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



**FOR THE YEAR ENDED JUNE 30, 2014**



**ANNUAL FINANCIAL REPORT**  
**THE METROPOLITAN GOVERNMENT OF**  
**LYNCHBURG, MOORE 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*  
*JACOB KENNEDY, CISA*  
*State Auditors*

This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

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**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
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# ***Summary of Audit Findings***

Annual Financial Report  
Metropolitan Government of Lynchburg, Moore County, Tennessee  
For the Year Ended June 30, 2014

## ***Scope***

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2014.

## ***Results***

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

Our audit resulted in six findings and recommendations, which we have reviewed with the metropolitan government's management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF METROPOLITAN MAYOR**

- ◆ Competitive bids were not solicited for the purchase of food for inmate meals.
  - ◆ General ledger payroll liability accounts were not reconciled with payroll reports and payments.
- 

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The office had purchasing deficiencies.
- 

### **OFFICE OF METROPOLITAN CLERK**

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

### **OFFICE OF SHERIFF**

- ◆ Deficiencies were noted in the maintenance of arrestee files.
-

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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Metropolitan Lynchburg, Moore County Officials  
June 30, 2014

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**Officials**

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

**Metropolitan Council**

Coleman March, Chairman	
Korby Holcomb	Jason Weddington
Parks Norman	Gordon Millsaps
Tommy Brown	Shawn Adams
Penny Walker	Marty Copeland
Patrick Maynard	Glenn Searcy
Oscar McGee	R.D. McKenzie
David Boyce	Wayne Brandon

**Board of Education**

Lorrie McKenzie, Chairman	
Wayne Rhoton	Richard Riddle
Scott Lund	Ronnie Smith

**Audit Committee**

Coleman March	Gordon Millsaps
Penny Walker	Tommy Brown
David Boyce	

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## FINANCIAL SECTION

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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

Metropolitan Mayor and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

**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 the Metropolitan Government of Lynchburg, Moore 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 Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets, net position, and revenues of the business-type activities and is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District, which represent 5.3 percent, 6.6 percent, and 2.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions on the financial statements, insofar as they

relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 the Metropolitan Government of Lynchburg, Moore 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., the metropolitan government 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 plan on pages 81-83 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 the metropolitan government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and 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

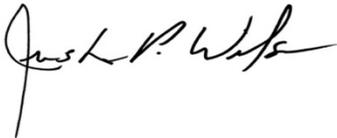
in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan 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 November 18, 2014, on our consideration of the metropolitan government'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 the metropolitan government's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

November 18, 2014

JPW/kp

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# BASIC FINANCIAL STATEMENTS

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The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Net Position  
 June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 375	\$ 586,476	\$ 586,851	\$ 16,222	\$ 457,203
Equity in Pooled Cash and Investments	3,495,158	0	3,495,158	1,211,154	0
Inventories	0	50,368	50,368	6,468	0
Accounts Receivable	143,848	88,530	232,378	0	1,356
Allowance for Uncollectibles	(5,334)	(1,896)	(7,230)	0	0
Prepaid Items	0	0	0	0	12,569
Other Receivables	0	0	0	0	408
Due from Other Governments	349,343	0	349,343	237,567	2,708
Due from Component Units	139,964	0	139,964	0	0
Unbilled Charges for Services	0	75,324	75,324	0	0
Property Taxes Receivable	2,689,082	0	2,689,082	2,581,810	0
Allowance for Uncollectible Property Taxes	(66,483)	0	(66,483)	(64,088)	0
Restricted Assets:					
Customer Deposits	0	510	510	0	0
Revenue Bond Future Debt Service Account	0	50,184	50,184	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	393,779	92,459	486,238	39,342	183,314
Construction in Progress	0	83,569	83,569	0	148,700
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,280,802	0	1,280,802	11,752,661	0
Other Capital Assets	956,751	12,231,401	13,188,152	651,119	113,910
Infrastructure	2,129,066	0	2,129,066	0	0
Total Assets	\$ 11,506,351	\$ 13,256,925	\$ 24,763,276	\$ 16,432,255	\$ 920,168

**LIABILITIES**

Accounts Payable	\$ 41,689	\$ 41,898	\$ 83,587	\$ 45,103	\$ 710
Accrued Payroll	1,901	3,969	5,870	0	0
Payroll Deductions Payable	18,845	0	18,845	237,409	0
Accrued Interest Payable	0	7,540	7,540	0	0

(Continued)

