
ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



ANNUAL FINANCIAL REPORT
LINCOLN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
MICHAEL SMITH
JACOB KENNEDY, CISA
State Auditors

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

LINCOLN COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Lincoln County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	25-27
Highway/Public Works Fund	C-6	28
Proprietary Funds:		
Statement of Net Position	D-1	29-30
Statement of Revenues, Expenses, and Changes in Net Position	D-2	31
Statement of Cash Flows	D-3	32-33
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	34
Index and Notes to the Financial Statements		35-103

	Exhibit	Page(s)
REQUIRED SUPPLEMENTARY INFORMATION:		104
Schedule of Funding Progress – Pension Plans – Primary Government, Discretely Presented Lincoln County School Department, and Lincoln County Board of Public Utilities	F-1	105
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Lincoln County School Department	F-2	106
Notes to the Required Supplementary Information		107
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		108
Nonmajor Governmental Funds:		109
Combining Balance Sheet	G-1	110
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	111
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	G-3	112
Drug Control Fund	G-4	113
Major Governmental Fund:		114
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	115
Fiduciary Funds:		116
Combining Statement of Fiduciary Assets and Liabilities	I-1	117
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	118-119
Component Unit:		
Discretely Presented Lincoln County School Department:		120
Statement of Activities	J-1	121
Balance Sheet – Governmental Funds	J-2	122
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	J-3	123
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	124
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	125
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	126
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	127
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	128-129
School Federal Projects Fund	J-9	130
Central Cafeteria Fund	J-10	131
Extended School Program Fund	J-11	132

	Exhibit	Page(s)
Miscellaneous Schedules:		133
Schedule of Changes in Long-term Notes and Bonds	K-1	134
Schedule of Long-term Debt Requirements by Year	K-2	135
Schedule of Investments	K-3	136
Schedule of Notes Receivable	K-4	137
Schedule of Transfers – Primary Government and Discretely Presented Lincoln County School Department	K-5	138
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Lincoln County School Department	K-6	139
Schedule of Detailed Revenues – All Governmental Fund Types	K-7	140-151
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-8	152-154
Schedule of Detailed Expenditures – All Governmental Fund Types	K-9	155-172
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-10	173-182
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-11	183
Schedule of Utility Rates and Number of Customers – Lincoln County Board of Public Utilities	K-12	184
Schedule of Water Reporting – Lincoln County Board of Public Utilities	K-13	185
 <u>SINGLE AUDIT SECTION</u>		 186
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		187-188
Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		189-191
Schedule of Expenditures of Federal Awards and State Grants		192-193
Schedule of Audit Findings Not Corrected		194
Schedule of Findings and Questioned Costs		195-199
Auditee Reporting Responsibilities		200

Summary of Audit Findings

Annual Financial Report
Lincoln County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in four 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 FINANCE DIRECTOR

- ◆ Material audit adjustments were required for proper financial statement presentation.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office did not deposit some funds within three days of collection.
-

OFFICE OF REGISTER OF DEEDS

- ◆ Cash totaling \$290 was reported stolen from the office.
-

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, 2014

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 Strope	June Towry
Dexter Sullivan	Brent Malone
Brandon Kolle	Thomas Stevenson

Audit Committee

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
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

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 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, 2014, 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 (a major enterprise fund), which represent 57.6 percent, 58.4 percent, and 87.2 percent, respectively, of the assets, net position, and revenues of the business-type activities or the financial statements of the Lincoln County Board of Public Utilities (a major enterprise fund), which represent 41.8 percent, 40.8 percent, and 12.3 percent, respectively, of the assets, net position, and revenues of the business-type activities. In addition, we did not audit the financial statements of the discretely presented Lincoln County Emergency

Communications District, which represent 6.3 percent, 7.3 percent, and 1.6 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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.

Change in Accounting Principle

As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

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 105-107 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

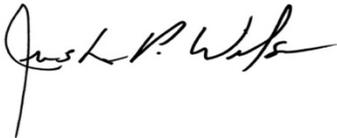
in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial 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 11, 2015, 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 11, 2015

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Lincoln County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 0	\$ 10,263,190	\$ 10,263,190	\$ 1,040	\$ 789,865
Equity in Pooled Cash and Investments	20,907,415	168,402	21,075,817	5,880,084	0
Accounts Receivable	33,961	7,416,041	7,450,002	3,406,406	8,737
Allowance for Uncollectibles	(3,421)	(1,857,496)	(1,860,917)	0	0
Due from Other Governments	1,344,745	39,600	1,384,345	998,304	130,156
Due from Primary Government	0	0	0	6,990	0
Property Taxes Receivable	6,849,749	0	6,849,749	3,468,911	0
Allowance for Uncollectible Property Taxes	(116,982)	0	(116,982)	(71,545)	0
Accrued Interest Receivable	0	0	0	0	636
Prepaid Items	42,857	148,956	191,813	545,391	56,488
Notes Receivable - Long-term	0	132,284	132,284	0	0
Other Assets	0	232,568	232,568	0	0
Inventories	0	820,626	820,626	35,443	0
Restricted Assets:					
Restricted Cash	0	9,604,210	9,604,210	0	0
Other Assets	0	152,995	152,995	0	64,071
Capital Assets:					
Assets Not Depreciated:					
Land	8,970,887	1,658,949	10,629,836	957,984	208,327
Construction in Progress	409,049	2,667,844	3,076,893	3,680,462	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	2,326,368	32,940,874	35,267,242	15,222,194	403,280
Ground Improvements	0	1,418,833	1,418,833	0	192,355
Infrastructure	6,095,524	0	6,095,524	0	0
Other Capital Assets	2,962,151	2,657,158	5,619,309	3,636,744	675,269
Total Assets	\$ 49,822,303	\$ 68,465,034	\$ 118,287,337	\$ 37,768,408	\$ 2,529,184
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Amount on Refunding	\$ 0	\$ 427,532	\$ 427,532	\$ 0	\$ 0
Total Deferred Outflows of Resources	\$ 0	\$ 427,532	\$ 427,532	\$ 0	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln	Emergency
				School Department	Communi- cations District
LIABILITIES					
Accounts Payable	\$ 503,624	\$ 1,372,260	\$ 1,875,884	\$ 608,627	\$ 80,764
Accrued Payroll	128,238	0	128,238	929,151	0
Contracts Payable	427,656	0	427,656	2,900,000	0
Accrued Liabilities	0	1,193,185	1,193,185	0	0
Due to Component Units	6,990	0	6,990	0	0
Due to State of Tennessee	4,716	0	4,716	0	0
Due to Cities	211,360	0	211,360	0	133,649
Accrued Interest Payable	151,838	79,846	231,684	0	0
Other Accrued Liabilities	0	1,109,224	1,109,224	0	0
Noncurrent Liabilities:					
Due Within One Year	2,298,438	1,113,112	3,411,550	34,465	0
Due in More Than One Year (net of unamortized premium on debt)	16,738,133	23,383,158	40,121,291	753,204	0
Total Liabilities	<u>\$ 20,470,993</u>	<u>\$ 28,250,785</u>	<u>\$ 48,721,778</u>	<u>\$ 5,225,447</u>	<u>\$ 214,413</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	\$ 6,608,694	\$ 0	\$ 6,608,694	\$ 3,304,965	\$ 0
Total Deferred Inflows of Resources	<u>\$ 6,608,694</u>	<u>\$ 0</u>	<u>\$ 6,608,694</u>	<u>\$ 3,304,965</u>	<u>\$ 0</u>
NET POSITION					
Net Investment in Capital Assets	\$ 12,982,929	\$ 17,274,920	\$ 30,257,849	\$ 23,497,384	\$ 1,479,231
Restricted for:					
General Government	9,282	0	9,282	0	0
Finance	10,270	0	10,270	0	0
Administration of Justice	234,895	0	234,895	0	0
Public Safety	318,342	0	318,342	0	0
Public Health and Welfare	1,107,354	0	1,107,354	0	0
Highway/Public Works	3,160,628	0	3,160,628	0	0
Debt Service	61,393	1,361,296	1,422,689	0	0
Instruction	0	0	0	89,905	0
Central Cafeteria	0	0	0	288,183	0
Capital Outlay	6,526,083	0	6,526,083	0	0
Other Purposes	0	68,878	68,878	0	0
Unrestricted	(1,668,560)	21,936,687	20,268,127	5,362,524	835,540
Total Net Position	<u>\$ 22,742,616</u>	<u>\$ 40,641,781</u>	<u>\$ 63,384,397</u>	<u>\$ 29,237,996</u>	<u>\$ 2,314,771</u>

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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lincoln County School Department	Emergency Communications District	
Primary Government:										
General Government	\$ 1,434,812	\$ 235,997	\$ 19,504	\$ 0	\$ (1,179,311)	\$ 0	\$ (1,179,311)	\$ 0	\$ 0	0
Finance	1,055,079	840,241	0	0	(214,838)	0	(214,838)	0	0	0
Administration of Justice	1,213,023	692,772	4,500	0	(515,751)	0	(515,751)	0	0	0
Public Safety	5,425,352	807,750	194,535	21,008	(4,402,059)	0	(4,402,059)	0	0	0
Public Health and Welfare	2,135,793	864,886	479,382	0	(791,525)	0	(791,525)	0	0	0
Social, Cultural, and Recreational Services	208,487	50	0	0	(208,437)	0	(208,437)	0	0	0
Agriculture and Natural Resources	186,494	0	16,510	0	(169,984)	0	(169,984)	0	0	0
Highways/Public Works	3,942,172	0	1,937,125	298,209	(1,706,838)	0	(1,706,838)	0	0	0
Interest on Long-term Debt	667,345	0	0	0	(667,345)	0	(667,345)	0	0	0
Total Governmental Activities	\$ 16,268,557	\$ 3,441,696	\$ 2,651,556	\$ 319,217	\$ (9,856,088)	\$ 0	\$ (9,856,088)	\$ 0	\$ 0	0
Business-type Activities:										
Lincoln County Health System	\$ 39,169,117	\$ 37,736,706	\$ 1,316,820	\$ 20,300	\$ 0	\$ (95,291)	\$ (95,291)	\$ 0	\$ 0	0
Lincoln County Board of Public Utilities	4,216,404	4,539,260	0	684,401	0	1,007,257	1,007,257	0	0	0
Lincoln County Sewer System	0	0	0	354,186	0	354,186	354,186	0	0	0
Total Business-type Activities	\$ 43,385,521	\$ 42,275,966	\$ 1,316,820	\$ 1,058,887	\$ 0	\$ 1,266,152	\$ 1,266,152	\$ 0	\$ 0	0
Total Primary Government	\$ 59,654,078	\$ 45,717,662	\$ 3,968,376	\$ 1,378,104	\$ (9,856,088)	\$ 1,266,152	\$ (8,589,936)	\$ 0	\$ 0	0
Component Units:										
Lincoln County School Department	\$ 33,776,831	\$ 850,518	\$ 4,009,022	\$ 281,397	\$ 0	\$ 0	\$ 0	\$ (28,635,894)	\$ 0	0
Emergency Communications District	516,146	433,997	0	116,171	0	0	0	0	0	34,022
Total Component Units	\$ 34,292,977	\$ 1,284,515	\$ 4,009,022	\$ 397,568	\$ 0	\$ 0	\$ 0	\$ (28,635,894)	\$ 0	34,022

(Continued)

Exhibit B

Lincoln County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Expenses	Program Revenues			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lincoln County School Department	Emergency Communications District	
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes		\$ 5,562,395	\$ 0	\$ 0	\$ 0	\$ 5,562,395	\$ 4,143,034	\$ 0	\$ 0	
Property Taxes Levied for Debt Service		16,053	0	0	0	16,053	0	0	0	
Local Option Sales Tax		1,740,496	0	0	0	1,740,496	2,689,090	0	0	
Other Local Taxes:										
Wheel Tax		2,178,926	0	0	0	2,178,926	0	0	0	
Business Tax		237,186	0	0	0	237,186	0	0	0	
Wholesale Beer Tax		0	0	0	0	0	100,391	0	0	
Litigation Tax - Special Purpose		97,218	0	0	0	97,218	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse		80,333	0	0	0	80,333	0	0	0	
Litigation Tax - General		82,245	0	0	0	82,245	0	0	0	
Litigation Tax - Courtroom Security		81,284	0	0	0	81,284	0	0	0	
Mineral Severance Tax		34,939	0	0	0	34,939	0	0	0	
Hotel/Motel Tax		57,905	0	0	0	57,905	0	0	0	
Other Local Taxes		2,909	0	0	0	2,909	2,624	0	0	
Grants and Contributions Not Restricted to Specific Programs		1,647,370	0	0	0	1,647,370	20,024,885	3,933	368	
Unrestricted Investment Earnings		29,994	69,888	0	0	99,882	595	0	0	
Miscellaneous		175,371	0	0	0	175,371	53,821	0	0	
Insurance Recovery		0	0	0	0	0	891,495	0	0	
Gain (Loss) on Disposal of Capital Assets		(21,401)	63,633	0	0	42,232	833,768	0	0	
Total General Revenues		\$ 12,003,223	\$ 133,521	\$ 12,136,744			\$ 28,739,703	\$ 4,301		
Change in Net Position		\$ 2,147,135	\$ 1,399,673	\$ 3,546,808			\$ 103,809	\$ 38,323		
Net Position, July 1, 2013		20,595,481	39,381,306	59,976,787			29,134,187	2,276,448		
Restatement - See Note VI.R.		0	(139,198)	(139,198)			0	0		
Net Position, June 30, 2014		\$ 22,742,616	\$ 40,641,781	\$ 63,384,397			\$ 29,237,996	\$ 2,314,771		

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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
ASSETS							
Equity in Pooled Cash and Investments	\$ 3,624,543	\$ 3,171,526	\$ 6,059,430	\$ 6,607,705	\$ 1,444,211	\$ 20,907,415	
Accounts Receivable	27,951	390	0	562	5,058	33,961	
Allowance for Uncollectibles	0	0	0	0	(3,421)	(3,421)	
Due from Other Governments	236,496	648,605	312,366	0	147,278	1,344,745	
Due from Other Funds	0	0	0	0	41,621	41,621	
Property Taxes Receivable	4,734,513	1,007,068	1,108,168	0	0	6,849,749	
Allowance for Uncollectible Property Taxes	(87,488)	(18,608)	(10,891)	0	0	(116,982)	
Prepaid Items	42,857	0	0	0	0	42,857	
Total Assets	\$ 8,578,877	\$ 4,808,981	\$ 7,469,073	\$ 6,608,267	\$ 1,634,747	\$ 29,099,945	

LIABILITIES

Accounts Payable	\$ 139,004	\$ 322,344	\$ 0	\$ 240	\$ 42,036	\$ 503,624
Accrued Payroll	111,742	13,537	0	0	2,959	128,238
Contracts Payable	0	345,712	0	81,944	0	427,656
Due to Other Funds	41,621	0	0	0	0	41,621
Due to Component Units	6,990	0	0	0	0	6,990
Due to State of Tennessee	4,716	0	0	0	0	4,716
Due to Cities	194,178	0	0	0	17,182	211,360
Total Liabilities	\$ 498,251	\$ 681,593	\$ 0	\$ 82,184	\$ 62,177	\$ 1,324,205

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$ 4,545,012	\$ 966,760	\$ 1,096,922	\$ 0	\$ 0	\$ 6,608,694
Deferred Delinquent Property Taxes	93,469	19,882	294	0	0	113,645

(Continued)

Exhibit C-1

Lincoln County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
Other Deferred/Unavailable Revenue	\$ 118,380	\$ 466,846	\$ 160,663	\$ 0	\$ 73,670	\$ 819,559	
Total Deferred Inflows of Resources	\$ 4,756,861	\$ 1,453,488	\$ 1,257,879	\$ 0	\$ 73,670	\$ 7,541,898	
<u>FUND BALANCES</u>							
Nonspendable:	\$ 42,857	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,857	
Prepaid Items	9,282	0	0	0	0	9,282	
Restricted:	10,270	0	0	0	0	10,270	
Restricted for General Government	234,895	0	0	0	0	234,895	
Restricted for Administration of Justice	14,887	0	0	0	303,455	318,342	
Restricted for Public Safety	53,217	0	0	0	1,195,445	1,248,662	
Restricted for Public Health and Welfare	0	2,673,900	0	0	0	2,673,900	
Restricted for Highways/Public Works	0	0	61,393	0	0	61,393	
Restricted for Debt Service	0	0	0	6,526,083	0	6,526,083	
Restricted for Capital Projects	265,748	0	0	0	0	265,748	
Committed:	0	0	6,149,801	0	0	6,149,801	
Committed for Capital Outlay	251,253	0	0	0	0	251,253	
Committed for Debt Service	3,594	0	0	0	0	3,594	
Assigned:	1,161	0	0	0	0	1,161	
Assigned for General Government	11,057	0	0	0	0	11,057	
Assigned for Administration of Justice	23,587	0	0	0	0	23,587	
Assigned for Public Safety	115	0	0	0	0	115	
Assigned for Public Health and Welfare	2,401,842	0	0	0	0	2,401,842	
Assigned for Other Operations	3,323,765	\$ 2,673,900	\$ 6,211,194	\$ 6,526,083	\$ 1,498,900	\$ 20,233,842	
Unassigned	8,578,877	\$ 4,808,981	\$ 7,469,073	\$ 6,608,267	\$ 1,634,747	\$ 29,099,945	
Total Fund Balances	\$ 8,578,877	\$ 4,808,981	\$ 7,469,073	\$ 6,608,267	\$ 1,634,747	\$ 29,099,945	

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

Exhibit C-2

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2014

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)		\$ 20,233,842
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 8,970,887	
Add: construction in progress	409,049	
Add: buildings and improvements net of accumulated depreciation	2,326,368	
Add: infrastructure net of accumulated depreciation	6,095,524	
Add: other capital assets net of accumulated depreciation	<u>2,962,151</u>	20,763,979
(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	\$ (178,000)	
Less: bonds payable	(18,145,000)	
Less: unamortized premium on debt	(60,843)	
Less: landfill closure/postclosure care costs	(214,978)	
Less: other postemployment benefits liability	(251,708)	
Less: compensated absences payable	(186,042)	
Less: accrued interest on note and bonds	<u>(151,838)</u>	(19,188,409)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>933,204</u>
Net position of governmental activities (Exhibit A)		<u>\$ 22,742,616</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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
Revenues							
Local Taxes	\$ 6,046,995	\$ 2,290,872	\$ 2,595,059	\$ 0	\$ 0	\$ 0	\$ 10,932,926
Licenses and Permits	93,567	0	0	0	0	0	93,567
Fines, Forfeitures, and Penalties	169,291	0	0	0	175,152	0	344,443
Charges for Current Services	93,952	0	0	0	883,133	0	977,085
Other Local Revenues	201,529	48,308	0	2,134	11,458	0	263,429
Fees Received from County Officials	1,416,433	0	0	0	0	0	1,416,433
State of Tennessee	1,955,209	1,888,135	0	0	28,799	0	3,872,143
Federal Government	142,615	0	0	0	0	0	142,615
Other Governments and Citizens Groups	445	0	0	0	0	0	445
Total Revenues	\$ 10,120,036	\$ 4,227,315	\$ 2,595,059	\$ 2,134	\$ 1,098,542	\$ 0	\$ 18,043,086
Expenditures							
Current:							
General Government	\$ 1,347,034	\$ 0	\$ 0	\$ 0	\$ 24	\$ 0	\$ 1,347,058
Finance	1,047,307	0	0	0	212	0	1,047,519
Administration of Justice	1,176,230	0	0	0	21,536	0	1,197,766
Public Safety	5,069,928	0	0	0	80,621	0	5,150,549
Public Health and Welfare	637,331	0	0	0	901,975	0	1,539,306
Social, Cultural, and Recreational Services	164,016	0	0	0	0	0	164,016
Agriculture and Natural Resources	155,198	0	0	0	0	0	155,198
Other Operations	941,134	0	0	16	0	0	941,150
Highways	0	3,920,035	0	0	0	0	3,920,035
Debt Service:							
Principal on Debt	0	0	1,416,000	0	0	0	1,416,000
Interest on Debt	0	0	676,376	0	0	0	676,376
Other Debt Service	0	0	26,997	0	0	0	26,997

(Continued)

Exhibit C-3

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
<u>Expenditures (Cont.)</u>							
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 361,385	\$ 0	\$ 0	\$ 361,385
Total Expenditures	\$ 10,538,178	\$ 3,920,035	\$ 2,119,373	\$ 361,401	\$ 1,004,368	\$ 1,004,368	\$ 17,943,355
Excess (Deficiency) of Revenues Over Expenditures	\$ (418,142)	\$ 307,280	\$ 475,686	\$ (359,267)	\$ 94,174	\$ 94,174	\$ 99,731
<u>Other Financing Sources (Uses)</u>							
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 7,000,000	\$ 0	\$ 0	\$ 7,000,000
Premiums on Debt Issued	0	0	0	61,760	0	0	61,760
Insurance Recovery	3,027	8,254	0	0	0	0	11,281
Transfers In	176,410	0	0	0	0	0	176,410
Transfers Out	0	0	0	(176,410)	0	0	(176,410)
Total Other Financing Sources (Uses)	\$ 179,437	\$ 8,254	\$ 0	\$ 6,885,350	\$ 0	\$ 0	\$ 7,073,041
Net Change in Fund Balances	\$ (238,705)	\$ 315,534	\$ 475,686	\$ 6,526,083	\$ 94,174	\$ 94,174	\$ 7,172,772
Fund Balance, July 1, 2013	3,562,470	2,358,366	5,735,508	0	1,404,726	1,404,726	13,061,070
Fund Balance, June 30, 2014	\$ 3,323,765	\$ 2,673,900	\$ 6,211,194	\$ 6,526,083	\$ 1,498,900	\$ 1,498,900	\$ 20,233,842

