002

THE OFFICE PAID A LITIGANT ACCOUNT TWICE

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The General Sessions Court changed computer software in May 2013. This change necessitated confirming all docket balances. As a result of confirming the docket balances, the clerk determined that \$1,075 had been erroneously paid out twice and that an unidentified shortage of \$33 existed in the docket balances. These errors were the result of a lack of management oversight over risks related to safeguarding assets. The clerk liquidated the unidentified shortage and reimbursed the court for the duplicate payments from personal funds subsequent to June 30, 2013.

RECOMMENDATION

Execution docket trial balances should be reconciled with cash journal accounts.

FINDING 2013-003

**THE OFFICE DID NOT DEPOSIT SOME FUNDS
WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of December and January, to trace manually issued receipts with deposits. In four of 23 instances, the office did not deposit funds to the office bank accounts within three days of collection. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit.

RECOMMENDATION

The clerk should ensure that all funds are deposited in the office bank account within three days of collection as required by state statute.

FINDING 2013-004

**THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT
LOGS**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software application used by the office generated a log that displayed changes made by users. This log provided the only audit trail of these changes and should be reviewed for inappropriate activity. Although the official was aware of the importance of this log, it was not consistently reviewed. The office implemented a new software application in May 2013. Because this application does not allow users to make changes to monetary information, a review of an audit log is no longer required.

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER
OF DEEDS, AND SHERIFF**

FINDING 2013-005

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the official and employees in the Offices of Circuit and General Sessions Courts Clerk, Register of Deeds, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability 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

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

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

LINCOLN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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