Exhibit A

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

	Primary Government		Total	Component Units	
	Governmental Activities	Business-type Activities		Metropolitan School Department	Emergency Communications District
<u>LIABILITIES (CONT.)</u>					
Other Current Liabilities	\$	0	\$ 36,192	\$	0
Due to Primary Government		0	0	139,964	0
Accrued Leave - Current		0	17,158	0	0
Noncurrent Liabilities:					
Due Within One Year		424,109	156,798	12,905	0
Due in More Than One Year (net of unamortized loan costs)		9,145,612	5,424,828	588,069	0
Total Liabilities	\$	9,632,156	5,688,383	1,023,450	710
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$	2,574,994	0	2,472,344	0
Total Deferred Inflows of Resources	\$	2,574,994	0	2,472,344	0
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$	3,339,275	6,825,803	12,443,122	445,924
Restricted for:					
Finance		4,147	0	0	0
Administration of Justice		57,962	0	0	0
Public Health and Welfare		257,957	0	0	0
Debt Service		692,254	50,184	0	0
Highway/Public Works		716,140	0	0	0
Public Safety		60,072	0	0	0
Other Operations		24,175	0	0	0
Education		0	0	3,342	0
Central Cafeteria		0	0	123,487	0
Other Purposes		20,226	0	0	0
Capital Projects		32,191	0	0	0
Unrestricted		(5,905,198)	692,555	366,510	473,534
Total Net Position	\$	(700,799)	7,568,542	12,936,461	919,458

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position				
	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Primary Government Activities	Business-type Activities	Total	Component Units	
	Expenses	Services	Contributions	Grants and Contributions	Contributions	Metropolitan School Department				Emergency Communications District	
<b>Primary Government:</b>											
Governmental Activities:											
General Government	\$ 2,027,314	\$ 67,278	\$ 16,627	\$ 0	\$ (1,943,409)	\$ 0	\$ 0	\$ (1,943,409)	\$ 0	\$ 0	0
Finance	264,196	208,797	0	0	(55,399)	0	0	(55,399)	0	0	0
Administration of Justice	282,979	98,552	4,500	0	(179,927)	0	0	(179,927)	0	0	0
Public Safety	1,673,435	135,198	124,074	0	(1,414,163)	0	0	(1,414,163)	0	0	0
Public Health and Welfare	965,102	337,882	141,008	62,985	(423,227)	0	0	(423,227)	0	0	0
Social, Cultural, and Recreational Services	250,072	14,415	20,516	0	(215,141)	0	0	(215,141)	0	0	0
Agriculture and Natural Resources	74,576	0	0	0	(74,576)	0	0	(74,576)	0	0	0
Highways/Public Works	1,210,888	0	1,184,762	175,598	149,472	0	0	149,472	0	0	0
Interest on Long-term Debt	31,808	0	0	0	(31,808)	0	0	(31,808)	0	0	0
Education	55,533	0	0	0	(55,533)	0	0	(55,533)	0	0	0
Total Governmental Activities	\$ 6,835,903	\$ 862,122	\$ 1,491,487	\$ 238,583	\$ (4,243,711)	\$ 0	\$ 0	\$ (4,243,711)	\$ 0	\$ 0	0
<b>Business-type Activities:</b>											
Water and Sewer Department	\$ 1,774,169	\$ 1,849,292	\$ 75,871	\$ 0	\$ 0	\$ 150,994	\$ 150,994	\$ 150,994	\$ 0	\$ 0	0
Total Business-type Activities	\$ 1,774,169	\$ 1,849,292	\$ 75,871	\$ 0	\$ 0	\$ 150,994	\$ 150,994	\$ 150,994	\$ 0	\$ 0	0
<b>Total Primary Government</b>	\$ 8,610,072	\$ 2,711,414	\$ 1,567,358	\$ 238,583	\$ (4,243,711)	\$ 150,994	\$ (4,092,717)	\$ (4,092,717)	\$ 0	\$ 0	0
<b>Component Units:</b>											
Metropolitan School Department	\$ 9,072,166	\$ 264,289	\$ 838,221	\$ 117,613	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,852,043)	\$ 0	0
Emergency Communications District	99,856	157,267	53,158	0	0	0	0	0	0	0	110,569
<b>Total Component Units</b>	\$ 9,172,022	\$ 421,556	\$ 891,379	\$ 117,613	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,852,043)	\$ 0	110,569

(Continued)

Exhibit B

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating		Metropolitan School Department	Emergency Communications District
			Contributions	Grants and Contributions		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes		\$ 2,197,951	\$ 0	\$ 2,197,951	\$ 2,664,349	\$ 0
Property Taxes Levied for Debt Service		586,263	0	586,263	0	0
Local Option Sales Tax		377,059	0	377,059	377,061	0
Wholesale Beer Tax		75,583	0	75,583	0	0
Business Tax		37,676	0	37,676	0	0
Litigation Tax - Jail, Workhouse, & Courthouse		18,065	0	18,065	0	0
Litigation Tax - General		15,562	0	15,562	0	0
Other Local Taxes		10,076	0	10,076	593	0
Grants and Contributions Not Restricted to Specific Programs		2,110,164	0	2,110,164	4,857,514	0
Unrestricted Investment Income		25,278	3,089	28,367	153	3,777
Miscellaneous		9,961	0	9,961	21,951	197
Insurance Recovery		0	0	0	17,672	0
Total General Revenues		\$ 5,463,638	\$ 3,089	\$ 5,466,727	\$ 7,939,293	\$ 3,974
Transfers						
Change in Net Position		\$ 21,304	(21,304)	\$ 0	\$ 0	\$ 0
Net Position, July 1, 2013		\$ 1,241,231	\$ 132,779	\$ 1,374,010	\$ 87,250	\$ 114,543
Restatement - See Note VI.N.		(1,942,030)	7,475,589	5,533,559	12,849,211	804,915
		0	(39,826)	(39,826)	0	0
Net Position, June 30, 2014		\$ (700,799)	\$ 7,568,542	\$ 6,867,743	\$ 12,936,461	\$ 919,458