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, 2014

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)		\$ 7,172,772
(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	\$ 1,830,695	
Less: current-year depreciation expense	<u>(1,604,843)</u>	225,852
(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	\$ 151,303	
Less: book value of capital assets disposed	<u>(48,668)</u>	102,635
(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, 2013	\$ (636,268)	
Add: deferred delinquent property taxes and other deferred June 30, 2014	<u>933,204</u>	296,936
(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	\$ 1,360,000	
Add: principal payments on note	56,000	
Less: bond proceeds	(7,000,000)	
Less: change in premium on debt issuances	<u>(60,843)</u>	(5,644,843)
(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	\$ 9,030	
Change in landfill closure/postclosure care costs	11,952	
Change in other postemployment benefits liability	(16,524)	
Change in compensated absences payable	<u>(10,675)</u>	(6,217)
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,147,135</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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 6,046,995	\$ 0	\$ 0	\$ 6,046,995	\$ 5,669,298	\$ 5,711,511	\$ 335,484
Licenses and Permits	93,567	0	0	93,567	90,500	90,500	3,067
Fines, Forfeitures, and Penalties	169,291	0	0	169,291	157,216	161,587	7,704
Charges for Current Services	93,952	0	0	93,952	68,900	68,900	25,052
Other Local Revenues	201,529	0	0	201,529	169,413	169,413	32,116
Fees Received from County Officials	1,416,433	0	0	1,416,433	1,302,800	1,302,800	113,633
State of Tennessee	1,955,209	0	0	1,955,209	1,637,341	2,213,261	(258,052)
Federal Government	142,615	0	0	142,615	56,350	104,252	38,363
Other Governments and Citizens Groups	445	0	0	445	0	0	445
Total Revenues	\$ 10,120,036	\$ 0	\$ 0	\$ 10,120,036	\$ 9,151,818	\$ 9,822,224	\$ 297,812
Expenditures							
General Government							
County Commission	\$ 131,511	\$ 0	\$ 1,158	\$ 132,669	\$ 146,568	\$ 146,568	\$ 13,899
County Mayor/Executive	161,616	0	135	161,751	172,946	172,905	11,154
County Attorney	37,055	0	0	37,055	79,599	79,599	42,544
Election Commission	186,651	0	17,429	204,080	240,362	241,844	37,764
Register of Deeds	170,107	(588)	0	169,519	206,183	203,198	33,679
Planning	41,959	0	0	41,959	82,000	82,000	40,041
County Buildings	602,158	(715)	21,256	622,699	656,408	650,625	27,926
Preservation of Records	15,977	(2,335)	670	14,312	16,344	16,344	2,032
Finance							
Accounting and Budgeting	322,804	0	1,299	324,103	323,202	333,759	9,656
Property Assessor's Office	201,435	(873)	0	200,562	207,802	214,998	14,436
Reappraisal Program	84,596	0	0	84,596	95,686	91,656	7,060
County Trustee's Office	203,776	0	2,165	205,941	226,354	226,256	20,315
County Clerk's Office	234,696	(677)	129	234,148	247,743	245,838	11,690
Administration of Justice							
Circuit Court	490,080	(120)	655	490,615	485,314	513,114	22,499
General Sessions Court	161,107	0	0	161,107	166,104	166,046	4,939
Chancery Court	258,711	(1,730)	506	257,487	262,669	267,050	9,563

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Expenditures (Cont.)							
Administration of Justice (Cont.)							
Juvenile Court	\$ 167,906	\$ 0	\$ 0	\$ 167,906	\$ 157,717	\$ 167,043	\$ (863)
Judicial Commissioners	33,174	0	0	33,174	35,589	35,589	2,415
Courtroom Security	65,252	(9,239)	0	56,013	63,193	70,503	14,490
Public Safety							
Sheriff's Department	2,373,242	(1,013)	2,899	2,375,128	2,322,711	2,422,739	47,611
Special Patrols	30,000	0	0	30,000	0	24,230	(5,780)
Jail	2,126,354	(1,074)	3,054	2,128,334	2,006,940	2,184,835	56,501
Fire Prevention and Control	330,975	(63,156)	2,550	270,369	261,892	286,392	16,023
Civil Defense	209,357	(2,700)	2,555	209,212	183,524	221,495	12,283
Public Health and Welfare							
Local Health Center	442,068	(100)	975	442,943	453,065	593,225	150,282
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	9,158	0	0	9,158	9,158	409,158	400,000
Sanitation Management	121,355	0	0	121,355	121,939	121,939	584
Other Public Health and Welfare	25,750	0	0	25,750	25,750	25,750	0
Social, Cultural, and Recreational Services							
Adult Activities	14,350	0	0	14,350	14,350	14,350	0
Libraries	117,666	0	0	117,666	117,666	117,666	0
Parks and Fair Boards	32,000	0	0	32,000	32,000	32,000	0
Agriculture and Natural Resources							
Agricultural Extension Service	93,351	0	0	93,351	117,075	117,075	23,724
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	59,847	(100)	0	59,747	59,550	59,928	181
Other Operations							
Industrial Development	220,090	0	0	220,090	145,231	220,090	0
Other Economic and Community Development	344,758	0	0	344,758	78,148	401,717	56,959
Airport	12,887	0	0	12,887	16,637	16,637	3,750
Veterans' Services	26,036	0	115	26,151	22,161	29,661	3,510

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Contributions to Other Agencies	\$ 4,900	\$ 0	\$ 0	\$ 4,900	\$ 4,900	\$ 4,900	\$ 0
Miscellaneous	332,463	0	0	332,463	343,195	357,030	24,567
Total Expenditures	\$ 10,538,178	\$ (84,420)	\$ 57,550	\$ 10,511,308	\$ 10,248,675	\$ 11,626,742	\$ 1,115,434
Excess (Deficiency) of Revenues Over Expenditures	\$ (418,142)	\$ 84,420	\$ (57,550)	\$ (391,272)	\$ (1,096,857)	\$ (1,804,518)	\$ 1,413,246
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 3,027	\$ 0	\$ 0	\$ 3,027	\$ 0	\$ 0	\$ 3,027
Transfers In	176,410	0	0	176,410	0	176,410	0
Total Other Financing Sources	\$ 179,437	\$ 0	\$ 0	\$ 179,437	\$ 0	\$ 176,410	\$ 3,027
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ (238,705)	\$ 84,420	\$ (57,550)	\$ (211,835)	\$ (1,096,857)	\$ (1,628,108)	\$ 1,416,273
Fund Balance, June 30, 2014	\$ 3,562,470	\$ (84,420)	\$ 0	\$ 3,478,050	\$ 3,036,499	\$ 3,478,050	\$ 0
	\$ 3,323,765	\$ 0	\$ (57,550)	\$ 3,266,215	\$ 1,939,642	\$ 1,849,942	\$ 1,416,273

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Local Taxes	\$ 2,290,872	\$ 0	\$ 2,290,872	\$ 2,241,469	\$ 2,241,469	\$ 49,403
Other Local Revenues	48,308	0	48,308	13,000	13,000	35,308
State of Tennessee	1,888,135	0	1,888,135	1,824,071	2,361,046	(472,911)
Total Revenues	\$ 4,227,315	\$ 0	\$ 4,227,315	\$ 4,078,540	\$ 4,615,515	\$ (388,200)
Expenditures						
Highways						
Administration	\$ 206,459	\$ 0	\$ 206,459	\$ 226,836	\$ 226,836	\$ 20,377
Highway and Bridge Maintenance	2,110,130	(4,200)	2,105,930	2,310,261	2,397,761	291,831
Operation and Maintenance of Equipment	624,133	0	624,133	890,132	890,132	265,999
Quarry Operations	219,727	0	219,727	354,744	354,744	135,017
Other Charges	109,670	0	109,670	119,600	119,600	9,930
Employee Benefits	91,213	0	91,213	106,000	106,000	14,787
Capital Outlay	558,703	0	558,703	392,000	864,000	305,297
Total Expenditures	\$ 3,920,035	\$ (4,200)	\$ 3,915,835	\$ 4,399,573	\$ 4,959,073	\$ 1,043,238
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 307,280	\$ 4,200	\$ 311,480	\$ (321,033)	\$ (343,558)	\$ 655,038
Other Financing Sources (Uses)						
Insurance Recovery	\$ 8,254	\$ 0	\$ 8,254	\$ 0	\$ 0	\$ 8,254
Total Other Financing Sources	\$ 8,254	\$ 0	\$ 8,254	\$ 0	\$ 0	\$ 8,254
Net Change in Fund Balance	\$ 315,534	\$ 4,200	\$ 319,734	\$ (321,033)	\$ (343,558)	\$ 663,292
Fund Balance, July 1, 2013	2,358,366	(4,200)	2,354,166	1,843,980	2,354,166	0
Fund Balance, June 30, 2014	\$ 2,673,900	\$ 0	\$ 2,673,900	\$ 1,522,947	\$ 2,010,608	\$ 663,292

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, 2014

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,589,229	\$ 3,673,961	\$ 0	\$ 10,263,190
Equity in Pooled Cash and Investments	0	0	168,402	168,402
Restricted Cash	33,721	0	0	33,721
Accounts Receivable	7,098,781	317,260	0	7,416,041
Allowance for Uncollectibles	(1,855,296)	(2,200)	0	(1,857,496)
Due from Other Governments	0	0	39,600	39,600
Inventories	712,559	108,067	0	820,626
Prepaid Items	119,093	29,863	0	148,956
Other Assets	231,818	750	0	232,568
Total Current Assets	\$ 12,929,905	\$ 4,127,701	\$ 208,002	\$ 17,265,608
Noncurrent Assets:				
Restricted Cash	\$ 0	\$ 289,474	\$ 0	\$ 289,474
Special Funds	9,281,015	0	0	9,281,015
Long-term Portion of Note Receivable	132,284	0	0	132,284
Other Assets	152,995	0	0	152,995
Capital Assets (Net of Accumulated Depreciation):				
Land	1,131,254	527,695	0	1,658,949
Construction in Progress	39,768	2,456,072	172,004	2,667,844
Ground Improvements	1,418,833	0	0	1,418,833
Buildings and Improvements	11,721,439	21,219,435	0	32,940,874
Machinery and Equipment	2,657,158	0	0	2,657,158
Total Noncurrent Assets	\$ 26,534,746	\$ 24,492,676	\$ 172,004	\$ 51,199,426
Total Assets	\$ 39,464,651	\$ 28,620,377	\$ 380,006	\$ 68,465,034

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Amount on Refunding	\$ 427,532	\$ 0	\$ 0	\$ 427,532
Total Deferred Outflows of Resources	\$ 427,532	\$ 0	\$ 0	\$ 427,532
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 1,178,664	\$ 167,776	\$ 25,820	\$ 1,372,260
Accrued Liabilities	1,137,376	55,809	0	1,193,185
Advance Payments from Customers	0	25,800	0	25,800
Accrued Interest	63,515	16,331	0	79,846
Accrued Leave	1,028,049	9,704	0	1,037,753
Current Maturities of Long-term Debt	887,310	225,802	0	1,113,112
Patient Trust Funds	33,721	0	0	33,721
Customer Deposits	0	11,950	0	11,950
Total Current Liabilities	\$ 4,328,635	\$ 513,172	\$ 25,820	\$ 4,867,627
Noncurrent Liabilities:				
Long-term Debt	\$ 11,844,695	\$ 11,538,463	\$ 0	\$ 23,383,158
Total Noncurrent Liabilities	\$ 11,844,695	\$ 11,538,463	\$ 0	\$ 23,383,158
Total Liabilities	\$ 16,173,330	\$ 12,051,635	\$ 25,820	\$ 28,250,785
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 4,663,979	\$ 12,438,937	\$ 172,004	\$ 17,274,920
Restricted for Debt Service	1,083,772	277,524	0	1,361,296
Restricted for Other Purposes	68,878	0	0	68,878
Unrestricted	17,902,224	3,852,281	182,182	21,936,687
Total Net Position	\$ 23,718,853	\$ 16,568,742	\$ 354,186	\$ 40,641,781

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, 2014

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Operating Revenues</u>				
Charges for Current Services	\$ 36,653,089	\$ 4,539,260	\$ 0	\$ 41,192,349
Other Local Revenues	1,083,617	0	0	1,083,617
Total Operating Revenues	<u>\$ 37,736,706</u>	<u>\$ 4,539,260</u>	<u>\$ 0</u>	<u>\$ 42,275,966</u>
<u>Operating Expenses</u>				
Public Health and Welfare	\$ 36,669,129	\$ 2,882,401	\$ 0	\$ 39,551,530
Depreciation Expense	2,055,036	928,141	0	2,983,177
Total Operating Expenses	<u>\$ 38,724,165</u>	<u>\$ 3,810,542</u>	<u>\$ 0</u>	<u>\$ 42,534,707</u>
Operating Income (Loss)	<u>\$ (987,459)</u>	<u>\$ 728,718</u>	<u>\$ 0</u>	<u>\$ (258,741)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment Income	\$ 68,531	\$ 1,357	\$ 0	\$ 69,888
Interest Expense	(418,295)	(403,262)	0	(821,557)
Amortization	(26,657)	0	0	(26,657)
Debt Issuance Costs	0	(2,600)	0	(2,600)
Noncapital Grants and Contributions	1,316,820	0	0	1,316,820
Gain on Disposal of Capital Assets	63,633	0	0	63,633
Total Nonoperating Revenues (Expenses)	<u>\$ 1,004,032</u>	<u>\$ (404,505)</u>	<u>\$ 0</u>	<u>\$ 599,527</u>
Income Before Grants and Contributions	\$ 16,573	\$ 324,213	\$ 0	\$ 340,786
Capital Grants	0	684,401	117,200	801,601
Capital Contributions	20,300	0	236,986	257,286
Change in Net Position	<u>\$ 36,873</u>	<u>\$ 1,008,614</u>	<u>\$ 354,186</u>	<u>\$ 1,399,673</u>
Net Position, July 1, 2013	23,821,178	15,560,128	0	39,381,306
Restatement - See Note VI.R.	(139,198)	0	0	(139,198)
Net Position, June 30, 2014	<u>\$ 23,718,853</u>	<u>\$ 16,568,742</u>	<u>\$ 354,186</u>	<u>\$ 40,641,781</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, 2014

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Cash Flows from Operating Activities</u>				
Receipts from Customers and Users	\$ 38,660,657	\$ 4,475,416	\$ 0	\$ 43,136,073
Payments to Employees	(22,131,927)	(1,029,125)	0	(23,161,052)
Payments to Suppliers	(15,790,237)	(1,868,583)	0	(17,658,820)
Net Cash Provided By (Used In) Operating Activities	\$ 738,493	\$ 1,577,708	\$ 0	\$ 2,316,201
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition/Construction of Capital Assets	\$ (530,313)	\$ (2,255,854)	\$ (146,184)	\$ (2,932,351)
Principal Advances on Bond Anticipation Notes	0	1,632,555	0	1,632,555
Principal Payments on Long-term Debt	(871,819)	(163,145)	0	(1,034,964)
Interest Payments on Long-term Debt	(409,440)	(480,550)	0	(889,990)
Issue Costs Paid	0	(2,600)	0	(2,600)
Capital Grants	0	684,401	77,600	762,001
Capital Contributions	20,300	0	236,986	257,286
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (1,791,272)	\$ (585,193)	\$ 168,402	\$ (2,208,063)
<u>Cash Flows from Noncapital Financing Activities</u>				
Noncapital Grants	\$ 1,316,820	\$ 0	\$ 0	\$ 1,316,820
Net Cash Provided By (Used In) Noncapital Financing Activities	\$ 1,316,820	\$ 0	\$ 0	\$ 1,316,820
<u>Cash Flows from Investing Activities</u>				
Investment Income	\$ 83,676	\$ 1,357	\$ 0	\$ 85,033
Increase in Special Funds	(51,756)	0	0	(51,756)
Net Cash Provided By (Used In) Investing Activities	\$ 31,920	\$ 1,357	\$ 0	\$ 33,277
Net Increase (Decrease) in Cash	\$ 295,961	\$ 993,872	\$ 168,402	\$ 1,458,235
Cash, July 1, 2013	6,293,268	2,969,563	0	9,262,831
Cash, June 30, 2014	\$ 6,589,229	\$ 3,963,435	\$ 168,402	\$ 10,721,066

(Continued)

Exhibit D-3

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

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>				
Operating (Loss) Income	\$ (987,459)	\$ 728,718	\$ 0	\$ (258,741)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Depreciation Expense	2,055,036	928,141	0	2,983,177
Provision for Bad Debts	4,147,133	0	0	4,147,133
Provision for Note Receivable Arrangements	139,902	0	0	139,902
Investment in Insurance Funds, Net	7,920	0	0	7,920
(Increase) Decrease in Accounts Receivable	(4,670,590)	(63,264)	0	(4,733,854)
(Increase) Decrease in Other Receivables	111,604	0	0	111,604
(Increase) Decrease in Inventories	615	7,598	0	8,213
(Increase) Decrease in Prepaid Items	88,824	(25,572)	0	63,252
(Increase) Decrease in Other Assets	(78,923)	0	0	(78,923)
Increase (Decrease) in Accounts Payable	(38,637)	(4,497)	0	(43,134)
Increase (Decrease) in Customer Deposits	0	(580)	0	(580)
Increase (Decrease) in Accrued Leave	0	271	0	271
Increase (Decrease) in Accrued Liabilities	(36,932)	6,893	0	(30,039)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 738,493</u>	<u>\$ 1,577,708</u>	<u>\$ 0</u>	<u>\$ 2,316,201</u>
<u>Reconciliation of Cash With Statement of Net Position</u>				
Cash Per Net Position	\$ 6,589,229	\$ 3,673,961	\$ 0	\$ 10,263,190
Equity in Pooled Cash and Investments	0	0	168,402	168,402
Noncurrent Assets: Restricted Cash Per Net Position	0	289,474	0	289,474
Cash, June 30, 2014	<u>\$ 6,589,229</u>	<u>\$ 3,963,435</u>	<u>\$ 168,402</u>	<u>\$ 10,721,066</u>
<u>Noncash Investing, Capital, and Financing Activities</u>				
Capital Assets Financed in Accounts Payable	\$ 131,233	\$ 0	\$ 25,820	\$ 157,053
Water Interim Certificates of Indebtedness Refinanced	0	4,827,000	0	4,827,000

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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,030,672
Equity in Pooled Cash and Investments	488,490
Investments	89,083
Accounts Receivable	8,302
Due from Other Governments	537,620
Property Taxes Receivable	1,197,405
Allowance for Uncollectible Property Taxes	<u>(24,696)</u>
Total Assets	<u>\$ 4,326,876</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,755
Accrued Payroll	1,971
Due to Other Taxing Units	1,791,495
Due to Litigants, Heirs, and Others	2,206,775
Due to Joint Ventures	<u>321,880</u>
Total Liabilities	<u>\$ 4,326,876</u>

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

LINCOLN COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	37
B. Government-wide and Fund Financial Statements	38
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	41
2. Receivables and Payables	42
3. Inventories and Prepaid Items	43
4. Capital Assets	43
5. Deferred Outflows/Inflows of Resources	44
6. Compensated Absences	45
7. Long-term Obligations	45
8. Net Position and Fund Balance	46
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	48
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	48
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	48
B. Cash Shortage	49
C. Expenditures Exceeded Appropriations	49
IV. Detailed Notes on All Funds	
A. Deposits and Investments	50
B. Capital Assets	51
C. Impairment Losses for Capital Assets and Insurance Recoveries	54
D. Interfund Receivables, Payables, and Transfers	55
E. Long-term Obligations	56
F. On-Behalf Payments	59

LINCOLN COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

Note	Page(s)
V. Other Information	
A. Risk Management	60
B. Accounting Changes	61
C. Subsequent Events	61
D. Contingent Liabilities	61
E. Landfill Postclosure Care Costs	61
F. Joint Ventures	62
G. Retirement Commitments	64
H. Other Postemployment Benefits (OPEB)	67
I. Office of Central Accounting, Budgeting, and Purchasing	70
J. Purchasing Law	70
VI. Other Notes - Lincoln County Health System (Enterprise Fund)	70
VII. Other Notes - Lincoln County Board of Public Utilities (Enterprise Fund)	88
VIII. Other Notes - Discretely Presented Lincoln County Emergency Communications District	99

LINCOLN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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
414 Jay Street
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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2014.

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 three proprietary funds (all 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.

Proprietary and 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.

General Capital Projects Fund – This fund is used to account for general capital expenditures of the county.

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.

Lincoln County Sewer System Fund – This fund accounts for wastewater 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, except in the Lincoln County Health Services business-type activities.

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, 2014, Lincoln County had \$10,541,950 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.

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

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the General Capital Projects Fund, which adopts project length budgets. 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.

At June 30, 2014, the Lincoln County School Department reported a significant encumbrance of \$137,132 in the General Purpose School Fund for the purchase of school buses.

B. Cash Shortage

A theft of \$290 from the Office of Register of Deeds was reported to the state Comptroller's Office on May 21, 2014. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Juvenile Court	\$ 863
Special Patrols	5,780

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2014, Lincoln County had the following investments carried at amortized cost. Nonpooled investments in the Constitutional Officers - Agency Fund are by court order and at the request of a litigant. These investments do not expose the county to any risk; therefore, further disclosure is not required.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
Nonpooled:		
Constitutional Officers - Agency Fund:		
Clerk and Master:		
Long-term Certificates of Deposit	10-12-40	\$ 88,397
Mutual Funds	none	<u>686</u>
Total Nonpooled		<u><u>\$ 89,083</u></u>

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 8,919,087	\$ 55,800	\$ (4,000)	\$ 8,970,887
Construction in Progress	28,236	419,976	(39,163)	409,049
Total Capital Assets Not Depreciated	<u>\$ 8,947,323</u>	<u>\$ 475,776</u>	<u>\$ (43,163)</u>	<u>\$ 9,379,936</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,534,524	\$ 25,158	\$ 0	\$ 9,559,682
Infrastructure	22,813,911	514,381	0	23,328,292
Other Capital Assets	7,966,215	1,005,846	(752,684)	8,219,377
Total Capital Assets Depreciated	<u>\$ 40,314,650</u>	<u>\$ 1,545,385</u>	<u>\$ (752,684)</u>	<u>\$ 41,107,351</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,877,108	\$ 356,206	\$ 0	\$ 7,233,314
Infrastructure	16,541,530	691,238	0	17,232,768
Other Capital Assets	5,407,843	557,399	(708,016)	5,257,226
Total Accumulated Depreciation	<u>\$ 28,826,481</u>	<u>\$ 1,604,843</u>	<u>\$ (708,016)</u>	<u>\$ 29,723,308</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,488,169</u>	<u>\$ (59,458)</u>	<u>\$ (44,668)</u>	<u>\$ 11,384,043</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,435,492</u>	<u>\$ 416,318</u>	<u>\$ (87,831)</u>	<u>\$ 20,763,979</u>

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

Governmental Activities:

General Government	\$ 110,445
Administration of Justice	6,305
Public Safety	502,580
Public Health and Welfare	118,774
Agriculture and Natural Resources	19,377
Highways/Public Works	<u>847,362</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,604,843</u></u>

**Business-type Activities - Lincoln County Sewer System
(Does Not Include County Health System or Lincoln County Board
of Public Utilities)**

	Balance 7-1-13	Increases	Balance 6-30-14
	<hr/>		
Capital Assets Not Depreciated:			
Construction in Progress	\$ 0	\$ 172,004	\$ 172,004
Total Capital Assets Not Depreciated	<u>\$ 0</u>	<u>\$ 172,004</u>	<u>\$ 172,004</u>
 Total Capital Assets Depreciated, Net	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>
 Business-type Activities Capital Assets, Net	 <u><u>\$ 0</u></u>	 <u><u>\$ 172,004</u></u>	 <u><u>\$ 172,004</u></u>

Discretely Presented Lincoln County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 957,984	\$ 0	\$ 0	\$ 957,984
Construction in Progress	0	3,680,462	0	3,680,462
Total Capital Assets Not Depreciated	<u>\$ 957,984</u>	<u>\$ 3,680,462</u>	<u>\$ 0</u>	<u>\$ 4,638,446</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 41,338,555	\$ 162,738	\$ (5,052,836)	\$ 36,448,457
Other Capital Assets	6,328,799	841,334	(740,856)	6,429,277
Total Capital Assets Depreciated	<u>\$ 47,667,354</u>	<u>\$ 1,004,072</u>	<u>\$ (5,793,692)</u>	<u>\$ 42,877,734</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 22,203,077	\$ 1,248,180	\$ (2,224,994)	\$ 21,226,263
Other Capital Assets	2,892,411	504,473	(604,351)	2,792,533
Total Accumulated Depreciation	<u>\$ 25,095,488</u>	<u>\$ 1,752,653</u>	<u>\$ (2,829,345)</u>	<u>\$ 24,018,796</u>
Total Capital Assets Depreciated, Net	<u>\$ 22,571,866</u>	<u>\$ (748,581)</u>	<u>\$ (2,964,347)</u>	<u>\$ 18,858,938</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,529,850</u>	<u>\$ 2,931,881</u>	<u>\$ (2,964,347)</u>	<u>\$ 23,497,384</u>

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

Governmental Activities:

Support Services	\$ 468,277
Operation of Non-instructional Services	<u>1,284,376</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,752,653</u></u>

C. Impairment Losses for Capital Assets and Insurance Recoveries

A tornado struck the South Lincoln Elementary School building on April 28, 2014, causing severe structural damage. GASB Statement No. 42 requires disclosure and recognition of asset impairments when events like

this happen. The building's carrying value at the time of the tornado was \$2,827,843. Auditors were unable to obtain reliable information about the total estimated cost to restore the building or the total estimated amount of insurance recovery that might be expected because of the impairment.

Consequently, the accounting entry for the impairment gain or loss required by GASB Statement No. 42 has not been recorded as of June 30, 2014. Some entries related to the building restoration were known and have been recorded in the government-wide and fund financial statements. The remaining accounting entries to record the asset impairment, building restoration, insurance recovery, and impairment gain or loss will be recorded subsequently when the relevant information is available. All transactions related to the project are being handled externally by a third-party contractor hired through the school system's insurance carrier.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Nonmajor governmental	General	\$ 41,621
Component Unit:		
General Purpose School	Nonmajor governmental	11,478

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Component Unit:	Primary Government:	
General Purpose School	General	\$ 6,990

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

Transfer Out	Transfer In General Fund
General Capital Projects Fund	\$ 176,410

Discretely Presented Lincoln County School Department

Transfer Out	Transfer In Nonmajor Governmental Fund
General Purpose School Fund	\$ 50,000

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

The School Department made a one-time transfer of \$50,000 from the General Purpose School Fund to the School Federal Projects Fund to provide cash flow for operations.

E. Long-term Obligations

Primary Government (excluding the Lincoln County Health System and the 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, 2014, will be retired from the General Debt Service Fund.

General obligation bonds and the capital outlay note outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds - Refunding	3.9 to 5.25 %	5-1-21	\$ 21,235,000	\$ 11,395,000
General Obligation Bonds	3.25	6-1-34	7,000,000	6,750,000
Capital Outlay Note	2.545	5-1-17	391,000	178,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
2015	\$ 58,000	\$ 4,812	\$ 62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 178,000	\$ 9,943	\$ 187,943

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 2,065,000	\$ 768,098	\$ 2,833,098
2016	2,125,000	672,420	2,797,420
2017	2,240,000	573,725	2,813,725
2018	2,050,000	469,286	2,519,286
2019	2,010,000	375,021	2,385,021
2020-2024	3,785,000	941,474	4,726,474
2025-2029	1,760,000	551,395	2,311,395
2030-2034	2,110,000	238,500	2,348,500
Total	\$ 18,145,000	\$ 4,589,919	\$ 22,734,919

There is \$6,211,194 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the note totaled \$549, 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 the Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Other Postemployment Benefits
Balance, July 1, 2013	\$ 12,505,000	\$ 234,000	\$ 235,184
Additions	7,000,000	0	19,242
Reductions	(1,360,000)	(56,000)	(2,718)
Balance, June 30, 2014	<u>\$ 18,145,000</u>	<u>\$ 178,000</u>	<u>\$ 251,708</u>
Balance Due Within One Year	<u>\$ 2,065,000</u>	<u>\$ 58,000</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2013	\$ 175,367	\$ 226,930
Additions	142,673	3,177
Reductions	(131,998)	(15,129)
Balance, June 30, 2014	<u>\$ 186,042</u>	<u>\$ 214,978</u>
Balance Due Within One Year	<u>\$ 167,438</u>	<u>\$ 8,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 18,975,728
Less: Balances Due Within One Year	(2,298,438)
Add: Unamortized Premium on Debt	<u>60,843</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,738,133</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, 2014, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 32,276	\$ 785,965
Additions	49,531	166,810
Reductions	(47,342)	(199,571)
Balance, June 30, 2014	<u>\$ 34,465</u>	<u>\$ 753,204</u>
Balance Due Within One Year	<u>\$ 34,465</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 787,669
Less: Balances Due Within One Year	<u>(34,465)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 753,204</u>

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

F. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the 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, 2014, were \$88,791 and \$30,982, 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. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On August 31, 2014, Peggy Bevels left the Office of County Mayor and was succeeded by William R. Newman, and Gail Corder left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Lisa Simmons.

D. Contingent Liabilities

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

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 \$214,978 reported as postclosure care liability at June 30, 2014, represents the county's share based on what it would cost to perform all postclosure care in 2014. 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 \$87,666 to the operations of the library during the year ended June 30, 2014.

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 \$12,887 to the operations of the airport during the year ended June 30, 2014.

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, 2014.

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 \$220,090 to the operations of the Industrial Development Board during the year ended June 30, 2014.

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, 2014.

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 Bedford, Giles, Franklin,
Moore 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, 2014, 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, 2014, Lincoln County’s annual pension cost of \$1,145,798 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
6-30-14	\$1,145,798	100%	\$0
6-30-13	1,163,367	100	0
6-30-12	1,214,403	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was \$44.59 million, and the actuarial value of assets was \$44.59 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$18.25 million, and the ratio of the UAAL to the covered payroll was zero.

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, 2014, 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, 2014, 2013, and 2012, were \$1,327,053, \$1,324,696, \$1,312,332, 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 health care 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 health care 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. Lincoln County and the School Department recognized expenditures of \$2,718 and \$199,571, respectively, for postemployment health care during the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 166,000	\$ 19,000
Interest on the NOPEBO	31,439	9,407
Adjustment to the ARC	(30,629)	(9,165)
Annual OPEB cost	\$ 166,810	\$ 19,242
Less: Amount of contribution	(199,571)	(2,718)
Increase/decrease in NOPEBO	\$ (32,761)	\$ 16,524
Net OPEB obligation, 7-1-13	785,965	235,184
Net OPEB obligation, 6-30-14	\$ 753,204	\$ 251,708

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 322,821	51%	\$ 638,041
6-30-13	"	325,431	55	785,965
6-30-14	"	166,810	120	753,204
6-30-12	Local Government Group	46,619	13	195,236
6-30-13	"	46,519	14	235,184
6-30-14	"	19,242	14	251,708

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

(dollars in thousands)	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 1,583	\$ 123
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,583	\$ 123
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 17,429	\$ 5,191
UAAL as a % of covered payroll	9%	2%

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, 2013, 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 health care cost trend rate was 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 the Lincoln Medical Center Auxiliary Gift Shop (auxiliary) and the Physician Practices. These cost centers are not separate legal entities, and they are subject to financial accountability to the committee. The Physician Practices are comprised of employed physicians. A summary of these cost center's assets, liabilities, net position, results of operations, and changes in net position is presented below as of June 30, 2014.

Condensed Statement of Net Position

	<u>Auxiliary</u>	<u>Physician Practices</u>
Assets		
Cash and Cash Equivalents	\$ 68,878	\$ 40,109
Accounts Receivable, Net of Allowance	0	59,170
	<u>\$ 68,878</u>	<u>\$ 99,279</u>
Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
Net Position		
Restricted	\$ 68,878	\$ 0
Unrestricted	0	99,279
	<u>\$ 68,878</u>	<u>\$ 99,279</u>

Condensed Statement of Revenues,
Expenses, and Changes in Net Position

	Auxiliary	Physician Practices
	<u> </u>	<u> </u>
Net Operating Revenue	\$ 23,252	\$ 847,962
Operating Expenses	(12,003)	(1,869,918)
Income (Loss) from Operations	<u>\$ 11,249</u>	<u>\$ (1,021,956)</u>
Nonoperating Revenues and (Expenses)	\$ (9,904)	\$ 27,140
Excess (Deficiency) Revenues Over Expenses	\$ 1,345	\$ (994,816)
Operating Transfers from Medical Center	0	1,016,942
Net Position, July 1, 2013	<u>67,533</u>	<u>77,153</u>
Net Position, June 30, 2014	<u>\$ 68,878</u>	<u>\$ 99,279</u>

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.

Special Funds – Special Funds 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, 2014.

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.

Debt Issue Costs – Costs of issuance other than insurance are charged to expense in the period incurred. Premiums and discounts realized on debt issuances are deferred and amortized over the terms of the respective debt using a method which approximates the effective interest method.

Amortization expense for debt premium/discount costs and debt refunding charges was \$26,657 for the year ended June 30, 2014.

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.

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 until that time. The health system has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of the old debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 until that time. The health system does not have any items that qualify for reporting in this category.

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 as well as any deferred outflows or inflows of resources attributable 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 debt service reserve is presented as a restricted component of net position. The reserve amount is in compliance with the required amount.

Operating Revenues and Expenses – The health system’s Statement of Revenues, Expenses, and Changes in Net Position 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 \$8,138,307 as of June 30, 2014, 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 \$1,060,449 for the year ended June 30, 2014.

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 29 percent and 31 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2014.

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, 2011.

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 53 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2014.

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 no contribution from an endowment fund for the year ended June 30, 2014, for patient care that would be included in net patient service revenue.

E. Deposits and Special Funds

The health system's carrying amount of deposits was \$6,589,229, and the bank balance was \$6,665,071 as of June 30, 2014. The health system's carrying amount for special funds, excluding an amount held under an indenture agreement, was \$8,230,964, and the bank balance was \$8,219,158 as of June 30, 2014. Bank balances totaling \$14,884,229 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool. 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, 2014, was \$1,083,772. 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, 2014:

Internally Designated for Capital Improvements, Insurance, and Debt Service	\$ 8,138,307
Restricted by Contributors	58,936
Held Under an Indenture Agreement	1,083,772
Held Under Patient Trust Fund Arrangements - Cash	33,721
Less: Amounts Reclassified to Meet Current Liabilities	<u>(33,721)</u>
Total	<u>\$ 9,281,015</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. There were no net advances to physicians for the year ended June 30, 2014. Net repayments, primarily from amortization of advances to physicians, totaled \$139,902 for the year ended June 30, 2014. As of June 30, 2014, net advances totaling \$132,284 were due under these arrangements.

G. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 773,754	\$ 57,500	\$ 0	\$ 831,254
Property Under Capitalized				
Lease	300,000	0	0	300,000
Construction in Progress	238,506	0	(198,738)	39,768
Total Capital Assets Not Depreciated	\$ 1,312,260	\$ 57,500	\$ (198,738)	\$ 1,171,022
Capital Assets Depreciated:				
Ground Improvements	\$ 2,308,042	\$ 135,992	\$ (4,212)	\$ 2,439,822
Buildings and Improvements	27,360,547	207,894	(11,325)	27,557,116
Equipment	16,220,965	458,898	(203,501)	16,476,362
Total Capital Assets Depreciated	\$ 45,889,554	\$ 802,784	\$ (219,038)	\$ 46,473,300
Less Accumulated Depreciation For:				
Ground Improvements	\$ (945,961)	\$ (79,240)	\$ 4,212	\$ (1,020,989)
Buildings and Improvements	(14,944,962)	(902,040)	11,325	(15,835,677)
Equipment	(12,948,949)	(1,073,756)	203,501	(13,819,204)
Total Accumulated Depreciation	\$ (28,839,872)	\$ (2,055,036)	\$ 219,038	\$ (30,675,870)
Capital Assets, Net	\$ 18,361,942	\$ (1,194,752)	\$ (198,738)	\$ 16,968,452

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, 2014, totaled \$2,055,036. Accumulated amortization for equipment under capital lease obligations was \$264,094 at June 30, 2014.

During the current year, the health system completed its construction project for renovation at the wellness center. The health system has ongoing construction projects for general improvements.

H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2014:

	Balance 7-1-13	Reductions	Balance 6-30-14	Due Within One Year
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%	\$ 4,885,000	\$ (10,000)	\$ 4,875,000	\$ 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%	1,545,000	(170,000)	1,375,000	170,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	141,982	(33,210)	108,772	35,788
Capital Lease Obligation, due in monthly installments of \$3,917 through August 2016, at an interest rate of 5.45%	132,528	(38,609)	93,919	41,522
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%	<u>6,735,000</u>	<u>(620,000)</u>	<u>6,115,000</u>	<u>630,000</u>
Total long-term debt	\$ 13,439,510	<u>\$ (871,819)</u>	\$ 12,567,691	<u>\$ 887,310</u>
Less current maturities of long-term debt	(871,819)		(887,310)	
Add unamortized bond premium	<u>182,714</u>		<u>164,314</u>	
Total noncurrent liabilities	<u>\$ 12,750,405</u>		<u>\$ 11,844,695</u>	

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, 2014, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2015	\$ 887,310	\$ 393,514
2016	908,222	367,901
2017	892,159	342,479
2018	870,000	320,305
2019	890,000	298,922
2020-2024	4,215,000	1,178,991
2025-2028	<u>3,905,000</u>	<u>418,740</u>
Total	<u>\$ 12,567,691</u>	<u>\$ 3,320,852</u>

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, 2014, \$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.

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) 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 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.

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, 2014, 2013, and 2012, were \$601,611, \$638,024, and \$679,037, 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 \$24,880 and \$107,442, respectively, for the year ended June 30, 2014.

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 \$100,000 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, 2014, the health system accrued \$306,099 for an estimated claims lag. Changes in the reported liability for 2014 resulted from the following:

Balance, 7-1-13	\$ 141,481
Current-year Claims and Settlements	2,289,325
Claim Payments	<u>(2,124,707)</u>
Balance, 6-30-14	<u>\$ 306,099</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2014, this internally designated cash, including interest earned, totaled \$158,700.

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, 2014:

Medicare	32 %
Medicaid	19
Other Third-party Payors	21
Patients	<u>28</u>
Total	<u>100 %</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 \$331,146 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 2014 were \$781,751. Total payments to QHR for 2014 were \$783,389, 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, 2014:

Year Ending June 30	Amount
2015	\$ 15,000
2016	15,000
2017	<u>13,750</u>
Total	<u>\$ 43,750</u>

Rental expense under all operating leases for 2014 totaled \$206,502.

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
2015	\$ 147,995
2016	<u>10,593</u>
Total	<u>\$ 158,588</u>

Rental income received for 2014 totaled \$271,744. 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>(1,310,087)</u>
Net Book Value	<u>\$ 2,259,412</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 amounts 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, 2014:

Assets, Cash, and Cash Equivalents	<u>\$ 34,548</u>
Unrestricted Net Position	<u>\$ 34,548</u>
Support and Revenue	\$ 24,600
Expenses	<u>(24,106)</u>
Deficiency of Support and Revenue Over Expenses	\$ 494
Unrestricted Net Position, July 1, 2013	<u>34,054</u>
Unrestricted Net Position, June 30, 2014	<u>\$ 34,548</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:

Operating Revenues	Current-Year		Remaining Pledge	
	Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year
\$ 37,736,706	\$ 987,148	2.6%	\$ 14,065,240	2028

P. Electronic Health Record Incentive Payments

The health system received \$1,286,782 in Medicare and Medicaid Electronic Health Record (EHR) unrestricted incentive payments for the year ended June 30, 2014, 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 \$580,000 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 27.5 percent to 38.4 percent of accounts receivable as of June 30, 2014 and 2013, respectively. Total net write-offs decreased \$1,719,954 to \$4,521,486 for 2014 from \$6,241,440 for 2013. The decrease was a result of the change in policy to issue a 40 percent discount to uninsured patients in compliance with *Tennessee Code Annotated*, Section 68-11-262. For fiscal year 2014, this discount totaled \$1,786,556. The health system has updated its charity care and uninsured discount policies during the fiscal year 2014.

The following schedule summarizes total revenues for the fiscal year ended June 30, 2014:

Patient Service Revenue (net of contractual allowances and discounts)	\$ 40,800,222
Provision for Bad Debt	<u>(4,147,133)</u>
Net Patient Revenue Less Provision for Bad Debt	\$ 36,653,089
Other Operating Revenue	<u>1,083,617</u>
Total Revenue	<u><u>\$ 37,736,706</u></u>

R. Restatement

The health system implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current period. This statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. Among these items, the statement requires debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement are to be applied retroactively by restating financial statements. The cumulative effect of applying this statement (\$139,198) has been reported as a restatement of beginning net position.

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

A. Summary of Significant Accounting Policies

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’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America and general practices of the utility industry. Revenues are recognized when earned, and expenses are recognized when incurred regardless of the timing of the related cash flow.

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 board distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from charges to customers for the provision of water and related services. Operating expenses include the purchased cost of these as well as costs to operate and maintain the various treatment, storage, transmission, and distribution systems plus general and administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Allowance for Uncollectible Accounts – The board provides an allowance for uncollectible receivables equal to the estimated loss that may be incurred in collection of water sales receivables when it is probable that a customer account will be uncollectible. Bad debts offset against water sales revenues in 2014 were \$35,630.

Materials and Supplies Inventories – Inventories are comprised of repair and maintenance supplies and extension materials. They are stated at the lower of average cost or replacement value.

Water Plant and Equipment – The board’s water plant capital assets are capitalized at cost at the time they become part of operations. Donated capital assets are recorded at estimated current cost of construction. Extensions and betterments are capitalized at cost.