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

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Balance Sheet  
Governmental Funds  
June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 375
Equity in Pooled Cash and Investments	1,180,606	544,274	1,342,376	427,902	3,495,158	3,495,158
Accounts Receivable	77,093	0	25,272	41,483	143,848	143,848
Allowance for Uncollectibles	(5,334)	0	0	0	(5,334)	(5,334)
Due from Other Governments	99,543	213,387	36,413	0	349,343	349,343
Property Taxes Receivable	1,844,150	32,544	352,093	460,295	2,689,082	2,689,082
Allowance for Uncollectible Property Taxes	(45,777)	(808)	(9,661)	(10,237)	(66,483)	(66,483)
Total Assets	\$ 3,150,656	\$ 789,397	\$ 1,746,493	\$ 919,443	\$ 6,605,989	\$ 6,605,989
<u>LIABILITIES</u>						
Accounts Payable	\$ 34,544	\$ 4,886	\$ 0	\$ 2,259	\$ 41,689	\$ 41,689
Accrued Payroll	0	1,901	0	0	1,901	1,901
Payroll Deductions Payable	8,228	10,471	0	146	18,845	18,845
Total Liabilities	\$ 42,772	\$ 17,258	\$ 0	\$ 2,405	\$ 62,435	\$ 62,435
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 1,765,960	\$ 31,164	\$ 332,416	\$ 445,454	\$ 2,574,994	\$ 2,574,994
Deferred Delinquent Property Taxes	32,413	572	8,759	4,195	45,939	45,939
Other Deferred/Unavailable Revenue	62,524	104,553	19,240	26,570	212,887	212,887
Total Deferred Inflows of Resources	\$ 1,860,897	\$ 136,289	\$ 360,415	\$ 476,219	\$ 2,833,820	\$ 2,833,820

(Continued)

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Balance Sheet  
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Finance	\$ 4,147	\$ 0	\$ 0	\$ 0	\$ 0	4,147
Restricted for Administration of Justice	57,962	0	0	0	0	57,962
Restricted for Public Safety	2,747	0	0	57,325	0	60,072
Restricted for Public Health and Welfare	415	0	0	229,951	0	230,366
Restricted for Other Operations	24,175	0	0	0	0	24,175
Restricted for Highways/Public Works	0	635,850	0	0	0	635,850
Restricted for Debt Service	0	0	673,014	0	0	673,014
Restricted for Capital Projects	0	0	0	32,191	0	32,191
Restricted for Other Purposes	0	0	0	19,657	0	19,657
Committed:						
Committed for Public Health and Welfare	0	0	0	101,695	0	101,695
Committed for Social, Cultural, and Recreational Services	995	0	0	0	0	995
Committed for Debt Service	0	0	713,064	0	0	713,064
Assigned:						
Assigned for Public Safety	29,103	0	0	0	0	29,103
Assigned for Public Health and Welfare	33,288	0	0	0	0	33,288
Assigned for Capital Outlay	31	0	0	0	0	31
Unassigned	1,094,124	0	0	0	0	1,094,124
Total Fund Balances	\$ 1,246,987	\$ 635,850	\$ 1,386,078	\$ 440,819	\$ 0	\$ 3,709,734
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,150,656	\$ 789,397	\$ 1,746,493	\$ 919,443	\$ 0	\$ 6,605,989

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net 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)		\$	3,709,734
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	393,779	
Add: buildings and improvements net of accumulated depreciation		1,280,802	
Add: other capital assets net of accumulated depreciation		956,751	
Add: infrastructure net of accumulated depreciation		<u>2,129,066</u>	4,760,398
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Add: debt to be contributed by the School Department	\$	139,964	
Less: other loans payable		(9,338,980)	
Less: capital lease payable		(139,964)	
Less: compensated absences payable		<u>(90,777)</u>	(9,429,757)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>258,826</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(700,799)</u></u>