Depreciation of capital assets is provided on a group straight-line basis over the estimated useful lives of the assets. 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. The board capitalizes

equipment additions with a cost in excess of \$500 and plant additions in excess of \$2,000.

The costs of maintenance, repairs and replacements of minor items of property are charged to expense accounts as incurred.

Capitalized Interest – Interest cost incurred, net of interest earned, on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest cost incurred in the current year totaled \$430,476. Of this, \$27,214 was capitalized with the remainder charged to expense.

Debt Issue Costs – Costs of issuance other than insurance are charged to expense in the period incurred. Premiums and discounts realized on debt issuances are deferred and amortized over the terms of the respective debt using a method, which approximates the effective interest method.

Compensated Absences – The cost of vacation benefits are recorded as expense when earned. Employees accrue vacation leave from one to three weeks annually based on years of service. Vacation leave not used is lost if not taken by each employee's anniversary date. The amount of accrued leave was \$9,704 at June 30, 2014, all of which was considered a current liability. Sick leave benefits are recorded as expense when used. 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.

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 until then. The board does not have any 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 until that time. The board does not have any items that qualify for reporting in this category.

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 represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction, or improvement of those assets as well as any deferred outflows or inflows of resources attributable 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 debt service reserve is presented as a restricted component of net position. The reserve amount is in compliance with the required amount.

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.

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 received as contributions or grants related to new line construction are reflected as capital contributions or grants.

Income Taxes and Tax Equivalentents – The board is an instrumentality of Lincoln County, Tennessee; therefore, it is exempt from the payment of federal and state income taxes.

Management 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. The most significant estimates relate to depreciation and the value of distribution lines contributed to the system.

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.

B. Capital Assets

The following is a summary of capital assets activity for the year ended June 30, 2014:

	Balance			Balance
	7-1-13	Additions	Disposals	6-30-14
Non-Depreciable:				
Land	\$ 527,695	\$ 0	\$ 0	\$ 527,695
Construction in Progress	260,150	2,195,922	0	2,456,072
Total Non-Depreciable Assets	<u>\$ 787,845</u>	<u>\$ 2,195,922</u>	<u>\$ 0</u>	<u>\$ 2,983,767</u>
Depreciable:				
Distribution Lines and Tanks	\$ 29,796,651	\$ 30,732	\$ 0	\$ 29,827,383
Wells and Treatment Plant	4,590,887	0	0	4,590,887
Buildings and Equipment	2,530,678	29,200	(45,505)	2,514,373
Total Depreciable Assets	<u>\$ 36,918,216</u>	<u>\$ 59,932</u>	<u>\$ (45,505)</u>	<u>\$ 36,932,643</u>
Total Capital Assets	<u>\$ 37,706,061</u>	<u>\$ 2,255,854</u>	<u>\$ (45,505)</u>	<u>\$ 39,916,410</u>

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

	Balance			Balance
	7-1-13	Additions	Disposals	6-30-14
Distribution Lines and Tanks	\$ 11,419,480	\$ 688,252	\$ 0	\$ 12,107,732
Wells and Treatment Plant	1,430,440	107,202	0	1,537,642
Buildings and Equipment	1,980,652	132,687	(45,505)	2,067,834
Total Depreciation	<u>\$ 14,830,572</u>	<u>\$ 928,141</u>	<u>\$ (45,505)</u>	<u>\$ 15,713,208</u>

At June 30, 2014, significant outstanding construction contract commitments totaled \$659,375.

C. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents for general use and special funds as of June 30, 2014:

Cash and Cash Equivalents for General Use	\$ 3,673,961
Special Funds - Restricted	
Externally Restricted	277,524
Internally Restricted	<u>11,950</u>
Total	<u>\$ 3,963,435</u>

Board cash consists of deposits in financial institutions with bank balances of \$3,984,109 and carrying amounts of \$3,963,435. Of the amounts on deposit,

\$3,723,009 is fully insured by the Federal Deposit Insurance Corporation (FDIC) or Tennessee Bank Collateral Pool, and \$239,926 is collateralized by securities pledged by the financial institution in the name of the board. The remaining \$500 is cash on hand.

State law limits investments by counties to federal obligations, certain other federally guaranteed obligations, or certain other highly rated instruments as well as certificates of deposit at state and federally chartered banks. The board has not adopted policies to further limit its deposits or investments.

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, 2014, were:

	Balance 6-30-14
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>11,950</u>
 Total	 <u>\$ 289,474</u>

D. 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, and 2010 debt 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, 2014.

The board had the following bonds and notes outstanding at June 30, 2014:

Water Revenue and Tax Bonds, Series 2010, issued March 6, 2014, due monthly to USDA in annual principal and interest amounts of \$205,056 through 2052 at 2.75%	\$ 4,809,153
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%	1,598,210
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%	1,223,373
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%	322,096
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%	927,917
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%	602,598
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>2,280,918</u>
Total	\$ 11,764,265
Less: current portion of long-term debt	<u>(225,802)</u>
Long-term portion, net	<u>\$ 11,538,463</u>

Changes in principal balances during the year ended June 30, 2014, are summarized as follows:

Beginning balance	\$ 10,294,855
Advances on interim certificate of indebtedness	1,632,555
Refinance interim certificate of indebtedness	(4,827,000)
Issuance of Water Revenue and Tax Bonds, Series 2010	4,827,000
Principal paid on bonds	<u>(163,145)</u>
Total	<u>\$ 11,764,265</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2015	\$ 225,802	\$ 441,830	\$ 667,632
2016	234,638	432,994	667,632
2017	244,507	423,125	667,632
2018	254,469	413,163	667,632
2019	264,858	402,774	667,632
2020-2024	1,495,811	1,842,331	3,338,142
2025-2029	1,831,806	1,506,356	3,338,162
2030-2034	2,247,005	1,091,155	3,338,160
2035-2039	1,915,614	651,347	2,566,961
2040-2044	1,473,183	350,781	1,823,964
2045-2049	1,044,392	142,766	1,187,158
2050-2052	532,180	20,561	552,741
Total	<u>\$ 11,764,265</u>	<u>\$ 7,719,183</u>	<u>\$ 19,483,448</u>

Certain of the board's bonds require establishment of sinking funds (as described in Note VII.C) and compliance with various covenants. The board is in compliance with these requirements at June 30, 2014.

E. 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, 2014, 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, 2014, the board's annual pension cost of \$89,791 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
6-30-14	\$ 89,791	100%	\$0
6-30-13	92,034	100	0
6-30-12	98,955	100	0

As of July 1, 2013, the most recent actuarial valuation date, the plan was 97.4 percent funded. The actuarial accrued liability for benefits was \$2.28 million and the actuarial value of the assets was \$2.22 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.04 million, and the ratio of the UAAL to the covered payroll was 5.69 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.

F. Risk Management

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2014, 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 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, 2014, is as follows:

Balance, June 30, 2013	\$ 799
Payments Made	(27,345)
Incurred Claims	<u>27,780</u>
Balance, June 30, 2014	<u>\$ 1,234</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.

G. Pledged Revenues

The board has pledged its revenues to secure its revenue bonds described in Note VII.D. The current year revenues, debt service, and future pledge commitment are presented as follows:

Operating Revenues	Current-Year Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Remaining Pledge Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year
\$ 4,539,260	\$ 670,909	14.8%	\$ 19,483,448	2052

H. 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, Tennessee. 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.

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, 2014, these sales totaled \$29,861, and accounts receivable at June 30, 2014, related to these sales were \$869.

J. 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, 2014, the board had purchased land for \$202,000, and had recorded construction in progress cost of \$174,768 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 three years.

At June 30, 2014, the board had incurred costs of \$2,281,304 on the Phase VI project, all of which is included in of construction in progress. The Phase V project totaling \$3,090,416 was completed and placed in service in 2013. These projects consist of the replacement of approximately 22 miles of waterline in Park City, Tennessee, and the surrounding area. Construction began in July 2011, and is expected to be completed by June 30, 2015. 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. The bond portion was closed on March 6, 2014, and principal and interest payments began in April 2014. Monthly debt service on the bond is \$17,088. The board also began making draws on the grant during 2014, drawing down \$684,401 during 2014. The board approved a monthly \$1.50 per customer rate increase in September 2010 to assist with debt service. The board is required to make monthly additions of \$29,000 to an asset management reserve to fund short-lived equipment and system costs when both projects are completed.

K. Contingency

During the year ended June 30, 2014, the Tennessee Comptroller issued a report that concluded that unauthorized pension contributions were made for both active and currently retired employees. The outcome of this matter cannot presently be determined.

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. 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 – 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, 2014, 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 10 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, 2014.

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 2014, 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, 2014, 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 \$2,900 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, which include salaries, taxes, and related benefits, by the city and county totaled \$693,047 for the year ended June 30, 2014.

D. Property and Equipment

Capital assets activity for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Increases	Balance 6-30-14
Land	\$ 208,327	\$ 0	\$ 208,327
Land Improvements	261,353	0	261,353
Building	599,767	0	599,767
Communication and Office Equipment	1,352,242	172,099	1,524,341
Vehicles	88,229	0	88,229
Total	<u>\$ 2,551,374</u>	<u>\$ 172,099</u>	<u>\$ 2,682,017</u>

The related activity for accumulated depreciation for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Increases	Balance 6-30-14
Land Improvements	\$ 50,960	\$ 18,038	\$ 68,998
Building	181,857	14,630	196,487
Communication Equipment	763,927	132,952	896,879
Vehicles	28,425	11,997	40,422
Total	<u>\$ 1,025,169</u>	<u>\$ 177,617</u>	<u>\$ 1,202,786</u>

Depreciation for the year ended June 30, 2014, totaled \$177,617.

E. Current Project

At June 30, 2014, the board had expended approximately \$46,500 on a project for the construction of a tower located near the communications center. Total project cost is expected to be approximately \$200,000 and will be funded by approximately \$17,000 from the Tennessee Emergency Communications Board with the remainder coming from board funds. The project is anticipated to be completed during the year ended June 30, 2015.

**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, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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	7-1-13	\$ 44,592	\$ 44,592	0	100 %	\$ 18,255	0 %
"	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
Primary Government - Business-type Activities							
Board of Public Utilities	7-1-13	2,224	2,283	59	97.4	1,044	5.69
"	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

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, 2014

(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	7-1-10	\$ 0	497	\$ 497	0 %	\$ 4,975	10 %
"	7-1-11	0	279	279	0	5,191	5
"	7-1-13	0	123	123	0	5,191	2
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	2,659	2,659	0	18,092	15
"	7-1-11	0	2,756	2,756	0	17,429	16
"	7-1-13	0	1,583	1,583	0	17,429	9

LINCOLN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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.

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 of deeds, and sheriff.

Exhibit G-1

Lincoln County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Funds</u>		Total
	Solid Waste / Sanitation	Drug Control	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,182,086	\$ 262,125	\$ 1,444,211
Accounts Receivable	5,058	0	5,058
Allowance for Uncollectibles	(3,421)	0	(3,421)
Due from Other Governments	147,278	0	147,278
Due from Other Funds	0	41,621	41,621
Total Assets	<u>\$ 1,331,001</u>	<u>\$ 303,746</u>	<u>\$ 1,634,747</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 41,745	\$ 291	\$ 42,036
Accrued Payroll	2,959	0	2,959
Due to Cities	17,182	0	17,182
Total Liabilities	<u>\$ 61,886</u>	<u>\$ 291</u>	<u>\$ 62,177</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 73,670	\$ 0	\$ 73,670
Total Deferred Inflows of Resources	<u>\$ 73,670</u>	<u>\$ 0</u>	<u>\$ 73,670</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety	\$ 0	\$ 303,455	\$ 303,455
Restricted for Public Health and Welfare	1,195,445	0	1,195,445
Total Fund Balances	<u>\$ 1,195,445</u>	<u>\$ 303,455</u>	<u>\$ 1,498,900</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,331,001</u>	<u>\$ 303,746</u>	<u>\$ 1,634,747</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, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Consti- tional Officers - Fees		
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 0	\$ 175,152	\$ 0	\$ 0	\$ 175,152
Charges for Current Services	861,361	0	21,772	0	883,133
Other Local Revenues	11,458	0	0	0	11,458
State of Tennessee	28,799	0	0	0	28,799
Total Revenues	\$ 901,618	\$ 175,152	\$ 21,772	\$ 0	\$ 1,098,542
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 24	\$ 0	\$ 24
Finance	0	0	212	0	212
Administration of Justice	0	0	21,536	0	21,536
Public Safety	0	80,621	0	0	80,621
Public Health and Welfare	901,975	0	0	0	901,975
Total Expenditures	\$ 901,975	\$ 80,621	\$ 21,772	\$ 0	\$ 1,004,368
Excess (Deficiency) of Revenues Over Expenditures	\$ (357)	\$ 94,531	\$ 0	\$ 0	\$ 94,174
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ (357)	\$ 94,531	\$ 0	\$ 0	\$ 94,174
Fund Balance, June 30, 2014	1,195,802	208,924	0	0	1,404,726
Fund Balance, June 30, 2014	\$ 1,195,445	\$ 303,455	\$ 0	\$ 0	\$ 1,498,900

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Charges for Current Services	\$ 861,361	0 \$	0 \$	861,361 \$	843,000 \$	843,000 \$	18,361
Other Local Revenues	11,458	0	0	11,458	8,000	8,000	3,458
State of Tennessee	28,799	0	0	28,799	15,000	27,749	1,050
Total Revenues	\$ 901,618	0 \$	0 \$	901,618 \$	866,000 \$	878,749 \$	22,869
Expenditures							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 38,966	0 \$	0 \$	38,966 \$	20,000 \$	45,213 \$	6,247
Convenience Centers	218,717	(28,077)	200	190,840	451,178	451,178	260,338
Other Waste Disposal	618,648	(9,420)	0	609,228	680,068	680,068	70,840
Postclosure Care Costs	25,644	0	0	25,644	50,000	65,000	39,356
Total Expenditures	\$ 901,975	(37,497) \$	200 \$	864,678 \$	1,201,246 \$	1,241,459 \$	376,781
Excess (Deficiency) of Revenues Over Expenditures	\$ (357) \$	37,497 \$	(200) \$	36,940 \$	(335,246) \$	(362,710) \$	399,650
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 1,195,802	37,497 \$	(200) \$	36,940 \$	(335,246) \$	(362,710) \$	399,650
		(37,497)	0	1,158,305	1,145,794	1,158,305	0
Fund Balance, June 30, 2014	\$ 1,195,445 \$	0 \$	(200) \$	1,195,245 \$	810,548 \$	795,595 \$	399,650

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 175,152 \$	0 \$	0 \$	175,152 \$	17,500 \$	17,500 \$	157,652
Total Revenues	\$ 175,152 \$	0 \$	0 \$	175,152 \$	17,500 \$	17,500 \$	157,652
<u>Expenditures</u>							
<u>Public Safety</u>							
Drug Enforcement	\$ 80,621 \$	(10,384) \$	4,480 \$	74,717 \$	37,000 \$	85,999 \$	11,282
Total Expenditures	\$ 80,621 \$	(10,384) \$	4,480 \$	74,717 \$	37,000 \$	85,999 \$	11,282
Excess (Deficiency) of Revenues Over Expenditures	\$ 94,531 \$	10,384 \$	(4,480) \$	100,435 \$	(19,500) \$	(68,499) \$	168,934
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 94,531 \$	10,384 \$	(4,480) \$	100,435 \$	(19,500) \$	(68,499) \$	168,934
	208,924	(10,384)	0	198,540	183,412	198,540	0
Fund Balance, June 30, 2014	\$ 303,455 \$	0 \$	(4,480) \$	298,975 \$	163,912 \$	130,041 \$	168,934

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,595,059	\$ 2,622,011	\$ 2,622,011	\$ (26,952)
Total Revenues	\$ 2,595,059	\$ 2,622,011	\$ 2,622,011	\$ (26,952)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 411,270	\$ 56,000	\$ 411,270	\$ 0
Education	1,004,730	1,110,000	1,004,730	0
<u>Interest on Debt</u>				
General Government	92,373	6,100	92,373	0
Education	584,003	621,665	584,003	0
<u>Other Debt Service</u>				
General Government	25,953	40,000	40,000	14,047
Education	1,044	5,000	5,000	3,956
Total Expenditures	\$ 2,119,373	\$ 1,838,765	\$ 2,137,376	\$ 18,003
Excess (Deficiency) of Revenues Over Expenditures	\$ 475,686	\$ 783,246	\$ 484,635	\$ (8,949)
Net Change in Fund Balance	\$ 475,686	\$ 783,246	\$ 484,635	\$ (8,949)
Fund Balance, July 1, 2013	5,735,508	5,767,968	5,735,508	0
Fund Balance, June 30, 2014	\$ 6,211,194	\$ 6,551,214	\$ 6,220,143	\$ (8,949)

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 of deeds, 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, 2014

	Agency Funds						Total
	Cities - Sales Tax	City School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency	District Attorney General		
ASSETS							
Cash	\$ 0	\$ 0	\$ 1,883	\$ 2,028,789	\$ 0	\$ 0	2,030,672
Equity in Pooled Cash and Investments	0	93,536	306,915	0	88,039	0	488,490
Investments	0	0	0	89,083	0	0	89,083
Accounts Receivable	0	0	7,438	864	0	0	8,302
Due from Other Governments	322,715	202,535	12,370	0	0	0	537,620
Property Taxes Receivable	0	1,197,405	0	0	0	0	1,197,405
Allowance for Uncollectible Property Taxes	0	(24,696)	0	0	0	0	(24,696)
Total Assets	\$ 322,715	\$ 1,468,780	\$ 328,606	\$ 2,118,736	\$ 88,039	\$ 0	4,326,876
LIABILITIES							
Accounts Payable	\$ 0	\$ 0	\$ 4,755	\$ 0	\$ 0	\$ 0	4,755
Accrued Payroll	0	0	1,971	0	0	0	1,971
Due to Other Taxing Units	322,715	1,468,780	0	0	0	0	1,791,495
Due to Litigants, Heirs, and Others	0	0	0	2,118,736	88,039	0	2,206,775
Due to Joint Ventures	0	0	321,880	0	0	0	321,880
Total Liabilities	\$ 322,715	\$ 1,468,780	\$ 328,606	\$ 2,118,736	\$ 88,039	\$ 0	4,326,876

Exhibit I-2

Lincoln County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,764,582	\$ 1,764,582	\$ 0
Due from Other Governments	294,944	322,715	294,944	322,715
Total Assets	\$ 294,944	\$ 2,087,297	\$ 2,059,526	\$ 322,715
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 294,944	\$ 2,087,297	\$ 2,059,526	\$ 322,715
Total Liabilities	\$ 294,944	\$ 2,087,297	\$ 2,059,526	\$ 322,715
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 80,573	\$ 2,319,932	\$ 2,306,969	\$ 93,536
Due from Other Governments	174,416	202,535	174,416	202,535
Property Taxes Receivable	1,301,216	1,197,405	1,301,216	1,197,405
Allowance for Uncollectible Property Taxes	(22,531)	(24,696)	(22,531)	(24,696)
Total Assets	\$ 1,533,674	\$ 3,695,176	\$ 3,760,070	\$ 1,468,780
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,533,674	\$ 3,695,176	\$ 3,760,070	\$ 1,468,780
Total Liabilities	\$ 1,533,674	\$ 3,695,176	\$ 3,760,070	\$ 1,468,780
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 57	\$ 1,883	\$ 57	\$ 1,883
Equity in Pooled Cash and Investments	292,370	306,915	292,370	306,915
Accounts Receivable	3,574	7,438	3,574	7,438
Due from Other Governments	11,052	12,370	11,052	12,370
Total Assets	\$ 307,053	\$ 328,606	\$ 307,053	\$ 328,606
<u>Liabilities</u>				
Accounts Payable	\$ 8,200	\$ 4,755	\$ 8,200	\$ 4,755
Accrued Payroll	1,521	1,971	1,521	1,971
Due to Joint Ventures	297,332	321,880	297,332	321,880
Total Liabilities	\$ 307,053	\$ 328,606	\$ 307,053	\$ 328,606

(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	\$ 1,828,932	\$ 9,696,931	\$ 9,497,074	\$ 2,028,789
Investments	96,741	0	7,658	89,083
Accounts Receivable	2,320	864	2,320	864
Total Assets	\$ 1,927,993	\$ 9,697,795	\$ 9,507,052	\$ 2,118,736
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,927,993	\$ 9,697,795	\$ 9,507,052	\$ 2,118,736
Total Liabilities	\$ 1,927,993	\$ 9,697,795	\$ 9,507,052	\$ 2,118,736
<u>District Attorney General Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 81,261	\$ 19,969	\$ 13,191	\$ 88,039
Total Assets	\$ 81,261	\$ 19,969	\$ 13,191	\$ 88,039
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 81,261	\$ 19,969	\$ 13,191	\$ 88,039
Total Liabilities	\$ 81,261	\$ 19,969	\$ 13,191	\$ 88,039
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,828,989	\$ 9,698,814	\$ 9,497,131	\$ 2,030,672
Equity in Pooled Cash and Investments	454,204	4,411,398	4,377,112	488,490
Investments	96,741	0	7,658	89,083
Account Receivable	5,894	8,302	5,894	8,302
Due from Other Governments	480,412	537,620	480,412	537,620
Property Taxes Receivable	1,301,216	1,197,405	1,301,216	1,197,405
Allowance for Uncollectible Property Taxes	(22,531)	(24,696)	(22,531)	(24,696)
Total Assets	\$ 4,144,925	\$ 15,828,843	\$ 15,646,892	\$ 4,326,876
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 8,200	\$ 4,755	\$ 8,200	\$ 4,755
Accrued Payroll	1,521	1,971	1,521	1,971
Due to Other Taxing Units	1,828,618	5,782,473	5,819,596	1,791,495
Due to Litigants, Heirs, and Others	2,009,254	9,717,764	9,520,243	2,206,775
Due to Joint Ventures	297,332	321,880	297,332	321,880
Total Liabilities	\$ 4,144,925	\$ 15,828,843	\$ 15,646,892	\$ 4,326,876

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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 19,441,556	\$ 0	\$ 2,524,194	\$ 281,397	\$ (16,635,965)
Support Services	10,290,240	42,523	174,666	0	(10,073,051)
Operation of Non-instructional Services	4,045,035	807,995	1,310,162	0	(1,926,878)
Total Governmental Activities	\$ 33,776,831	\$ 850,518	\$ 4,009,022	\$ 281,397	\$ (28,635,894)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	4,143,034
Local Option Sales Tax					2,689,090
Wholesale Beer Tax					100,391
Other Local Taxes					2,624
Grants and Contributions Not Restricted to Specific Programs					20,024,885
Unrestricted Investment Earnings					595
Miscellaneous					53,821
Insurance Recovery					891,495
Gain on Sale of Capital Assets					833,768
Total General Revenues				\$	\$ 28,739,703
Change in Net Position				\$	103,809
Net Position, July 1, 2013					29,134,187
Net Position, June 30, 2014				\$	\$ 29,237,996

Exhibit J-2

Lincoln County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,040	\$ 1,040
Equity in Pooled Cash and Investments	5,338,004	542,080	5,880,084
Inventories	0	35,443	35,443
Accounts Receivable	3,390,382	16,024	3,406,406
Due from Other Governments	962,720	35,584	998,304
Due from Other Funds	11,478	0	11,478
Due from Primary Government	6,990	0	6,990
Property Taxes Receivable	3,468,911	0	3,468,911
Allowance for Uncollectible Property Taxes	(71,545)	0	(71,545)
Prepaid Items	545,391	0	545,391
Total Assets	<u>\$ 13,652,331</u>	<u>\$ 630,171</u>	<u>\$ 14,282,502</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 603,663	\$ 4,964	\$ 608,627
Accrued Payroll	826,353	102,798	929,151
Contracts Payable	2,900,000	0	2,900,000
Due to Other Funds	0	11,478	11,478
Total Liabilities	<u>\$ 4,330,016</u>	<u>\$ 119,240</u>	<u>\$ 4,449,256</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,304,965	\$ 0	\$ 3,304,965
Deferred Delinquent Property Taxes	82,090	0	82,090
Other Deferred/Unavailable Revenue	507,818	0	507,818
Total Deferred Inflows of Resources	<u>\$ 3,894,873</u>	<u>\$ 0</u>	<u>\$ 3,894,873</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 35,443	\$ 35,443
Prepaid Items	545,391	0	545,391
Restricted:			
Restricted for Instruction	89,602	303	89,905
Restricted for Operation of Non-instructional Services	0	288,183	288,183
Committed:			
Committed for Instruction	23,951	187,002	210,953
Assigned:			
Assigned for Instruction	64,797	0	64,797
Assigned for Support Services	207,971	0	207,971
Assigned for Operation of Non-instructional Services	2,329	0	2,329
Assigned for Capital Outlay	42,495	0	42,495
Unassigned	4,450,906	0	4,450,906
Total Fund Balances	<u>\$ 5,427,442</u>	<u>\$ 510,931</u>	<u>\$ 5,938,373</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,652,331</u>	<u>\$ 630,171</u>	<u>\$ 14,282,502</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, 2014

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)		\$ 5,938,373
(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: construction in progress	3,680,462	
Add: building and improvements net of accumulated depreciation	15,222,194	
Add: other capital assets net of accumulated depreciation	<u>3,636,744</u>	23,497,384
(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	\$ (753,204)	
Less: compensated absences payable	<u>(34,465)</u>	(787,669)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>589,908</u>
Net position of governmental activities (Exhibit A)		<u>\$ 29,237,996</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, 2014

	<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	\$ 6,939,657	\$ 0	\$ 6,939,657
Licenses and Permits	2,251	0	2,251
Charges for Current Services	54,929	795,589	850,518
Other Local Revenues	69,233	6,361	75,594
State of Tennessee	20,989,320	0	20,989,320
Federal Government	15,107	3,477,012	3,492,119
Other Governments and Citizens Groups	6,827	0	6,827
Total Revenues	<u>\$ 28,077,324</u>	<u>\$ 4,278,962</u>	<u>\$ 32,356,286</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 17,232,193	\$ 1,361,191	\$ 18,593,384
Support Services	9,008,747	829,049	9,837,796
Operation of Non-instructional Services	1,200,675	2,195,676	3,396,351
Capital Outlay	4,911,753	0	4,911,753
Total Expenditures	<u>\$ 32,353,368</u>	<u>\$ 4,385,916</u>	<u>\$ 36,739,284</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,276,044)</u>	<u>\$ (106,954)</u>	<u>\$ (4,382,998)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 4,664,197	\$ 0	\$ 4,664,197
Transfers In	0	50,000	50,000
Transfers Out	(50,000)	0	(50,000)
Total Other Financing Sources (Uses)	<u>\$ 4,614,197</u>	<u>\$ 50,000</u>	<u>\$ 4,664,197</u>
Net Change in Fund Balances	\$ 338,153	\$ (56,954)	\$ 281,199
Fund Balance, July 1, 2013	5,089,289	567,885	5,657,174
Fund Balance, June 30, 2014	<u>\$ 5,427,442</u>	<u>\$ 510,931</u>	<u>\$ 5,938,373</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, 2014

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)		\$ 281,199
(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	\$ 4,684,534	
Less: current-year depreciation expense	<u>(1,752,653)</u>	2,931,881
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(2,964,347)
(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, 2013	\$ (765,404)	
Add: deferred delinquent property taxes and other deferred June 30, 2014	<u>589,908</u>	(175,496)
(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	\$ 32,761	
Change in compensated absences payable	<u>(2,189)</u>	<u>30,572</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 103,809</u>

Lincoln County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2014

	<u>Special Revenue Funds</u>				<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Extended</u> <u>School</u> <u>Program</u>		
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,040	\$ 0	\$ 0	1,040
Equity in Pooled Cash and Investments	144,567	318,553	78,960		542,080
Inventories	0	35,443	0		35,443
Accounts Receivable	0	7,305	8,719		16,024
Due from Other Governments	35,584	0	0		35,584
Total Assets	\$ 180,151	\$ 362,341	\$ 87,679	\$	630,171
<u>LIABILITIES</u>					
Accounts Payable	\$ 3,847	\$ 440	\$ 677	\$	4,964
Accrued Payroll	64,523	38,275	0		102,798
Due to Other Funds	11,478	0	0		11,478
Total Liabilities	\$ 79,848	\$ 38,715	\$ 677	\$	119,240
<u>FUND BALANCES</u>					
Nonspendable:					
Inventory	\$ 0	\$ 35,443	\$ 0	\$	35,443
Restricted:					
Restricted for Instruction	303	0	0		303
Restricted for Operation of Non-instructional Services	0	288,183	0		288,183
Committed:					
Committed for Instruction	100,000	0	87,002		187,002
Total Fund Balances	\$ 100,303	\$ 323,626	\$ 87,002	\$	510,931
Total Liabilities and Fund Balances	\$ 180,151	\$ 362,341	\$ 87,679	\$	630,171

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, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program		
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 692,584	\$ 103,005	\$	795,589
Other Local Revenues	0	6,361	0	0	6,361
Federal Government	2,179,050	1,297,962	0	0	3,477,012
Total Revenues	\$ 2,179,050	\$ 1,996,907	\$ 103,005	\$	4,278,962
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,361,191	0	0	0	1,361,191
Support Services	829,049	0	0	0	829,049
Operation of Non-instructional Services	0	2,105,312	90,364	0	2,195,676
Total Expenditures	\$ 2,190,240	\$ 2,105,312	\$ 90,364	\$	4,385,916
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,190)	\$ (108,405)	\$ 12,641	\$	(106,954)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 50,000	0	0	0	50,000
Total Other Financing Sources (Uses)	\$ 50,000	\$ 0	\$ 0	\$	50,000
Net Change in Fund Balances	\$ 38,810	\$ (108,405)	\$ 12,641	\$	(56,954)
Fund Balance, July 1, 2013	61,493	432,031	74,361		567,885
Fund Balance, June 30, 2014	\$ 100,303	\$ 323,626	\$ 87,002	\$	510,931

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 6,939,657	\$ 0	\$ 0	\$ 6,939,657	\$ 6,876,268	\$ 6,876,268	\$ 63,389
Licenses and Permits	2,251	0	0	2,251	1,900	1,900	351
Charges for Current Services	54,929	0	0	54,929	95,338	95,338	(40,409)
Other Local Revenues	69,233	0	0	69,233	28,825	51,131	18,102
State of Tennessee	20,989,320	0	0	20,989,320	19,591,838	20,899,123	90,197
Federal Government	15,107	0	0	15,107	0	0	15,107
Other Governments and Citizens Groups	6,827	0	0	6,827	10,703	10,703	(3,876)
Total Revenues	\$ 28,077,324	\$ 0	\$ 0	\$ 28,077,324	\$ 26,604,872	\$ 27,934,463	\$ 142,861
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 13,868,918	\$ (1,788)	\$ 63,055	\$ 13,930,185	\$ 14,646,140	\$ 14,496,381	\$ 566,196
Alternative Instruction Program	181,069	0	0	181,069	220,849	220,849	39,780
Special Education Program	1,979,597	(1,195)	0	1,978,402	2,000,128	2,042,053	63,651
Vocational Education Program	1,152,813	(2,014)	1,741	1,152,540	1,203,296	1,228,031	75,491
Student Body Education Program	49,796	0	0	49,796	101,338	101,338	51,542
<u>Support Services</u>							
Attendance	147,337	0	0	147,337	147,751	151,336	3,999
Health Services	234,992	0	0	234,992	254,689	254,689	19,697
Other Student Support	807,695	0	0	807,695	669,556	891,354	83,659
Regular Instruction Program	818,349	0	3,223	821,572	930,682	930,682	109,110
Special Education Program	78,033	0	0	78,033	75,939	86,149	8,116
Vocational Education Program	66,541	0	0	66,541	106,388	91,388	24,847
Other Programs	119,773	0	0	119,773	0	119,773	0
Board of Education	698,963	0	0	698,963	757,884	757,884	58,921
Director of Schools	264,578	(400)	0	264,178	297,485	292,485	28,307
Office of the Principal	1,335,131	0	0	1,335,131	1,307,566	1,383,746	48,615
Operation of Plant	1,971,063	0	0	1,971,063	2,249,131	2,261,631	290,568
Maintenance of Plant	751,432	(32,535)	27,342	746,239	803,769	809,729	63,490
Transportation	1,714,860	0	177,407	1,892,267	1,968,357	2,011,507	119,240

(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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 58,300	\$ 0	\$ 0	\$ 58,300	\$ 61,098	\$ 61,098	\$ 2,798
Community Services	317,076	0	0	317,076	10,703	327,051	9,975
Early Childhood Education	825,299	(3,065)	2,329	824,563	167,734	855,385	30,822
Capital Outlay							
Regular Capital Outlay	4,911,753	(67,135)	42,495	4,887,113	681,600	5,237,165	350,052
Total Expenditures	\$ 32,353,368	\$ (108,132)	\$ 317,592	\$ 32,562,828	\$ 28,662,083	\$ 34,611,704	\$ 2,048,876
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,276,044)	\$ 108,132	\$ (317,592)	\$ (4,485,504)	\$ (2,057,211)	\$ (6,677,241)	\$ 2,191,737
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 4,664,197	\$ 0	\$ 0	\$ 4,664,197	\$ 0	\$ 4,583,345	\$ 80,852
Transfers Out	(50,000)	0	0	(50,000)	0	(50,000)	0
Total Other Financing Sources	\$ 4,614,197	\$ 0	\$ 0	\$ 4,614,197	\$ 0	\$ 4,533,345	\$ 80,852
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 338,153	\$ 108,132	\$ (317,592)	\$ 128,693	\$ (2,057,211)	\$ (2,143,896)	\$ 2,272,589
Fund Balance, July 1, 2013	\$ 5,089,289	(108,132)	0	4,981,157	4,306,646	4,981,157	0
Fund Balance, June 30, 2014	\$ 5,427,442	\$ 0	\$ (317,592)	\$ 5,109,850	\$ 2,249,435	\$ 2,837,261	\$ 2,272,589

Exhibit J-9

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
School Federal Projects Fund
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 2,179,050	\$ 0	\$ 2,179,050	\$ 3,406,668	\$ 3,553,433	\$ (1,374,383)
Total Revenues	\$ 2,179,050	\$ 0	\$ 2,179,050	\$ 3,406,668	\$ 3,553,433	\$ (1,374,383)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 735,345	\$ 0	\$ 735,345	\$ 844,754	\$ 844,754	\$ 109,409
Alternative Instruction Program	0	0	0	25,495	25,495	25,495
Special Education Program	570,804	0	570,804	642,976	639,399	68,595
Vocational Education Program	55,042	0	55,042	53,905	55,042	0
<u>Support Services</u>						
Other Student Support	45,266	0	45,266	69,770	68,681	23,415
Regular Instruction Program	475,280	30,200	505,480	1,585,428	1,586,662	1,081,182
Special Education Program	226,109	0	226,109	241,337	241,515	15,406
Vocational Education Program	363	0	363	1,500	363	0
Transportation	82,031	0	82,031	94,704	91,521	9,490
Total Expenditures	\$ 2,190,240	\$ 30,200	\$ 2,220,440	\$ 3,559,869	\$ 3,553,432	\$ 1,332,992
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,190)	\$ (30,200)	\$ (41,390)	\$ (153,201)	\$ 1	\$ (41,391)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 50,000	\$ 0	\$ 50,000	\$ 154,800	\$ 50,000	\$ 0
Total Other Financing Sources	\$ 50,000	\$ 0	\$ 50,000	\$ 154,800	\$ 50,000	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 38,810	\$ (30,200)	\$ 8,610	\$ 1,599	\$ 50,001	\$ (41,391)
	61,493	0	61,493	61,493	61,493	0
Fund Balance, June 30, 2014	\$ 100,303	\$ (30,200)	\$ 70,103	\$ 63,092	\$ 111,494	\$ (41,391)

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 692,584	\$ 0	\$ 0	\$ 692,584	\$ 801,900	\$ 801,900	\$ (109,316)
Other Local Revenues	6,361	0	0	6,361	1,000	1,000	5,361
Federal Government	1,297,962	0	0	1,297,962	1,235,000	1,356,246	(58,284)
Total Revenues	\$ 1,996,907	\$ 0	\$ 0	\$ 1,996,907	\$ 2,037,900	\$ 2,159,146	\$ (162,239)
<u>Expenditures</u>							
Operation of Non-instructional Services							
Food Service	\$ 2,105,312	\$ (9,820)	\$ 28,076	\$ 2,123,568	\$ 2,148,701	\$ 2,294,947	\$ 171,379
Total Expenditures	\$ 2,105,312	\$ (9,820)	\$ 28,076	\$ 2,123,568	\$ 2,148,701	\$ 2,294,947	\$ 171,379
Excess (Deficiency) of Revenues Over Expenditures	\$ (108,405)	\$ 9,820	\$ (28,076)	\$ (126,661)	\$ (110,801)	\$ (135,801)	\$ 9,140
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ (108,405)	\$ 9,820	\$ (28,076)	\$ (126,661)	\$ (110,801)	\$ (135,801)	\$ 9,140
	432,031	(9,820)	0	422,211	505,086	422,211	0
Fund Balance, June 30, 2014	\$ 323,626	\$ 0	\$ (28,076)	\$ 295,550	\$ 394,285	\$ 286,410	\$ 9,140

Exhibit J-11

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
Extended School Program Fund
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 103,005 \$	0 \$	103,005 \$	104,360 \$	104,360 \$	(1,355)
Total Revenues	\$ 103,005 \$	0 \$	103,005 \$	104,360 \$	104,360 \$	(1,355)
<u>Expenditures</u>						
<u>Operation of Non-instructional Services</u>						
Community Services	\$ 90,364 \$	16,000 \$	106,364 \$	104,360 \$	128,360 \$	21,996
Total Expenditures	\$ 90,364 \$	16,000 \$	106,364 \$	104,360 \$	128,360 \$	21,996
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,641 \$	(16,000) \$	(3,359) \$	0 \$	(24,000) \$	20,641
Net Change in Fund Balance Fund Balance, July 1, 2013	\$ 12,641 \$	(16,000) \$	(3,359) \$	0 \$	(24,000) \$	20,641
	74,361	0	74,361	68,761	74,361	0
Fund Balance, June 30, 2014	\$ 87,002 \$	(16,000) \$	71,002 \$	68,761 \$	50,361 \$	20,641

MISCELLANEOUS SCHEDULES

Exhibit K-1

Lincoln County, Tennessee
 Schedule of Changes in Long-term Notes and Bonds
 For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
NOTE PAYABLE								
Payable through General Debt Service Fund								
Courthouse HVAC System	\$ 391,000	2.545 %	10-13-10	5-1-17	\$ 234,000	\$ 0	\$ 56,000	\$ 178,000
Total Bonds Payable					\$ 234,000	\$ 0	\$ 56,000	\$ 178,000
BONDS PAYABLE								
Payable through General Debt Service Fund								
General Obligation School Refunding	14,765,000	4 to 5.25	8-1-01	4-1-21	\$ 9,865,000	\$ 0	\$ 820,000	\$ 9,045,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	2,640,000	0	290,000	2,350,000
General Obligation	7,000,000	3.25	3-6-14	6-1-34	0	7,000,000	250,000	6,750,000
Total Bonds Payable					\$ 12,505,000	\$ 7,000,000	\$ 1,360,000	\$ 18,145,000

Exhibit K-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2015	\$ 58,000	\$ 4,812	\$ 62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 178,000	\$ 9,943	\$ 187,943

Year Ending June 30	Bonds		Total
	Principal	Interest	
2015	\$ 2,065,000	\$ 768,098	\$ 2,833,098
2016	2,125,000	672,420	2,797,420
2017	2,240,000	573,725	2,813,725
2018	2,050,000	469,286	2,519,286
2019	2,010,000	375,021	2,385,021
2020	1,685,000	283,216	1,968,216
2021	1,170,000	208,768	1,378,768
2022	300,000	158,930	458,930
2023	310,000	149,930	459,930
2024	320,000	140,630	460,630
2025	330,000	131,030	461,030
2026	340,000	121,130	461,130
2027	350,000	110,930	460,930
2028	365,000	99,992	464,992
2029	375,000	88,313	463,313
2030	390,000	76,125	466,125
2031	405,000	62,963	467,963
2032	420,000	48,787	468,787
2033	440,000	33,562	473,562
2034	455,000	17,063	472,063
Total	\$ 18,145,000	\$ 4,589,919	\$ 22,734,919

Exhibit K-3

Lincoln County, Tennessee
Schedule of Investments
June 30, 2014

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	\$ 88,397
Mutual Funds	various	none	varies	686
Total Non-pooled Investments				\$ 89,083

Exhibit K-4

Lincoln County, Tennessee
Schedule of Notes Receivable
June 30, 2014

<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 6-30-14</u>
<u>Lincoln County Health System Fund</u> Advances to Physicians	Physicians	Varies	Varies	Varies	Varies	\$ 132,284

Exhibit K-5

Lincoln County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lincoln County School System
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Capital Projects	General	Reimbursement for construction costs	\$ 176,410
Total Transfers Primary Government			<u>\$ 176,410</u>
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Operations	\$ 50,000
Total Transfers Discretely Presented Lincoln County School Department			<u>\$ 50,000</u>

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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 75,804	\$ 50,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, TCA	72,195	100,000	"
Director of Schools	State Board of Education and Local Board of Education	106,785 (1)	50,000	"
Trustee	Section 8-24-102, TCA	65,632	1,109,000	"
Assessor of Property	Section 8-24-102, TCA	65,632	50,000	"
County Clerk	Section 8-24-102, TCA	65,632	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	65,632	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Judge	65,632 (2)	50,000	"
Register of Deeds	Section 8-24-102, TCA	65,632	25,000	"
Sheriff	Section 8-24-102, TCA	72,195	25,000	"
Director of Finance	County Commission	75,632 (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 \$21,536.