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 2,342,503	\$ 46,380	\$ 1,027,377	\$ 266,226	\$	3,682,486
Licenses and Permits	33,885	0	0	2,521		36,406
Fines, Forfeitures, and Penalties	29,337	0	0	18,852		48,189
Charges for Current Services	161,302	0	0	190,299		351,601
Other Local Revenues	62,835	1,593	1,899	29,084		95,411
Fees Received from County Officials	288,478	0	0	0		288,478
State of Tennessee	2,056,761	1,365,825	0	21,415		3,444,001
Federal Government	120,042	0	0	0		120,042
Other Governments and Citizens Groups	35,436	0	29,100	0		64,536
<b>Total Revenues</b>	<b>\$ 5,130,579</b>	<b>\$ 1,413,798</b>	<b>\$ 1,058,376</b>	<b>\$ 528,397</b>	<b>\$</b>	<b>8,131,150</b>

Expenditures

Current:

General Government	\$ 465,339	\$ 0	\$ 0	\$ 20,744	\$	486,083
Finance	203,465	0	0	0		203,465
Administration of Justice	220,702	0	0	0		220,702
Public Safety	1,301,894	0	0	10,292		1,312,186
Public Health and Welfare	447,339	0	0	437,792		885,131
Social, Cultural, and Recreational Services	184,115	0	0	0		184,115
Agriculture and Natural Resources	60,780	0	0	0		60,780
Other Operations	1,997,212	0	0	0		1,997,212
Highways	0	1,362,425	0	0		1,362,425
Debt Service:						
Principal on Debt	0	0	848,738	0		848,738
Interest on Debt	0	0	38,808	0		38,808
Other Debt Service	0	0	82,629	0		82,629

(Continued)

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore 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	Other Governmental Funds		
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 662	\$ 662	662
Total Expenditures	\$ 4,880,846	\$ 1,362,425	\$ 970,175	\$ 469,490	\$ 7,682,936	7,682,936
Excess (Deficiency) of Revenues Over Expenditures	\$ 249,733	\$ 51,373	\$ 88,201	\$ 58,907	\$ 448,214	448,214
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 21,304	\$ 0	\$ 21,304	21,304
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 21,304	\$ 0	\$ 21,304	21,304
Net Change in Fund Balances	\$ 249,733	\$ 51,373	\$ 109,505	\$ 58,907	\$ 469,518	469,518
Fund Balance, July 1, 2013	997,254	584,477	1,276,573	381,912	3,240,216	3,240,216
Fund Balance, June 30, 2014	\$ 1,246,987	\$ 635,850	\$ 1,386,078	\$ 440,819	\$ 3,709,734	3,709,734

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

Exhibit C-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 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)		\$ 469,518
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 458,143	
Less: current-year depreciation expense	<u>(452,778)</u>	5,365
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 258,826	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(312,408)</u>	(53,582)
<p>(3) The issuance of long-term debt (e.g., notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: contributions from the School Department for capital lease	\$ (21,738)	
Add: principal payments on notes	476,000	
Add: principal payments on other loans	351,000	
Add: principal payments on capital lease	<u>21,738</u>	827,000
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 7,000	
Change in compensated absences payable	<u>(14,070)</u>	<u>(7,070)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 1,241,231</u></u>

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

Exhibit C-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,342,503	\$ 2,058,350	\$ 2,058,350	\$ 284,153
Licenses and Permits	33,885	15,500	30,500	3,385
Fines, Forfeitures, and Penalties	29,337	25,700	25,700	3,637
Charges for Current Services	161,302	141,190	142,190	19,112
Other Local Revenues	62,835	52,900	54,743	8,092
Fees Received from County Officials	288,478	250,000	250,000	38,478
State of Tennessee	2,056,761	570,200	2,112,708	(55,947)
Federal Government	120,042	6,000	90,357	29,685
Other Governments and Citizens Groups	35,436	6,250	51,666	(16,230)
<b>Total Revenues</b>	<b>\$ 5,130,579</b>	<b>\$ 3,126,090</b>	<b>\$ 4,816,214</b>	<b>\$ 314,365</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 125,816	\$ 140,800	\$ 140,800	\$ 14,984
County Mayor/Executive	110,653	122,052	122,052	11,399
County Attorney	360	6,855	6,855	6,495
Election Commission	63,061	67,818	69,858	6,797
Register of Deeds	61,290	66,417	67,417	6,127
Planning	25,679	14,000	29,000	3,321
County Buildings	71,491	77,850	77,850	6,359
Preservation of Records	6,989	7,027	7,027	38
<u>Finance</u>				
Property Assessor's Office	66,639	70,232	70,332	3,693
County Trustee's Office	64,658	65,909	65,910	1,252
County Clerk's Office	72,168	72,601	73,421	1,253
<u>Administration of Justice</u>				
Circuit Court	67,205	81,482	81,482	14,277
General Sessions Court	67,355	67,847	67,847	492
Chancery Court	61,046	63,732	63,732	2,686
Juvenile Court	11,338	12,000	12,000	662
Judicial Commissioners	13,758	15,144	15,144	1,386
<u>Public Safety</u>				
Sheriff's Department	783,338	779,120	823,775	40,437
Administration of the Sexual Offender Registry	708	892	892	184
Jail	323,558	339,539	356,905	33,347
Commissary	666	2,535	2,535	1,869
Fire Prevention and Control	146,477	90,712	153,697	7,220
Other Emergency Management	47,147	29,100	50,472	3,325
<u>Public Health and Welfare</u>				
Local Health Center	111,032	114,196	119,101	8,069
Ambulance/Emergency Medical Services	331,976	368,356	387,212	55,236
Alcohol and Drug Programs	1,831	2,430	2,430	599
Regional Mental Health Center	2,500	2,500	2,500	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	8,500	8,500	8,500	0
Libraries	99,935	94,516	107,402	7,467
Parks and Fair Boards	75,680	63,464	85,914	10,234