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

Exhibit K-7

Lincoln County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 4,329,254	\$ 0	\$ 0	\$ 0	\$ 986,707	\$ 15,266	
Trustee's Collections - Prior Year	118,022	0	0	0	26,895	438	
Trustee's Collections - Bankruptcy	15,449	0	0	0	3,459	228	
Circuit/Clerk and Master Collections - Prior Years	60,447	0	0	0	13,779	213	
Interest and Penalty	21,485	0	0	0	4,894	85	
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0	
Payments in-Lieu-of Taxes - Local Utilities	221,916	0	0	0	0	0	
Payments in-Lieu-of Taxes - Other	458,302	0	0	0	0	0	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	1,725,710	
Hotel/Motel Tax	57,905	0	0	0	0	0	
Wheel Tax	188,840	0	0	0	1,220,199	769,887	
Litigation Tax - General	82,245	0	0	0	0	0	
Litigation Tax - Special Purpose	97,218	0	0	0	0	0	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	80,333	
Litigation Tax - Courthouse Security	81,284	0	0	0	0	0	
Business Tax	236,163	0	0	0	0	0	
Mineral Severance Tax	0	0	0	0	34,939	0	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	75,732	0	0	0	0	0	
Interstate Telecommunications Tax	0	0	0	0	0	2,899	
Total Local Taxes	\$ 6,046,995	\$ 0	\$ 0	\$ 0	\$ 2,290,872	\$ 2,595,059	

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise		0 \$	0 \$	0 \$	0 \$	0
Permits						
Other Permits	5,895	0	0	0	0	0
Total Licenses and Permits	93,567 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	204 \$	0 \$	0 \$	0 \$	0 \$	0
Officers Costs	7,108	0	0	0	0	0
Game and Fish Fines	18	0	0	0	0	0
Drug Control Fines	0	0	9,282	0	0	0
Jail Fees	1,523	0	0	0	0	0
Judicial Commissioner Fees	19	0	0	0	0	0
DUI Treatment Fines	59	0	0	0	0	0
Data Entry Fee - Circuit Court	1,898	0	0	0	0	0
Courtroom Security Fee	619	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	22,465	0	0	0	0	0
Officers Costs	37,924	0	0	0	0	0
Game and Fish Fines	662	0	0	0	0	0
Drug Control Fines	0	0	43,335	0	0	0
Jail Fees	40,498	0	0	0	0	0
Judicial Commissioner Fees	3,221	0	0	0	0	0
DUI Treatment Fines	9,539	0	0	0	0	0
Data Entry Fee - General Sessions Court	11,638	0	0	0	0	0
Courtroom Security Fee	5,083	0	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Chancery Court</u>						
Officers Costs	5,877 \$	0 \$	0 \$	0 \$	0 \$	0
Data Entry Fee - Chancery Court	2,202	0	0	0	0	0
Courtroom Security Fee	28	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	18,606	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	10,114	0	0	0
Victims Assistance Assessments	100	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	112,421	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 169,291 \$	0 \$	175,152 \$	0 \$	0 \$	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	0 \$	59,242 \$	0 \$	0 \$	0 \$	0
Residential Waste Collection Charge	0	802,119	0	0	0	0
Patient Charges	3,306	0	0	0	0	0
<u>Fees</u>						
Copy Fees	502	0	0	0	0	0
Greenbelt Late Application Fee	50	0	0	0	0	0
Telephone Commissions	63,792	0	0	0	0	0
Vending Machine Collections	30	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	236	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	21,536	0	0
Data Processing Fee - Register	11,068	0	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Data Processing Fee - Sheriff	4,593 \$	0 \$	0 \$	0 \$	0 \$	0
Sexual Offender Registration Fee - Sheriff	4,950	0	0	0	0	0
Data Processing Fee - County Clerk	3,373	0	0	0	0	0
<u>Other Charges for Services</u>						
Other Charges for Services	2,288	0	0	0	0	0
<u>Total Charges for Current Services</u>	<u>93,952 \$</u>	<u>861,361 \$</u>	<u>0 \$</u>	<u>21,772 \$</u>	<u>0 \$</u>	<u>0</u>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	27,860 \$	0 \$	0 \$	0 \$	0 \$	0
Lease/Rentals	101,693	0	0	0	0	0
Sale of Materials and Supplies	648	6,099	0	0	40,250	0
Commissary Sales	3,570	0	0	0	0	0
Miscellaneous Refunds	66,701	5,359	0	0	8,058	0
<u>Nonrecurring Items</u>						
Sale of Property	1,057	0	0	0	0	0
<u>Total Other Local Revenues</u>	<u>201,529 \$</u>	<u>11,458 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>48,308 \$</u>	<u>0</u>
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	469,042 \$	0 \$	0 \$	0 \$	0 \$	0
Circuit Court Clerk	95,685	0	0	0	0	0
General Sessions Court Clerk	217,998	0	0	0	0	0
Clerk and Master	123,243	0	0	0	0	0
Register	133,841	0	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary (Cont.)</u>						
Sheriff	\$ 6,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	370,476	0	0	0	0	0
Total Fees Received from County Officials	\$ 1,416,433	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety Grants	15,600	0	0	0	0	0
Law Enforcement Training Programs						
Health and Welfare Grants	332,614	0	0	0	0	0
Health Department Programs						
Public Works Grants	44,149	0	0	0	0	0
Litter Program						
<u>Other State Revenues</u>						
Vehicle Certificate of Title Fees	1,388	0	0	0	0	0
Alcoholic Beverage Tax	67,459	0	0	0	0	0
Mixed Drink Tax	1,390	0	0	0	0	0
State Revenue Sharing - T.V.A.	762,990	0	0	0	0	0
Contracted Prisoner Boarding	621,859	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,864,064	0
Petroleum Special Tax	0	0	0	0	24,071	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
State Shared Sales Tax - Cities	5,257	0	0	0	0	0
Other State Grants	15,394	28,799	0	0	0	0
Other State Revenues	67,445	0	0	0	0	0
Total State of Tennessee	\$ 1,955,209	\$ 28,799	\$ 0	\$ 0	\$ 1,888,135	\$ 0

(Continued)

Exhibit K-7

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 84,640	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	51,580	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	6,395	0	0	0	0	0
Total Federal Government	\$ 142,615	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Citizens Groups</u>						
Donations	\$ 445	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 445	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Total</u>	\$ 10,120,036	\$ 901,618	\$ 175,152	\$ 21,772	\$ 4,227,315	\$ 2,595,059

(Continued)

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

	<u>Capital</u> <u>Projects Fund</u>		
	General Capital Projects	Total	
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	0	\$	5,331,227
Trustee's Collections - Prior Year	0		145,355
Trustee's Collections - Bankruptcy	0		19,136
Circuit/Clerk and Master Collections - Prior Years	0		74,439
Interest and Penalty	0		26,464
Payments in-Lieu-of Taxes - T.V.A.	0		2,733
Payments in-Lieu-of Taxes - Local Utilities	0		221,916
Payments in-Lieu-of Taxes - Other	0		458,302
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0		1,725,710
Hotel/Motel Tax	0		57,905
Wheel Tax	0		2,178,926
Litigation Tax - General	0		82,245
Litigation Tax - Special Purpose	0		97,218
Litigation Tax - Jail, Workhouse, or Courthouse	0		80,333
Litigation Tax - Courthouse Security	0		81,284
Business Tax	0		236,163
Mineral Severance Tax	0		34,939
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0		75,732
Interstate Telecommunications Tax	0		2,899
Total Local Taxes	0	\$	10,932,926

(Continued)

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

	<u>Capital Projects Fund</u>		
	General Capital Projects	Total	
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Cable TV Franchise	0 \$	87,672	
<u>Permits</u>			
Other Permits	0	5,895	
<u>Total Licenses and Permits</u>	<u>0 \$</u>	<u>93,567</u>	
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	0 \$	204	
Officers Costs	0	7,108	
Game and Fish Fines	0	18	
Drug Control Fines	0	9,282	
Jail Fees	0	1,523	
Judicial Commissioner Fees	0	19	
DUI Treatment Fines	0	59	
Data Entry Fee - Circuit Court	0	1,898	
Courtroom Security Fee	0	619	
<u>General Sessions Court</u>			
Fines	0	22,465	
Officers Costs	0	37,924	
Game and Fish Fines	0	662	
Drug Control Fines	0	43,335	
Jail Fees	0	40,498	
Judicial Commissioner Fees	0	3,221	
DUI Treatment Fines	0	9,539	
Data Entry Fee - General Sessions Court	0	11,638	
Courtroom Security Fee	0	5,083	

(Continued)

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

	<u>Capital</u> <u>Projects Fund</u>		
	General	Capital	Total
	Projects	Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Chancery Court</u>			
Officers Costs	0	\$	5,877
Data Entry Fee - Chancery Court	0		2,202
Courtroom Security Fee	0		28
<u>Other Courts - In-county</u>			
Fines	0		18,606
<u>Judicial District Drug Program</u>			
Drug Task Force Forfeitures and Seizures	0		10,114
Victims Assistance Assessments	0		100
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0		112,421
<u>Total Fines, Forfeitures, and Penalties</u>	<u>0</u>	<u>\$</u>	<u>344,443</u>
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Commercial and Industrial Waste Collection Charge	0	\$	59,242
Residential Waste Collection Charge	0		802,119
Patient Charges	0		3,306
<u>Fees</u>			
Copy Fees	0		502
Greenbelt Late Application Fee	0		50
Telephone Commissions	0		63,792
Vending Machine Collections	0		30
Constitutional Officers' Fees and Commissions	0		236
Special Commissioner Fees/Special Master Fees	0		21,536
Data Processing Fee - Register	0		11,068

(Continued)

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

	<u>Capital</u> <u>Projects Fund</u>		
	General Capital Projects	Total	
<u>Charges for Current Services (Cont.)</u>			
<u>Fees (Cont.)</u>			
Data Processing Fee - Sheriff	0 \$	4,593	
Sexual Offender Registration Fee - Sheriff	0	4,950	
Data Processing Fee - County Clerk	0	3,373	
Other Charges for Services	0	2,288	
Total Charges for Current Services	<u>0 \$</u>	<u>977,085</u>	
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	2,134 \$	29,994	
Lease/Rentals	0	101,693	
Sale of Materials and Supplies	0	46,997	
Commissary Sales	0	3,570	
Miscellaneous Refunds	0	80,118	
Nonrecurring Items			
Sale of Property	0	1,057	
Total Other Local Revenues	<u>2,134 \$</u>	<u>263,429</u>	
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0 \$	469,042	
Circuit Court Clerk	0	95,685	
General Sessions Court Clerk	0	217,998	
Clerk and Master	0	123,243	
Register	0	133,841	

(Continued)

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Fees Received from County Officials (Cont.)</u>		
<u>Fees in-Lieu-of Salary (Cont.)</u>		
Sheriff	0 \$	6,148
Trustee	0	370,476
<u>Total Fees Received from County Officials</u>	<u>0 \$</u>	<u>1,416,433</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	0 \$	4,500
Public Safety Grants		
Law Enforcement Training Programs	0	15,600
Health and Welfare Grants		
Health Department Programs	0	332,614
Public Works Grants		
Litter Program	0	44,149
<u>Other State Revenues</u>		
Vehicle Certificate of Title Fees	0	1,388
Alcoholic Beverage Tax	0	67,459
Mixed Drink Tax	0	1,390
State Revenue Sharing - T.V.A.	0	762,990
Contracted Prisoner Boarding	0	621,859
Gasoline and Motor Fuel Tax	0	1,864,064
Petroleum Special Tax	0	24,071
Registrar's Salary Supplement	0	15,164
State Shared Sales Tax - Cities	0	5,257
Other State Grants	0	44,193
Other State Revenues	0	67,445
<u>Total State of Tennessee</u>	<u>0 \$</u>	<u>3,872,143</u>

(Continued)

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

	<u>Capital Projects Fund</u>		
	General Capital Projects	Total	
<u>Federal Government</u>			
<u>Federal Through State</u>			
Homeland Security Grants	0 \$	84,640	
Other Federal through State	0	51,580	
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	0	6,395	
Total Federal Government	<u>0 \$</u>	<u>142,615</u>	
<u>Other Governments and Citizens Groups</u>			
<u>Citizens Groups</u>			
Donations	0 \$	445	
Total Other Governments and Citizens Groups	<u>0 \$</u>	<u>445</u>	
Total	2,134 \$	18,043,086	

Lincoln County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2014

Special Revenue Funds

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	3,960,867 \$	0 \$	0 \$	0 \$	3,960,867
Trustee's Collections - Prior Year	111,699	0	0	0	111,699
Trustee's Collections - Bankruptcy	14,719	0	0	0	14,719
Circuit/Clerk and Master Collections - Prior Years	55,302	0	0	0	55,302
Interest and Penalty	19,650	0	0	0	19,650
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,674,405	0	0	0	2,674,405
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	100,391	0	0	0	100,391
Interstate Telecommunications Tax	2,624	0	0	0	2,624
Total Local Taxes	6,939,657 \$	0 \$	0 \$	0 \$	6,939,657
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	2,251 \$	0 \$	0 \$	0 \$	2,251
Total Licenses and Permits	2,251 \$	0 \$	0 \$	0 \$	2,251
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	0 \$	0 \$	434,453 \$	0 \$	434,453
Lunch Payments - Adults	0	0	42,277	0	42,277
Income from Breakfast	0	0	135,767	0	135,767
Special Milk Sales	0	0	3,248	0	3,248
A la carte Sales	0	0	76,839	0	76,839

(Continued)

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>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
Receipts from Individual Schools	42,523 \$	0 \$	0 \$	0 \$	0 \$	42,523
Community Service Fees - Children	0	0	0	103,005	0	103,005
<u>Other Charges for Services</u>						
Other Charges for Services	12,406	0	0	0	0	12,406
Total Charges for Current Services	54,929 \$	0 \$	692,584 \$	103,005 \$	0 \$	850,518
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	0 \$	0 \$	595 \$	0 \$	0 \$	595
Sale of Materials and Supplies	570	0	0	0	0	570
Sale of Recycled Materials	304	0	0	0	0	304
E-Rate Funding	25,551	0	0	0	0	25,551
Miscellaneous Refunds	17,395	0	5,766	0	0	23,161
<u>Nonrecurring Items</u>						
Sale of Property	25,413	0	0	0	0	25,413
Total Other Local Revenues	69,233 \$	0 \$	6,361 \$	0 \$	0 \$	75,594
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	119,773 \$	0 \$	0 \$	0 \$	0 \$	119,773
<u>State Education Funds</u>						
Basic Education Program	19,023,000	0	0	0	0	19,023,000
Early Childhood Education	703,254	0	0	0	0	703,254
School Food Service	19,603	0	0	0	0	19,603

(Continued)

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>State Education Funds (Cont.)</u>						
Driver Education	20,295 \$	0 \$	0 \$	0 \$	0 \$	20,295
Other State Education Funds	861,782	0	0	0	0	861,782
Career Ladder Program	118,517	0	0	0	0	118,517
Career Ladder - Extended Contract	33,520	0	0	0	0	33,520
<u>Other State Revenues</u>						
Income Tax	74,975	0	0	0	0	74,975
Beer Tax	13,474	0	0	0	0	13,474
Mixed Drink Tax	1,127	0	0	0	0	1,127
Total State of Tennessee	\$ 20,989,320 \$	0 \$	0 \$	0 \$	0 \$	20,989,320
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	0 \$	0 \$	898,871 \$	0 \$	0 \$	898,871
USDA - Commodities	0	0	121,246	0	0	121,246
Breakfast	0	0	277,845	0	0	277,845
Vocational Education - Basic Grants to States	0	67,465	0	0	0	67,465
Title I Grants to Local Education Agencies	0	783,458	0	0	0	783,458
Special Education - Grants to States	0	845,032	0	0	0	845,032
Special Education Preschool Grants	0	37,910	0	0	0	37,910
English Language Acquisition Grants	0	6,943	0	0	0	6,943
Rural Education	0	79,596	0	0	0	79,596
Eisenhower Professional Development State Grants	0	139,794	0	0	0	139,794
Race-to-the-Top - ARRA	0	188,331	0	0	0	188,331
Other Federal through State	15,107	30,521	0	0	0	45,628
Total Federal Government	\$ 15,107 \$	2,179,050 \$	1,297,962 \$	0 \$	0 \$	3,492,119
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	6,827 \$	0 \$	0 \$	0 \$	0 \$	6,827
Total Other Governments and Citizens Groups	\$ 6,827 \$	0 \$	0 \$	0 \$	0 \$	6,827
Total	\$ 28,077,324 \$	2,179,050 \$	1,996,907 \$	103,005 \$	0 \$	32,356,286

Exhibit K-9

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	99,152	
Social Security		6,147	
Employer Medicare		1,438	
Contributions		6,990	
Dues and Memberships		2,367	
Postal Charges		1,284	
Other Charges		14,133	
Total County Commission			\$ 131,511

County Mayor/Executive

County Official/Administrative Officer	\$	75,804	
Secretary(ies)		20,084	
Clerical Personnel		26,414	
Other Salaries and Wages		4,059	
Social Security		7,420	
State Retirement		6,256	
Medical Insurance		7,011	
Employer Medicare		1,735	
Communication		1,897	
Dues and Memberships		2,318	
Legal Notices, Recording, and Court Costs		295	
Maintenance and Repair Services - Office Equipment		180	
Postal Charges		396	
Travel		2,409	
Duplicating Supplies		1,564	
Office Supplies		2,416	
Periodicals		479	
In Service/Staff Development		725	
Office Equipment		154	
Total County Mayor/Executive			161,616

County Attorney

County Official/Administrative Officer	\$	26,103	
Social Security		1,618	
Employer Medicare		378	
Other Contracted Services		7,456	
Other Charges		1,500	
Total County Attorney			37,055

Election Commission

County Official/Administrative Officer	\$	59,068	
Deputy(ies)		50,295	
Election Commission		4,200	
Social Security		6,966	
State Retirement		6,693	
Medical Insurance		6,994	
Employer Medicare		1,629	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	1,046	
Data Processing Services		9,928	
Legal Notices, Recording, and Court Costs		1,269	
Maintenance Agreements		7,715	
Maintenance and Repair Services - Office Equipment		250	
Postal Charges		3,240	
Printing, Stationery, and Forms		1,892	
Duplicating Supplies		924	
Office Supplies		2,318	
Other Supplies and Materials		1,505	
In Service/Staff Development		6,795	
Data Processing Equipment		4,340	
Office Equipment		9,584	
Total Election Commission			\$ 186,651

Register of Deeds

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		56,161	
Social Security		7,427	
State Retirement		7,342	
Medical Insurance		14,006	
Employer Medicare		1,737	
Communication		1,039	
Data Processing Services		10,635	
Dues and Memberships		653	
Postal Charges		529	
Duplicating Supplies		1,260	
Office Supplies		2,183	
In Service/Staff Development		818	
Office Equipment		685	
Total Register of Deeds			170,107

Planning

Board and Committee Members Fees	\$	4,900	
Contracts with Government Agencies		33,761	
Other Charges		3,298	
Total Planning			41,959

County Buildings

Custodial Personnel	\$	11,849	
Social Security		735	
Employer Medicare		172	
Communication		5,232	
Engineering Services		2,635	
Janitorial Services		80,052	
Maintenance and Repair Services - Buildings		38,517	
Maintenance and Repair Services - Equipment		29,015	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Pest Control	\$	864	
Disposal Fees		1,200	
Custodial Supplies		10,824	
Electricity		85,870	
Natural Gas		13,986	
Water and Sewer		8,265	
Building and Contents Insurance		308,541	
Land		301	
Other Construction		4,100	
Total County Buildings			\$ 602,158

Preservation of Records

Board and Committee Members Fees	\$	4,500	
Social Security		279	
Employer Medicare		65	
Other Contracted Services		10,443	
Office Supplies		690	
Total Preservation of Records			15,977

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	65,632	
Accountants/Bookkeepers		154,292	
Social Security		12,600	
State Retirement		13,460	
Medical Insurance		24,650	
Employer Medicare		2,947	
Communication		3,919	
Contracts with Government Agencies		10,008	
Data Processing Services		12,159	
Dues and Memberships		725	
Legal Notices, Recording, and Court Costs		3,128	
Maintenance Agreements		1,842	
Maintenance and Repair Services - Office Equipment		215	
Postal Charges		4,787	
Printing, Stationery, and Forms		2,953	
Travel		382	
Duplicating Supplies		2,483	
Office Supplies		4,189	
Other Supplies and Materials		150	
In Service/Staff Development		175	
Office Equipment		2,108	
Total Accounting and Budgeting			322,804

Property Assessor's Office

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		46,305	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Salaries and Wages	\$	21,646	
Board and Committee Members Fees		3,448	
Social Security		8,154	
State Retirement		7,325	
Medical Insurance		13,707	
Employer Medicare		1,907	
Communication		1,326	
Contracts with Private Agencies		10,685	
Data Processing Services		3,000	
Dues and Memberships		1,700	
Legal Notices, Recording, and Court Costs		542	
Maintenance Agreements		3,964	
Maintenance and Repair Services - Vehicles		3,345	
Postal Charges		1,766	
Travel		805	
Duplicating Supplies		2,482	
Gasoline		1,907	
Office Supplies		1,664	
In Service/Staff Development		125	
Total Property Assessor's Office			\$ 201,435

Reappraisal Program

Secretary(ies)	\$	29,165	
Other Salaries and Wages		33,029	
Social Security		3,706	
State Retirement		3,806	
Medical Insurance		14,023	
Employer Medicare		867	
Total Reappraisal Program			84,596

County Trustee's Office

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		48,839	
Other Salaries and Wages		19,405	
Social Security		7,623	
State Retirement		6,295	
Medical Insurance		14,006	
Employer Medicare		1,901	
Communication		1,796	
Contracts with Government Agencies		12,977	
Data Processing Services		7,500	
Dues and Memberships		663	
Legal Notices, Recording, and Court Costs		95	
Maintenance Agreements		3,195	
Maintenance and Repair Services - Office Equipment		60	
Postal Charges		7,306	
Duplicating Supplies		1,059	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$	2,033	
In Service/Staff Development		2,360	
Office Equipment		1,031	
Total County Trustee's Office			\$ 203,776