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	\$ 60,023	\$ 63,470	\$ 64,470	\$ 4,447
Forest Service	350	350	350	0
Soil Conservation	407	5,798	5,798	5,391
<u>Other Operations</u>				
Tourism	5,488	6,300	6,300	812
Other Economic and Community Development	1,500,000	0	1,500,000	0
Veterans' Services	2,266	2,221	2,301	35
Other Charges	6,804	7,500	7,500	696
Employee Benefits	482,654	689,700	691,400	208,746
Total Expenditures	\$ 4,880,846	\$ 3,622,965	\$ 5,350,181	\$ 469,335
Excess (Deficiency) of Revenues Over Expenditures	\$ 249,733	\$ (496,875)	\$ (533,967)	\$ 783,700
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 30,000	\$ 0	\$ 0
Total Other Financing Sources	\$ 0	\$ 30,000	\$ 0	\$ 0
Net Change in Fund Balance	\$ 249,733	\$ (466,875)	\$ (533,967)	\$ 783,700
Fund Balance, July 1, 2013	997,254	636,274	636,274	360,980
Fund Balance, June 30, 2014	\$ 1,246,987	\$ 169,399	\$ 102,307	\$ 1,144,680

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

Exhibit C-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 46,380	\$ 30,905	\$ 42,905	\$ 3,475
Other Local Revenues	1,593	14,500	2,500	(907)
State of Tennessee	1,365,825	1,464,620	1,464,620	(98,795)
Total Revenues	<u>\$ 1,413,798</u>	<u>\$ 1,510,025</u>	<u>\$ 1,510,025</u>	<u>\$ (96,227)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 191,531	\$ 186,971	\$ 191,531	\$ 0
Highway and Bridge Maintenance	536,156	639,590	646,030	109,874
Operation and Maintenance of Equipment	140,105	159,172	159,172	19,067
Other Charges	44,242	50,900	50,900	6,658
Employee Benefits	35,239	29,000	35,300	61
Capital Outlay	415,152	495,000	477,700	62,548
Total Expenditures	<u>\$ 1,362,425</u>	<u>\$ 1,560,633</u>	<u>\$ 1,560,633</u>	<u>\$ 198,208</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 51,373</u>	<u>\$ (50,608)</u>	<u>\$ (50,608)</u>	<u>\$ 101,981</u>
Net Change in Fund Balance	\$ 51,373	\$ (50,608)	\$ (50,608)	\$ 101,981
Fund Balance, July 1, 2013	<u>584,477</u>	<u>360,912</u>	<u>360,912</u>	<u>223,565</u>
Fund Balance, June 30, 2014	<u>\$ 635,850</u>	<u>\$ 310,304</u>	<u>\$ 310,304</u>	<u>\$ 325,546</u>

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	<u>Major Enterprise Fund Water and Sewer Department</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 586,476
Inventories	50,368
Accounts Receivable	88,530
Allowance for Uncollectibles	(1,896)
Unbilled Charges for Services	75,324
Total Current Assets	<u>\$ 798,802</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 510
Revenue Bond Future Debt Service Account	50,184
Capital Assets:	
Assets Not Depreciated:	
Land	92,459
Construction in Progress	83,569
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	12,231,401
Total Noncurrent Assets	<u>\$ 12,458,123</u>
Total Assets	<u>\$ 13,256,925</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 41,898
Accrued Payroll	3,969
Accrued Leave	17,158
Accrued Interest Payable	7,540
Current Portion of Long-term Liabilities	156,798
Deferred Fees	11,424
Customer Deposits	24,768
Total Current Liabilities	<u>\$ 263,555</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 5,424,828
Total Noncurrent Liabilities	<u>\$ 5,424,828</u>
Total Liabilities	<u>\$ 5,688,383</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,825,803
Restricted for Debt Service	50,184
Unrestricted	692,555
Total Net Position	<u>\$ 7,568,542</u>

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,849,292
Total Operating Revenues	<u>\$ 1,849,292</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 1,114,022
Depreciation	459,837
Total Operating Expenses	<u>\$ 1,573,859</u>
Operating Income (Loss)	<u>\$ 275,433</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 3,089
Interest Expense	(192,411)
Loss on Disposal of Capital Assets	(7,899)
Total Nonoperating Revenues (Expenses)	<u>\$ (197,221)</u>
Income (Loss) Before Contributions, Grants, and Transfers	\$ 78,212
Tap Fees in Excess of Costs	9,115
Contributions from Developers	1,745
Transfers to General Debt Service Fund	(21,304)
Grants	<u>65,011</u>
Change in Net Position	\$ 132,779
Net Position, July 1, 2013	7,475,589
Restatement - See Note VI.N.	<u>(39,826)</u>
Net Position, June 30, 2014	<u><u>\$ 7,568,542</u></u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,875,476
Payments to Suppliers	(527,370)
Payments to Employees	(567,209)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 780,897</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (722,929)
Capital Contributions	89,797
Proceeds from Capital Debt	260,042
Draws on Line of Credit	307,010
Principal Payments on Long-term Debt	(529,096)
Interest Payments on Long-term Debt	(193,290)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (788,466)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to General Debt Service Fund	<u>\$ (21,304)</u>
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (21,304)</u>
<u>Cash Flows from Investing Activities</u>	
Certificate of Deposit Interest, Reinvested	\$ (5)
Investment Income	3,089
Net Cash Provided By (Used In) Investing Activities	<u>\$ 3,084</u>
Increase (Decrease) in Cash	\$ (25,789)
Cash, July 1, 2013	<u>555,534</u>
Cash, June 30, 2014	<u><u>\$ 529,745</u></u>

(Continued)

Exhibit D-3

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

	Major Enterprise Fund
	<u>Water and Sewer Department</u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 275,433
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	459,837
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	3,208
(Increase) Decrease in Other Assets	39,608
(Increase) Decrease in Other Accrued Revenue	12,409
(Increase) Decrease in Inventories	(4,322)
Increase (Decrease) in Accounts Payable	6,257
Increase (Decrease) in Accrued Wages and Payroll	(13,179)
Increase (Decrease) in Accrued Vacation Pay	1,506
Increase (Decrease) in Customer Deposits and Deferred Fees	<u>140</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 780,897</u>
<u>Reconciliation of Cash With Statement of Net Position</u>	
Cash and Cash Equivalents Per Net Position	\$ 586,476
Revenue Bond Future Debt Service Account Per Net Position	50,184
Certificates of Deposit	<u>(106,915)</u>
Cash, June 30, 2014	<u>\$ 529,745</u>

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

Exhibit E

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Fund  
June 30, 2014

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 17,507
Account Receivable	<u>12</u>
Total Assets	<u>\$ 17,519</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	<u>\$ 17,519</u>
Total Liabilities	<u>\$ 17,519</u>

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

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

**Index of Notes to the Financial Statements**

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**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of the metropolitan government:

**A. Reporting Entity**

The Metropolitan Government of Lynchburg, Moore County, is a public municipal corporation governed by an elected 15-member Metropolitan Council. As required by GAAP, these financial statements present the metropolitan government (the primary government) and its component units. The component units discussed below are included in the metropolitan government's reporting entity because of the significance of their operational or financial relationships with the metropolitan government.

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

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

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

The School Department does not issue separate financial statements from those of the metropolitan government. Therefore, basic financial statements

of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Moore County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

**B. Government-wide and Fund Financial Statements**

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

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

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. There were no debt issues contributed by the metropolitan government to the School Department during the year ended June 30, 2014.

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

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

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

Fund financial statements of the metropolitan government are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, 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. The metropolitan government only reports one proprietary fund, the Metropolitan Lynchburg – Moore County Water and Sewer Department Fund, an enterprise fund.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the metropolitan government considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The metropolitan government considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

The metropolitan government reports the following major governmental funds:

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

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

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund types:

**Capital Projects Fund** – The General Capital Projects fund accounts for resources accumulated to be used for the acquisition, construction, and/or renovation projects of the metropolitan government.

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

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

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

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

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

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

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; and the metropolitan government's own legally issued bonds or notes.

The metropolitan trustee maintains a cash and internal investment pool that is used by all funds (excluding the Water and Sewer Fund, enterprise fund) and the discretely presented Metropolitan School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. The metropolitan government and the School Department have adopted a policy of reporting U.S. Treasury

obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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 due to/from other funds.

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

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**

Inventories of the 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.

**4. Capital Assets**

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

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

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

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

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

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

**5. 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 metropolitan government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and/or 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**

**Primary Government**

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

## **Discretely Presented Metropolitan School Department**

The general policy of the School Department for all professional personnel (teachers) permits the unlimited accumulation of unused sick leave days. The granting of sick leave for professional personnel has no guaranteed payment attached and therefore requires no accrual or recording. Noncertified personnel of the School Department earn varying amounts of annual and sick leave days. The School Department will only pay for accumulated sick leave balances in excess of 30 days that have accrued during the current year. Sick leave may only be paid in December or June. Therefore, no liability for accrued sick leave exists. A liability for annual leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

### **7. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net 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 notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## 8. Net Position and Fund Balance

In the government-wide financial statements and the proprietary fund 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, the metropolitan government had \$7,917,857 in outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the metropolitan government's capital assets.