County Clerk's Office

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		95,214	
Social Security		9,772	
State Retirement		9,844	
Medical Insurance		23,551	
Employer Medicare		2,285	
Communication		1,113	
Data Processing Services		7,196	
Dues and Memberships		678	
Maintenance Agreements		6,497	
Postal Charges		5,957	
Printing, Stationery, and Forms		1,258	
Duplicating Supplies		804	
Office Supplies		2,017	
In Service/Staff Development		1,164	
Office Equipment		1,714	
Total County Clerk's Office			234,696

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	65,632	
Clerical Personnel		241,099	
Other Salaries and Wages		2,697	
Jury and Witness Expense		41,701	
Social Security		19,428	
State Retirement		18,117	
Medical Insurance		38,469	
Employer Medicare		4,544	
Communication		4,642	
Contracts with Private Agencies		4,370	
Data Processing Services		11,724	
Dues and Memberships		748	
Legal Notices, Recording, and Court Costs		252	
Maintenance Agreements		9,160	
Maintenance and Repair Services - Office Equipment		669	
Postal Charges		3,385	
Printing, Stationery, and Forms		5,815	
Other Contracted Services		466	
Duplicating Supplies		3,943	
Office Supplies		9,324	
In Service/Staff Development		2,002	
Office Equipment		1,893	
Total Circuit Court			490,080

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	133,204	
Social Security		7,125	
State Retirement		8,152	
Medical Insurance		6,994	
Employer Medicare		1,835	
Communication		1,430	
Travel		1,701	
Office Supplies		666	
Total General Sessions Court			\$ 161,107

Chancery Court

County Official/Administrative Officer	\$	65,632	
Deputy(ies)		109,712	
Other Salaries and Wages		4,953	
Jury and Witness Expense		312	
Social Security		10,949	
State Retirement		10,869	
Medical Insurance		28,028	
Employer Medicare		2,561	
Communication		2,368	
Data Processing Services		7,081	
Dues and Memberships		668	
Legal Notices, Recording, and Court Costs		2,369	
Maintenance Agreements		345	
Maintenance and Repair Services - Office Equipment		403	
Postal Charges		1,662	
Printing, Stationery, and Forms		1,419	
Duplicating Supplies		1,299	
Office Supplies		4,014	
In Service/Staff Development		3,257	
Office Equipment		810	
Total Chancery Court			258,711

Juvenile Court

Assistant(s)	\$	38,686	
Youth Service Officer(s)		36,553	
Guidance Personnel		3,744	
Salary Supplements		10,000	
Other Salaries and Wages		20,920	
Social Security		6,705	
State Retirement		6,497	
Medical Insurance		7,011	
Employer Medicare		1,568	
Communication		3,013	
Postal Charges		318	
Travel		2,410	
Other Contracted Services		27,678	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Office Supplies	\$	1,886	
Other Charges		917	
Total Juvenile Court			\$ 167,906

Judicial Commissioners

Other Salaries and Wages	\$	30,134	
Social Security		1,868	
Employer Medicare		437	
Communication		169	
In Service/Staff Development		566	
Total Judicial Commissioners			33,174

Courtroom Security

Deputy(ies)	\$	36,163	
Overtime Pay		2,834	
Social Security		2,328	
State Retirement		2,387	
Medical Insurance		7,011	
Employer Medicare		545	
Maintenance and Repair Services - Buildings		642	
Other Contracted Services		4,103	
Other Capital Outlay		9,239	
Total Courtroom Security			65,252

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	72,195	
Assistant(s)		47,753	
Deputy(ies)		436,716	
Investigator(s)		165,348	
Captain(s)		46,822	
Lieutenant(s)		33,546	
Sergeant(s)		168,949	
Accountants/Bookkeepers		34,248	
Salary Supplements		15,600	
Part-time Personnel		20,547	
School Resource Officer		13,482	
Overtime Pay		99,247	
Social Security		72,686	
State Retirement		70,938	
Medical Insurance		133,410	
Employer Medicare		16,999	
Communication		29,083	
Contracts with Government Agencies		357,097	
Contributions		6,000	
Dues and Memberships		2,953	
Maintenance and Repair Services - Equipment		1,695	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance and Repair Services - Vehicles	\$	47,019	
Medical and Dental Services		19,630	
Postal Charges		2,941	
Towing Services		1,255	
Travel		2,337	
Duplicating Supplies		1,784	
Gasoline		147,593	
Law Enforcement Supplies		13,848	
Office Supplies		3,809	
Uniforms		13,553	
Other Supplies and Materials		988	
In Service/Staff Development		6,185	
Other Charges		2,506	
Communication Equipment		1,529	
Law Enforcement Equipment		33,272	
Motor Vehicles		227,982	
Office Equipment		1,697	
Total Sheriff's Department			\$ 2,373,242

Special Patrols

Overtime Pay	\$	20,600	
Social Security		1,258	
State Retirement		1,268	
Employer Medicare		294	
Law Enforcement Equipment		6,580	
Total Special Patrols			30,000

Jail

Supervisor/Director	\$	45,804	
Lieutenant(s)		34,531	
Sergeant(s)		160,369	
Guards		626,835	
Cafeteria Personnel		59,315	
Maintenance Personnel		29,549	
Overtime Pay		93,351	
Social Security		62,754	
State Retirement		58,831	
Medical Insurance		133,960	
Employer Medicare		14,676	
Architects		44,415	
Communication		4,287	
Data Processing Services		7,479	
Legal Services		1,350	
Maintenance and Repair Services - Buildings		17,446	
Maintenance and Repair Services - Equipment		16,655	
Maintenance and Repair Services - Vehicles		7,250	
Medical and Dental Services		203,584	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Pest Control	\$	775	
Postal Charges		2,000	
Transportation - Other than Students		2,745	
Disposal Fees		1,920	
Custodial Supplies		53,245	
Drugs and Medical Supplies		40,512	
Duplicating Supplies		1,388	
Electricity		60,987	
Food Supplies		203,156	
Gasoline		23,998	
Natural Gas		12,703	
Office Supplies		6,393	
Prisoners Clothing		9,264	
Uniforms		15,006	
Water and Sewer		56,384	
Other Supplies and Materials		5,519	
In Service/Staff Development		3,835	
Other Charges		632	
Communication Equipment		1,323	
Maintenance Equipment		360	
Office Equipment		1,768	
Total Jail			\$ 2,126,354

Fire Prevention and Control

Contracts with Private Agencies	\$	55,000	
Dues and Memberships		108	
Maintenance and Repair Services - Buildings		14,424	
Maintenance and Repair Services - Equipment		9,115	
Maintenance and Repair Services - Vehicles		34,484	
Travel		245	
Electricity		21,837	
Gasoline		16,858	
Natural Gas		16,928	
Office Supplies		621	
Uniforms		50,310	
Water and Sewer		3,856	
Other Supplies and Materials		9,828	
Liability Insurance		3,579	
In Service/Staff Development		4,054	
Other Equipment		215	
Other Capital Outlay		89,513	
Total Fire Prevention and Control			330,975

Civil Defense

Supervisor/Director	\$	44,862	
Deputy(ies)		36,006	
Part-time Personnel		24,226	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Social Security	\$	6,441	
State Retirement		4,949	
Medical Insurance		6,994	
Employer Medicare		1,506	
Communication		4,061	
Data Processing Services		16,585	
Dues and Memberships		140	
Maintenance and Repair Services - Buildings		353	
Maintenance and Repair Services - Equipment		1,067	
Maintenance and Repair Services - Office Equipment		188	
Maintenance and Repair Services - Vehicles		6,619	
Pest Control		140	
Postal Charges		162	
Travel		3,704	
Custodial Supplies		225	
Duplicating Supplies		1,381	
Electricity		4,495	
Gasoline		5,713	
Natural Gas		2,923	
Office Supplies		883	
Road Signs		430	
Uniforms		398	
Water and Sewer		746	
Other Supplies and Materials		1,278	
In Service/Staff Development		726	
Office Equipment		1,477	
Other Capital Outlay		30,679	
Total Civil Defense			\$ 209,357

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	275,598
Social Security		16,925
State Retirement		13,657
Medical Insurance		18,782
Employer Medicare		3,958
Communication		4,426
Contracts with Government Agencies		40,000
Janitorial Services		43,402
Maintenance and Repair Services - Equipment		5,114
Pest Control		216
Travel		7,383
Disposal Fees		480
Electricity		6,575
Natural Gas		1,857
Office Supplies		420
Water and Sewer		1,875

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

In Service/Staff Development	\$	200	
Other Charges		1,200	
Total Local Health Center			\$ 442,068

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	\$	9,158	
Total Other Local Welfare Services			9,158

Sanitation Management

Salary Supplements	\$	1,100	
Other Salaries and Wages		28,743	
Social Security		1,792	
State Retirement		1,826	
Medical Insurance		7,011	
Employer Medicare		419	
Contracts with Private Agencies		63,732	
Instructional Supplies and Materials		10,900	
Other Charges		5,832	
Total Sanitation Management			121,355

Other Public Health and Welfare

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

Social, Cultural, and Recreational Services

Adult Activities

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

Libraries

Contracts with Other Public Agencies	\$	30,000	
Contributions		87,666	
Total Libraries			117,666

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

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

Agriculture and Natural Resources

Agricultural Extension Service

Board and Committee Members Fees	\$	850	
Communication		1,065	
Contracts with Other Public Agencies		84,325	
Travel		4,000	
Duplicating Supplies		1,392	
Office Supplies		494	
Office Equipment		1,225	
Total Agricultural Extension Service			93,351

Forest Service

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

Soil Conservation

Secretary(ies)	\$	19,883	
Other Salaries and Wages		24,065	
Social Security		2,665	
State Retirement		2,689	
Medical Insurance		7,011	
Employer Medicare		623	
Other Charges		2,911	
Total Soil Conservation			59,847

Other Operations

Industrial Development

Contracts with Government Agencies	\$	74,859	
Contracts with Other Public Agencies		55,231	
Contributions		90,000	
Total Industrial Development			220,090

Other Economic and Community Development

Contracts with Government Agencies	\$	25,507	
Contracts with Other Public Agencies		41,583	
Contributions		249,486	
Engineering Services		23,182	
Fiscal Agent Charges		5,000	
Total Other Economic and Community Development			344,758

Airport

Airport Improvement	\$	12,887	
Total Airport			12,887

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Clerical Personnel	\$	12,405	
Part-time Personnel		1,410	
Social Security		857	
Employer Medicare		200	
Communication		689	
Maintenance and Repair Services - Equipment		55	
Maintenance and Repair Services - Vehicles		5,225	
Travel		725	
Gasoline		4,417	
Office Supplies		53	
Total Veterans' Services			\$ 26,036

Contributions to Other Agencies

Contributions	\$	4,900	
Total Contributions to Other Agencies			4,900

Miscellaneous

Unemployment Compensation	\$	15,460	
Communication		869	
Dues and Memberships		6,278	
Medical and Dental Services		8,400	
Premiums on Corporate Surety Bonds		1,810	
Trustee's Commission		119,425	
Workers' Compensation Insurance		153,835	
Other Charges		26,386	
Total Miscellaneous			332,463

Total General Fund \$ 10,538,178

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$	27,000	
Solid Waste Equipment		11,966	
Total Sanitation Management			\$ 38,966

Convenience Centers

Part-time Personnel	\$	48,508	
Social Security		3,007	
Employer Medicare		703	
Communication		4,138	
Contracts with Other Public Agencies		73,700	
Engineering Services		9,200	
Maintenance and Repair Services - Equipment		2,430	
Electricity		3,956	
Water and Sewer		685	
Other Supplies and Materials		423	

(Continued)

Exhibit K-9

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	\$	54,117	
Other Construction		17,850	
Total Convenience Centers			\$ 218,717

Other Waste Disposal

County Official/Administrative Officer	\$	10,000	
Clerical Personnel		28,701	
Social Security		2,340	
State Retirement		2,369	
Medical Insurance		7,011	
Employer Medicare		547	
Contracts with Government Agencies		113,805	
Contracts with Other Public Agencies		358,803	
Legal Services		4,689	
Legal Notices, Recording, and Court Costs		654	
Travel		182	
Disposal Fees		54,807	
Trustee's Commission		7,570	
Other Charges		1,277	
Administration Equipment		1,827	
Motor Vehicles		24,066	
Total Other Waste Disposal			618,648

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$	25,644	
Total Postclosure Care Costs			25,644

Total Solid Waste/Sanitation Fund \$ 901,975

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Other Contracted Services		1,800	
Animal Food and Supplies		1,235	
Law Enforcement Supplies		21,529	
Trustee's Commission		1,372	
In Service/Staff Development		1,836	
Other Charges		769	
Motor Vehicles		47,080	
Total Drug Enforcement			\$ 80,621

Total Drug Control Fund 80,621

(Continued)

Exhibit K-9

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

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Bank Charges	\$ 24	
Total Register of Deeds		\$ 24

Finance

County Trustee's Office

Bank Charges	\$ 91	
Total County Trustee's Office		91

County Clerk's Office

Bank Charges	\$ 121	
Total County Clerk's Office		121

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 21,536	
Total Chancery Court		<u>21,536</u>

Total Constitutional Officers - Fees Fund		\$ 21,772
---	--	-----------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 72,195	
Assistant(s)	43,597	
Accountants/Bookkeepers	38,749	
Longevity Pay	1,000	
Overtime Pay	3,077	
Social Security	9,908	
State Retirement	9,707	
Medical Insurance	6,994	
Employer Medicare	2,317	
Communication	2,782	
Dues and Memberships	3,981	
Janitorial Services	2,400	
Legal Notices, Recording, and Court Costs	357	
Maintenance and Repair Services - Office Equipment	1,220	
Postal Charges	703	
Printing, Stationery, and Forms	290	
Travel	1,784	
Electricity	4,567	
Office Supplies	587	
Water and Sewer	244	
Total Administration		\$ 206,459

Highway and Bridge Maintenance

Foremen	\$ 72,941	
Equipment Operators	209,077	

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Truck Drivers	\$	161,776	
Laborers		107,083	
Longevity Pay		7,000	
Overtime Pay		9,413	
Social Security		34,264	
State Retirement		31,416	
Medical Insurance		97,860	
Employer Medicare		8,013	
Other Contracted Services		49,895	
Asphalt		197,043	
Asphalt - Hot Mix		987,775	
Crushed Stone		39,175	
General Construction Materials		2,046	
Pipe - Metal		67,931	
Road Signs		27,170	
Wood Products		252	
Total Highway and Bridge Maintenance	\$		2,110,130

Operation and Maintenance of Equipment

Mechanic(s)	\$	75,222	
Longevity Pay		1,000	
Overtime Pay		1,944	
Social Security		4,793	
State Retirement		4,784	
Medical Insurance		8,801	
Employer Medicare		1,121	
Laundry Service		1,233	
Maintenance and Repair Services - Equipment		46,880	
Diesel Fuel		210,457	
Equipment and Machinery Parts		151,153	
Garage Supplies		8,192	
Gasoline		45,962	
Lubricants		11,405	
Propane Gas		2,637	
Tires and Tubes		45,793	
Other Supplies and Materials		1,176	
Communication Equipment		1,580	
Total Operation and Maintenance of Equipment			624,133

Quarry Operations

Foremen	\$	36,345	
Equipment Operators		43,569	
Truck Drivers		27,672	
Longevity Pay		1,500	
Overtime Pay		1,199	
Social Security		6,722	
State Retirement		4,873	

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Medical Insurance	\$	11,395	
Employer Medicare		1,572	
Explosive and Drilling Services		19,352	
Maintenance and Repair Services - Equipment		37,082	
Electricity		26,392	
Water and Sewer		1,091	
In Service/Staff Development		963	
Total Quarry Operations			\$ 219,727

Other Charges

Electricity	\$	512	
Trustee's Commission		51,911	
Vehicle and Equipment Insurance		57,247	
Total Other Charges			109,670

Employee Benefits

Unemployment Compensation	\$	3,034	
Workers' Compensation Insurance		88,179	
Total Employee Benefits			91,213

Capital Outlay

Engineering Services	\$	31,599	
Bridge Construction		223,741	
Highway Equipment		303,363	
Total Capital Outlay			558,703

Total Highway/Public Works Fund \$ 3,920,035

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	355,270	
Principal on Notes		56,000	
Total General Government			\$ 411,270

Education

Principal on Bonds	\$	1,004,730	
Total Education			1,004,730

Interest on Debt

General Government

Interest on Bonds	\$	86,273	
Interest on Notes		6,100	
Total General Government			92,373

Education

Interest on Bonds	\$	584,003	
Total Education			584,003

(Continued)

Exhibit K-9

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	25,953	
Total General Government			\$ 25,953
<u>Education</u>			
Other Debt Issuance Charges	\$	1,044	
Total Education			<u>1,044</u>
Total General Debt Service Fund			\$ 2,119,373
<u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Miscellaneous</u>			
Trustee's Commission	\$	16	
Total Miscellaneous			\$ 16
<u>Capital Projects</u>			
<u>Public Safety Projects</u>			
Advertising	\$	745	
Architects		209,143	
Engineering Services		21,000	
Legal Services		1,500	
Permits		250	
Underwriter's Discount		71,787	
Other Debt Issuance Charges		56,960	
Total Public Safety Projects			<u>361,385</u>
Total General Capital Projects Fund			<u>361,401</u>
Total Governmental Funds - Primary Government			<u>\$ 17,943,355</u>

Exhibit K-10

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,265,318	
Career Ladder Program	71,440	
Career Ladder Extended Contracts	27,000	
Educational Assistants	326,441	
Bonus Payments	44,600	
Other Salaries and Wages	739	
Certified Substitute Teachers	27,500	
Non-certified Substitute Teachers	88,980	
Social Security	580,145	
State Retirement	849,992	
Employee and Dependent Insurance	58,648	
Medical Insurance	1,115,717	
Unemployment Compensation	21,811	
Employer Medicare	135,825	
Data Processing Services	158,200	
Operating Lease Payments	138,384	
Maintenance and Repair Services - Equipment	34,129	
Other Contracted Services	7,004	
Instructional Supplies and Materials	84,234	
Textbooks	314,783	
Other Supplies and Materials	2,222	
Fee Waivers	49,290	
Other Charges	462	
Furniture and Fixtures	25,000	
Regular Instruction Equipment	158,570	
Other Equipment	282,484	
Total Regular Instruction Program		\$ 13,868,918

Alternative Instruction Program

Teachers	\$ 148,748	
Career Ladder Program	1,000	
Social Security	7,666	
State Retirement	11,291	
Medical Insurance	10,244	
Employer Medicare	2,120	
Total Alternative Instruction Program		181,069

Special Education Program

Teachers	\$ 889,705	
Career Ladder Program	6,970	
Educational Assistants	409,271	
Speech Pathologist	125,523	
Other Salaries and Wages	18,611	
Certified Substitute Teachers	7,260	
Non-certified Substitute Teachers	27,088	
Social Security	86,147	

(Continued)

Exhibit K-10

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.)

State Retirement	\$	114,381	
Employee and Dependent Insurance		75,624	
Medical Insurance		151,977	
Employer Medicare		20,149	
Contracts with Other Public Agencies		3,196	
Contracts with Private Agencies		20,125	
Maintenance and Repair Services - Equipment		2,046	
Instructional Supplies and Materials		12,615	
Other Supplies and Materials		2,898	
Special Education Equipment		6,011	
Total Special Education Program			\$ 1,979,597

Vocational Education Program

Teachers	\$	786,997	
Career Ladder Program		5,000	
Certified Substitute Teachers		715	
Non-certified Substitute Teachers		4,688	
Social Security		47,520	
State Retirement		70,330	
Medical Insurance		82,092	
Employer Medicare		11,114	
Maintenance and Repair Services - Equipment		14,235	
Instructional Supplies and Materials		50,414	
Other Charges		50,175	
Vocational Instruction Equipment		29,533	
Total Vocational Education Program			1,152,813

Student Body Education Program

Other Salaries and Wages	\$	39,419	
Social Security		2,328	
State Retirement		2,073	
Employer Medicare		562	
Other Charges		5,414	
Total Student Body Education Program			49,796

Support Services

Attendance

Supervisor/Director	\$	71,661	
Career Ladder Program		1,000	
Other Salaries and Wages		38,680	
Social Security		6,854	
State Retirement		8,820	
Medical Insurance		5,558	
Employer Medicare		1,603	
Travel		2,554	
Other Contracted Services		10,607	
Total Attendance			147,337

(Continued)

Exhibit K-10

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.)