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

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

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

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

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

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

## **9. Minimum Fund Balance Policy**

To provide management with appropriate guidelines and direction to assist in making sound decisions related to managing the fund balance of certain governmental funds, the following minimum fund balance policy exists and consists of the sum of committed, assigned, and unassigned fund balance:

General Fund – five percent of current-year appropriations.

General Debt Service Fund – the county will typically have at least 75 percent of budgeted annual expenditures as fund balance.

**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 Metropolitan School Department**

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

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

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

The metropolitan government (excluding the Water and Sewer Fund, enterprise fund) and the Metropolitan School Department participate in an internal cash and investment pool through the Office of Trustee. The metropolitan trustee is the treasurer of the metropolitan government and in this capacity is responsible for receiving, disbursing, and investing most metropolitan government funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net 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 metropolitan government.

### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the metropolitan government's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The metropolitan government may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The metropolitan government had no pooled and nonpooled investments as of June 30, 2014.

### **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	\$ 393,779	\$ 0	\$ 0	\$ 393,779
Total Capital Assets Not Depreciated	<u>\$ 393,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 393,779</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,322,116	\$ 42,650	\$ 0	\$ 2,364,766
Other Capital Assets	3,953,080	101,862	(14,675)	4,040,267
Infrastructure	2,595,729	313,631	0	2,909,360
Total Capital Assets Depreciated	<u>\$ 8,870,925</u>	<u>\$ 458,143</u>	<u>\$ (14,675)</u>	<u>\$ 9,314,393</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,033,551	\$ 50,413	\$ 0	\$ 1,083,964
Other Capital Assets	2,872,750	225,441	(14,675)	3,083,516
Infrastructure	603,370	176,924	0	780,294
Total Accumulated Depreciation	<u>\$ 4,509,671</u>	<u>\$ 452,778</u>	<u>\$ (14,675)</u>	<u>\$ 4,947,774</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,361,254</u>	<u>\$ 5,365</u>	<u>\$ 0</u>	<u>\$ 4,366,619</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,755,033</u>	<u>\$ 5,365</u>	<u>\$ 0</u>	<u>\$ 4,760,398</u>

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

**Governmental Activities:**

General Government	\$	14,613
Public Safety		115,766
Public Health and Welfare		38,996
Social, Cultural, and Recreational Services		57,230
Highway/Public Works		<u>226,173</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>452,778</u>

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

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,342</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,502,892	\$ 27,349	\$ 0	\$ 19,530,241
Other Capital Assets	1,205,649	161,578	0	1,367,227
Total Capital Assets Depreciated	<u>\$ 20,708,541</u>	<u>\$ 188,927</u>	<u>\$ 0</u>	<u>\$ 20,897,468</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,367,376	\$ 410,204	\$ 0	\$ 7,777,580
Other Capital Assets	652,010	64,098	0	716,108
Total Accumulated Depreciation	<u>\$ 8,019,386</u>	<u>\$ 474,302</u>	<u>\$ 0</u>	<u>\$ 8,493,688</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,689,155</u>	<u>\$ (285,375)</u>	<u>\$ 0</u>	<u>\$ 12,403,780</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,728,497</u>	<u>\$ (285,375)</u>	<u>\$ 0</u>	<u>\$ 12,443,122</u>

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

**Governmental Activities:**

Instruction	\$ 396,018
Support Services	77,764
Operation of Non-instructional Services	<u>520</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 474,302</u>

**C. Interfund Receivables, Payables, and Transfers**

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

**Due to/from Primary Government and Component Units:**

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Primary Government	Component Unit: Metropolitan School Department	\$ 139,964

This receivable/payable is for principal on debt issued by the primary government for the School Department, which is being contributed by the School Department to the primary government.

**Interfund Transfers:**

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

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u>
	General Debt Service Fund
Water and Sewer Fund	\$ 21,304

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

**D. Capital Lease**

On September 17, 2008, the metropolitan government entered into an 11-year lease-purchase agreement for the School Department for a TAC Energy Management System. The terms of the agreement require total lease payments of \$244,766 plus interest of 4.79 percent. Title to the equipment will transfer to the School Department at the end of the lease period. The School Department is making contributions to the metropolitan government's General Debt Service Fund for these lease payments.

The assets acquired through the capital lease are as follows:

Assets	Governmental Activities
Equipment	\$ 244,766
Less: Accumulated Depreciation	(135,082)
Total Book Value	<u>\$ 109,684</u>

Future minimum lease payments and the net present value of these lease payments as of June 30, 2014, were as follows:

Year Ending June 30	Governmental Funds
2015	\$ 29,100
2016	29,101
2017	29,100
2018	29,101
2019	29,100
2020	14,550
Total Minimum Lease Payments	\$ 160,052
Less: Amount Representing Interest	(20,088)
Present Value of Minimum Lease Payments	<u>\$ 139,964</u>

**E. Long-term Obligations**

**Primary Government**

**Other Loans**

The metropolitan government issues other loans to provide funds for the construction of major capital facilities for the primary government and the discretely presented School Department.