Health Services

Medical Personnel	\$	193,155	
Social Security		11,637	
State Retirement		10,938	
Employee and Dependent Insurance		14,241	
Employer Medicare		2,722	
Travel		321	
Drugs and Medical Supplies		1,978	
Total Health Services			\$ 234,992

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		429,422	
Social Workers		17,000	
Clerical Personnel		15,643	
School Resource Officer		57,069	
Other Salaries and Wages		62,041	
In-service Training		1,530	
Social Security		31,219	
State Retirement		45,593	
Employee and Dependent Insurance		4,472	
Medical Insurance		64,739	
Employer Medicare		7,301	
Evaluation and Testing		26,476	
Travel		12,403	
Other Contracted Services		1,810	
Textbooks		365	
Other Supplies and Materials		15,339	
In Service/Staff Development		42	
Other Charges		5,931	
Other Equipment		5,300	
Total Other Student Support			807,695

Regular Instruction Program

Supervisor/Director	\$	116,548	
Career Ladder Program		3,000	
Librarians		325,882	
Instructional Computer Personnel		84,110	
Other Salaries and Wages		43,944	
Social Security		34,572	
State Retirement		49,710	
Employee and Dependent Insurance		5,326	
Medical Insurance		50,009	
Employer Medicare		8,085	
Travel		8,453	
Instructional Supplies and Materials		3,814	
Library Books/Media		13,491	

(Continued)

Exhibit K-10

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Regular Instruction Program (Cont.)</u>		
In Service/Staff Development	\$ 33,561	
Other Charges	37,844	
Total Regular Instruction Program		\$ 818,349
<u>Special Education Program</u>		
Supervisor/Director	\$ 54,108	
Clerical Personnel	4,939	
Social Security	3,602	
State Retirement	5,107	
Employer Medicare	842	
Travel	3,863	
Other Supplies and Materials	1,381	
In Service/Staff Development	4,093	
Special Education Equipment	98	
Total Special Education Program		78,033
<u>Vocational Education Program</u>		
Supervisor/Director	\$ 31,444	
Career Ladder Program	1,200	
Clerical Personnel	14,058	
Social Security	872	
State Retirement	860	
Employer Medicare	677	
Travel	10,500	
In Service/Staff Development	1,930	
Other Charges	5,000	
Total Vocational Education Program		66,541
<u>Other Programs</u>		
On-behalf Payments to OPEB	\$ 119,773	
Total Other Programs		119,773
<u>Board of Education</u>		
Secretary to Board	\$ 1,000	
Board and Committee Members Fees	33,050	
Social Security	2,111	
State Retirement	75	
Employer Medicare	494	
Audit Services	10,800	
Dues and Memberships	8,895	
Legal Services	6,276	
Travel	3,580	
Liability Insurance	265,201	
Trustee's Commission	131,822	
Workers' Compensation Insurance	211,301	
Criminal Investigation of Applicants - TBI	5,282	
Other Charges	19,076	
Total Board of Education		698,963

(Continued)

Exhibit K-10

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.)

Director of Schools

County Official/Administrative Officer	\$	106,785	
Secretary(ies)		81,518	
Other Salaries and Wages		4,035	
Social Security		12,102	
State Retirement		15,256	
Employee and Dependent Insurance		5,326	
Medical Insurance		6,132	
Employer Medicare		2,837	
Communication		16,458	
Postal Charges		1,763	
Travel		7,709	
Office Supplies		4,037	
Other Charges		50	
Administration Equipment		570	
Total Director of Schools			\$ 264,578

Office of the Principal

Assistant(s)	\$	201,228	
Principals		526,887	
Career Ladder Program		8,000	
Clerical Personnel		225,195	
Social Security		57,090	
State Retirement		78,661	
Employee and Dependent Insurance		23,641	
Medical Insurance		56,662	
Employer Medicare		13,452	
Communication		19,457	
Contributions		46,500	
Travel		4,862	
Duplicating Supplies		73,496	
Total Office of the Principal			1,335,131

Operation of Plant

Custodial Personnel	\$	441,941	
Social Security		25,832	
State Retirement		23,442	
Employee and Dependent Insurance		87,895	
Employer Medicare		6,041	
Other Contracted Services		12,024	
Custodial Supplies		69,051	
Electricity		1,018,798	
Natural Gas		189,054	
Water and Sewer		66,098	
Other Charges		30,887	
Total Operation of Plant			1,971,063

(Continued)

Exhibit K-10

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.)

Maintenance of Plant

Supervisor/Director	\$	60,893	
Maintenance Personnel		153,565	
Other Salaries and Wages		154,265	
Social Security		22,010	
State Retirement		23,360	
Employee and Dependent Insurance		31,957	
Medical Insurance		15,903	
Employer Medicare		5,148	
Maintenance and Repair Services - Buildings		89,188	
Maintenance and Repair Services - Equipment		107,820	
General Construction Materials		25,838	
Other Supplies and Materials		27,084	
Other Charges		18,477	
Heating and Air Conditioning Equipment		15,924	
Total Maintenance of Plant			\$ 751,432

Transportation

Supervisor/Director	\$	70,142	
Mechanic(s)		49,017	
Bus Drivers		514,620	
Secretary(ies)		26,172	
Other Salaries and Wages		24,811	
Social Security		39,457	
State Retirement		39,547	
Employee and Dependent Insurance		52,579	
Medical Insurance		622	
Employer Medicare		9,807	
Communication		3,153	
Medical and Dental Services		6,398	
Gasoline		343,072	
Lubricants		7,868	
Tires and Tubes		22,099	
Vehicle Parts		92,657	
Other Supplies and Materials		16,180	
Other Charges		6,717	
Transportation Equipment		389,942	
Total Transportation			1,714,860

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	38,667	
Social Security		2,368	
State Retirement		3,434	
Medical Insurance		2,846	
Employer Medicare		554	
Travel		4,220	

(Continued)

Exhibit K-10

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.)

Food Service (Cont.)

Other Contracted Services	\$	1,500	
Other Supplies and Materials		2,000	
In Service/Staff Development		650	
Other Charges		2,061	
Total Food Service			\$ 58,300

Community Services

Teachers	\$	161,877	
Educational Assistants		31,548	
Other Salaries and Wages		33,963	
Social Security		14,098	
State Retirement		17,077	
Employer Medicare		3,297	
Maintenance and Repair Services - Equipment		2,285	
Postal Charges		497	
Travel		3,798	
Textbooks		874	
Other Supplies and Materials		28,143	
In Service/Staff Development		8,265	
Other Charges		2,205	
Other Equipment		9,149	
Total Community Services			317,076

Early Childhood Education

Teachers	\$	397,191	
Medical Personnel		6,729	
Educational Assistants		142,981	
Other Salaries and Wages		57,650	
Certified Substitute Teachers		1,508	
Non-certified Substitute Teachers		11,130	
Social Security		36,490	
State Retirement		47,625	
Employee and Dependent Insurance		24,581	
Medical Insurance		57,975	
Employer Medicare		8,553	
Postal Charges		77	
Travel		8,470	
Instructional Supplies and Materials		18,914	
Textbooks		1,068	
In Service/Staff Development		665	
Other Equipment		3,692	
Total Early Childhood Education			825,299

Capital Outlay

Regular Capital Outlay

Other Construction	\$	4,202,661	
Other Capital Outlay		709,092	
Total Regular Capital Outlay			4,911,753

Total General Purpose School Fund \$ 32,353,368

(Continued)

Exhibit K-10

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	490,654	
Educational Assistants		49,181	
Certified Substitute Teachers		165	
Non-certified Substitute Teachers		2,480	
Social Security		30,855	
State Retirement		45,981	
Medical Insurance		99,414	
Employer Medicare		7,222	
Instructional Supplies and Materials		4,535	
Regular Instruction Equipment		4,858	
Total Regular Instruction Program	\$		735,345

Special Education Program

Educational Assistants	\$	309,531	
Speech Pathologist		93,595	
Social Security		23,270	
State Retirement		25,739	
Medical Insurance		45,041	
Employer Medicare		5,667	
Contracts with Private Agencies		57,600	
Instructional Supplies and Materials		6,751	
Special Education Equipment		3,610	
Total Special Education Program			570,804

Vocational Education Program

Contracts with Other School Systems	\$	13,559	
Other Supplies and Materials		7,000	
Vocational Instruction Equipment		34,483	
Total Vocational Education Program			55,042

Support Services

Other Student Support

Evaluation and Testing	\$	23,652	
Travel		8,059	
In Service/Staff Development		4,000	
Other Charges		9,555	
Total Other Student Support			45,266

Regular Instruction Program

Supervisor/Director	\$	151,358	
Secretary(ies)		28,010	
Other Salaries and Wages		20,249	
In-service Training		14,373	
Social Security		12,916	
State Retirement		17,313	
Medical Insurance		19,740	

(Continued)

Exhibit K-10

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.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	3,021	
Communication		10,000	
Travel		7,763	
Other Contracted Services		22,779	
Other Supplies and Materials		8,445	
In Service/Staff Development		65,335	
Other Equipment		93,978	
Total Regular Instruction Program			\$ 475,280

Special Education Program

Supervisor/Director	\$	10,822	
Clerical Personnel		19,758	
Social Security		1,662	
State Retirement		2,170	
Medical Insurance		4,899	
Employer Medicare		287	
Travel		2,685	
Other Contracted Services		180,566	
In Service/Staff Development		3,260	
Total Special Education Program			226,109

Vocational Education Program

Travel	\$	363	
Total Vocational Education Program			363

Transportation

Bus Drivers	\$	50,592	
Other Salaries and Wages		16,878	
Social Security		4,105	
State Retirement		3,103	
Medical Insurance		5,355	
Employer Medicare		960	
Contracts with Parents		1,038	
Total Transportation			82,031

Total School Federal Projects Fund \$ 2,190,240

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	38,667	
Cafeteria Personnel		608,250	
Bonus Payments		7,600	
Other Salaries and Wages		14,394	
Social Security		38,492	
State Retirement		36,964	

(Continued)

Exhibit K-10

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Employee and Dependent Insurance	\$ 101,971	
Medical Insurance	2,846	
Employer Medicare	9,226	
Communication	3,398	
Consultants	2,000	
Contracts with Private Agencies	80,252	
Dues and Memberships	5,212	
Maintenance and Repair Services - Equipment	36,512	
Other Contracted Services	23,575	
Custodial Supplies	19,279	
Food Preparation Supplies	59,975	
Food Supplies	799,457	
Office Supplies	2,149	
Uniforms	2,195	
USDA - Commodities	121,246	
Refunds	818	
Trustee's Commission	6	
Workers' Compensation Insurance	17,796	
In Service/Staff Development	3,009	
Other Charges	1,300	
Food Service Equipment	68,723	
Total Food Service		\$ 2,105,312
Total Central Cafeteria Fund		\$ 2,105,312
<u>Extended School Program Fund</u>		
<u>Operation of Non-instructional Services</u>		
<u>Community Services</u>		
Supervisor/Director	\$ 4,410	
Other Salaries and Wages	60,295	
Social Security	4,012	
State Retirement	4,531	
Employer Medicare	938	
Trustee's Commission	1,008	
Other Charges	6,025	
Other Equipment	9,145	
Total Community Services		\$ 90,364
Total Extended School Program Fund		90,364
Total Governmental Funds - Lincoln County School Department		<u>\$ 36,739,284</u>

Exhibit K-11

Lincoln County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2014

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,373,362	\$ 1,373,362
Trustee's Collections - Prior Years	0	33,656	33,656
Trustee's Collections - Bankruptcy	0	4,417	4,417
Circuit/Clerk and Master Collections - Prior Years	0	19,136	19,136
Interest and Penalty	0	6,813	6,813
Local Option Sales Tax	1,764,582	815,113	2,579,695
Wholesale Beer Tax	0	34,785	34,785
Interstate Telecommunications Tax	0	759	759
Marriage Licenses	0	781	781
Income Tax	0	26,524	26,524
Beer Tax	0	4,332	4,332
Mixed Drink Tax	0	254	254
Total Cash Receipts	<u>\$ 1,764,582</u>	<u>\$ 2,319,932</u>	<u>\$ 4,084,514</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,764,582	\$ 2,278,248	\$ 4,042,830
Trustee's Commission	0	28,721	28,721
Total Cash Disbursements	<u>\$ 1,764,582</u>	<u>\$ 2,306,969</u>	<u>\$ 4,071,551</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 12,963	\$ 12,963
Cash Balance, July 1, 2013	0	80,573	80,573
Cash Balance, June 30, 2014	<u>\$ 0</u>	<u>\$ 93,536</u>	<u>\$ 93,536</u>

Exhibit K-12

Lincoln County, Tennessee
Schedule of Utility Rates and Number of Customers
Lincoln County Board of Public Utilities
June 30, 2014

Meter Type	Number of Customers	Gallons	Rate
Residential and Commercial	8,684	First 1,000	\$ 24.99 minimum
		Next 4,000	4.14 per 1,000 gallons
		Over 5,000	4.17 per 1,000 gallons
Multi-User (Total 406 units. Rates are based on usage per each unit.)	122	First 1,000	21.44 minimum
		Next 4,000	4.14 per 1,000 gallons
		Over 5,000	4.17 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

Lincoln County, Tennessee
 Schedule of Water Reporting
 Lincoln County Board of Public Utilities
 For the Year Ended June 30, 2014

AWWA Free Water Audit Software
 Reporting Worksheet

WAS v6.0
 American Water Works Association
 Copyright © 2014. All Rights Reserved.

Water Audit Report for: **Lincoln County Board of Public Utilities (TN000884 & TN000764)**
 Reporting Year: **2014** **7/2013 - 6/2014**

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 (n/a or 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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

← Enter grading in column 'E' and 'J' →

Volume from own sources:	<input type="text" value="5"/>	<input type="text" value="784.084"/>	MG/yr	Pcnt:	<input type="text" value="8"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text" value="0.00%"/>	MG/yr
Water imported:	<input type="text" value="9"/>	<input type="text" value="118.440"/>	MG/yr		<input type="text" value="5"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="text" value="0.00%"/>	MG/yr
Water exported:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/yr		<input type="text" value="5"/>	<input checked="" type="radio"/>	<input type="radio"/>		MG/yr

Master Meter and Supply Error Adjustments

Enter negative % or value for under-registration
 Enter positive % or value for over-registration

WATER SUPPLIED: MG/yr

AUTHORIZED CONSUMPTION

Billed metered:	<input type="text" value="7"/>	<input type="text" value="478.989"/>	MG/yr	Pcnt:	<input type="text" value="0"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value="2.796"/>	MG/yr
Billed unmetered:	<input type="text" value="n/a"/>	<input type="text" value="0.000"/>	MG/yr		<input type="text" value="0"/>	<input type="radio"/>	<input type="radio"/>		MG/yr
Unbilled metered:	<input type="text" value="10"/>	<input type="text" value="2.945"/>	MG/yr		<input type="text" value="0"/>	<input type="radio"/>	<input type="radio"/>		MG/yr
Unbilled unmetered:	<input type="text" value="6"/>	<input type="text" value="2.796"/>	MG/yr		<input type="text" value="0"/>	<input type="radio"/>	<input type="radio"/>		MG/yr

Click here: for help using option buttons below

Use buttons to select percentage of water supplied OR value

AUTHORIZED CONSUMPTION: MG/yr

WATER LOSSES (Water Supplied - Authorized Consumption) MG/yr

Apparent Losses

Unauthorized consumption:	<input type="text" value="5"/>	<input type="text" value="2.206"/>	MG/yr	Pcnt:	<input type="text" value="0.25"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value="0"/>	MG/yr
Customer metering inaccuracies:	<input type="text" value="7"/>	<input type="text" value="47.664"/>	MG/yr		<input type="text" value="9.00"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value="0"/>	MG/yr
Systematic data handling errors:	<input type="text" value="5"/>	<input type="text" value="1.197"/>	MG/yr		<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="text" value="0.25"/>	MG/yr

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

Apparent Losses: MG/yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/yr

WATER LOSSES: MG/yr

NON-REVENUE WATER

NON-REVENUE WATER: MG/yr
 = Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	<input type="text" value="7"/>	<input type="text" value="735.0"/>	miles
Number of active AND inactive service connections:	<input type="text" value="8"/>	<input type="text" value="8.814"/>	
Service connection density:	<input type="text" value="12"/>	<input type="text" value="12"/>	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: psi

COST DATA

Total annual cost of operating water system:	<input type="text" value="9"/>	<input type="text" value="\$4,252,035"/>	\$/Year
Customer retail unit cost (applied to Apparent Losses):	<input type="text" value="9"/>	<input type="text" value="\$8.31"/>	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	<input type="text" value="9"/>	<input type="text" value="\$2,812.86"/>	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 70 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: Billed metered
- 3: Unauthorized consumption

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, 2014, 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 11, 2015. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County Health System (Business-type activity), the Lincoln County Board of Public Utilities (Business-type activity), 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2014-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 2014-004.

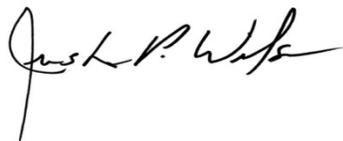
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2014-002 and 2014-003.

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 11, 2015

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, 2014, except as follows. Other auditors have audited the compliance of the county with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities, ARRA (CFDA No. 10.781) for the year ended June 30, 2014. 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, and the report of the other auditors, 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, 2014.

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.

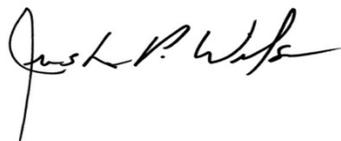
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2014, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements. We issued our report thereon dated February 11, 2015, 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 basic 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 basic 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 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 11, 2015

JPW/kp

Lincoln County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 2,274,446
Environment Quality Incentives Program	10.912	N/A	8,375
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	277,845
National School Lunch Program	10.555	(2)	898,871 (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>\$ 3,580,783</u>
U.S. Department of Justice:			
Direct Program:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 818
Passed-through State Administrative Office of the Courts:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	21,008
Total U.S. Department of Justice			<u>\$ 21,826</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 22,886
Total U.S. Department of Transportation			<u>\$ 22,886</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 794,650
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	845,032
Special Education - Preschool Grants	84.173	N/A	37,911
Career and Technical Education - Basic Grants to States	84.048	N/A	67,464
Safe and Drug-free Schools and Communities National Programs	84.184	(2)	21,511
Rural Education	84.358	(2)	79,594
Improving Teacher Quality State Grants	84.367	N/A	139,794
Teacher Incentive Fund	84.374	(2)	30,521
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	188,331
Passed-through City of Tullahoma School Department:			
English Language Acquisition State Grants	84.365	N/A	6,943
Total U.S. Department of Education			<u>\$ 2,211,751</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(4)	\$ 4,123
Total U.S. Election Assistance Commission			<u>\$ 4,123</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 47,350
Homeland Security Grant Program	97.067	(5)	37,290
Total U.S. Department of Homeland Security			<u>\$ 84,640</u>
Total Expenditures of Federal Awards			<u>\$ 5,926,009</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)	\$ 336,970
Early Childhood Education - State Department of Education	N/A	(2)	674,859
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	266,686
ConnectTN - State Department of Education	N/A	(2)	11,513
Coordinated School Health - State Department of Education	N/A	(2)	103,266
Family Resource Center - State Department of Education	N/A	(2)	29,612
Technology Funds - State Department of Education	N/A	(2)	281,397
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	21,805
Statewide Student Management Systems - State Department of Education	N/A	(2)	10,607
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	28,584
FastTrack Economic Developmnet Grant - State Economic and Community Development	N/A	(2)	117,200
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	4,500
Litter Program - State Department of Transportation	N/A	(2)	39,510
Litter Removal Grant - State Department of Transportation	N/A	(2)	15,177
Help America Vote Act Requirements Payments - Tennessee Secretary of State	N/A	(2)	217
Total State Grants			<u>\$ 1,941,903</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 \$1,020,117.

(4) 30510-00113-52: \$1,463; 30510-00114-35: \$2,660.

(5) 34101-15513: \$14,266; 34101-14614: \$15,061; 34101-16612: \$7,963.

Lincoln County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-003	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>
2013-005	179	Duties were not segregated adequately

LINCOLN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

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. One 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 Water and Waste Disposal Systems for Rural Communities, Recovery Act (CFDA No. 10.781), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), 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 FINANCE DIRECTOR

FINDING 2014-001

MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION (Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2014, certain general ledger account balances in the Highway/Public Works, General Debt Service, and General Capital Projects funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Audit adjustments were required to increase receivables (\$298,209) and payables (\$53,934) in the Highway/Public Works Fund, reduce property tax receivables (\$80,352) in the General Debt Service Fund, and reclassify several asset and expenditure accounts in compliance with generally accepted accounting principles in the General Capital Projects Fund. Generally accepted accounting principles require Lincoln County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Lincoln County should have appropriate processes in place to ensure that its general ledgers are materially correct.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-002

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 November and December 2013, to trace manually issued receipts to deposits. In three of 29 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 report.

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.

OFFICE OF REGISTER OF DEEDS

FINDING 2014-003 **CASH TOTALING \$290 WAS REPORTED STOLEN FROM THE OFFICE**
(Noncompliance Under *Government Auditing Standards*)

The register of deeds reported a theft of \$290 to the state Comptroller's Office on May 21, 2014. Employees discovered that \$65 was missing from a cash drawer on April 2, 2014. On April 7, 2014, an additional \$225 was found to be missing from cash drawers for a total of \$290. The cash drawers were stored overnight in a locked filing cabinet; however, the key to the filing cabinet was stored in an unlocked office desk. Videotape recordings revealed an employee of a contracted cleaning service entering and leaving the office in the middle of the night. A police report was filed with the Lincoln County Sheriff's Department, but no arrests were made. The owner of the cleaning service subsequently paid the missing money to the office.

RECOMMENDATION

Management should review its internal control procedures related to cash. Cash on hand from the three cash drawers should be stored overnight in a secure location not accessible to all employees.

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

FINDING 2014-004 **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, 2014

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