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding were issued for original terms of up to 28 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

Other loans and the capital lease 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
Other Loans	variable %	5-25-35	\$ 11,271,980	\$ 9,338,980
Capital Leases	4.79	12-15-19	244,766	139,964

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make \$8,300,000 and \$3,000,000 available for loan to the metropolitan government on an as-needed basis for various capital projects. As of June 30, 2014, the metropolitan government had borrowed \$8,300,000 and \$2,971,980, respectively, of those amounts authorized. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2014, the variable interest rate was .24 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2014, the variable interest rate was .23 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent month (remarketing), and \$85 per month (trustee) for the \$3,000,000 loan.

The annual requirements to amortize all other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 365,000	\$ 21,968	\$ 62,744	\$ 449,712
2016	377,000	21,110	60,371	458,481
2017	391,000	20,223	57,920	469,143
2018	405,000	19,304	55,379	479,683
2019	421,000	18,351	52,746	492,097
2020-2024	2,343,000	76,186	220,695	2,639,881
2025-2029	2,545,980	46,615	137,847	2,730,442
2030-2034	2,043,000	20,005	60,338	2,123,343
2035	448,000	1,055	3,847	452,902
Total	\$ 9,338,980	\$ 244,817	\$ 711,887	\$ 10,295,684

There is \$1,386,078 available in the General Debt Service Fund to service long-term debt. Debt per capita, including other loans and the capital lease totaled \$1,490, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Capital Lease

Contributions from the General Purpose School Fund

TAC Energy Management System \$ 139,964

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Notes	Other Loans
Balance, July 1, 2013	\$ 476,000	\$ 9,689,980
Additions	0	0
Reductions	(476,000)	(351,000)
Balance, June 30, 2014	\$ 0	\$ 9,338,980
Balance Due Within One Year	\$ 0	\$ 365,000
	Capital Lease	Compensated Absences
Balance, July 1, 2013	\$ 161,702	\$ 76,707
Additions	0	117,811
Reductions	(21,738)	(103,741)
Balance, June 30, 2014	\$ 139,964	\$ 90,777
Balance Due Within One Year	\$ 22,798	\$ 36,311

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 9,569,721
Less: Balance Due Within One Year	(424,109)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 9,145,612

Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds.

**Discretely Presented Metropolitan School Department**

Changes in Long-term Obligations

Long-term obligations activity for the School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 13,852	\$ 566,757
Additions	13,138	134,584
Reductions	(14,085)	(113,272)
Balance, June 30, 2014	<u>\$ 12,905</u>	<u>\$ 588,069</u>
Balance Due Within One Year	<u>\$ 12,905</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 600,974
Less: Balance Due Within One Year	<u>(12,905)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 588,069</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 Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$36,174 and \$6,712, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

The metropolitan government and the discretely presented Metropolitan School Department participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The metropolitan government and the School Department pay an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The

creation of the TN-RMT provides for it to be self-sustaining through member premiums.

#### Employee Health Insurance

The metropolitan government continues to carry commercial insurance for risks associated with the employees' health insurance plan. Retirees do not participate in this plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The discretely presented Metropolitan School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

#### **B. Accounting 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 Event**

On August 31, 2014, Heather Smith left the Office of Circuit, General Sessions, and Juvenile Courts Clerk and was succeeded by Christy Millsaps.

#### **D. Contingent Liabilities**

The metropolitan government is involved in several pending lawsuits. The county attorney estimates that the potential claims against the metropolitan government not covered by insurance resulting from such litigation would not materially affect the metropolitan government's financial statements.

**E. Joint Ventures**

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, Marshall, Lincoln, Moore, and Bedford 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. The metropolitan government did not contribute to the DTF for the year ended June 30, 2014.

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. The metropolitan government made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2014.

The metropolitan government does not retain an equity interest in any of the above-noted joint ventures.

Complete financial statements for the Seventeenth Judicial District Drug Task Force and the Interlocal Solid Waste Authority can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

Interlocal Solid Waste Authority  
c/o City of Tullahoma  
P.O. Box 807  
Tullahoma, TN 37388

**F. Retirement Commitments**

**1. Tennessee Consolidated Retirement System (TCRS)**

**Plan Description**

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

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

**Funding Policy**

**Metropolitan Government Employees**

The metropolitan government requires employees to contribute five percent of their earnable compensation to the plan. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 10.46 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement

for the county is established and may be amended by the TCRS Board of Trustees.

School Department Employees

The Metropolitan School Department requires employees to contribute five percent of their earnable compensation to the plan. The School Department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 2.78 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

Metropolitan Government Employees

For the year ended June 30, 2014, the metropolitan government’s annual pension cost of \$54,991 to TCRS was equal to the metropolitan government’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 metropolitan government’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was seven years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$54,991	100%	\$0
6-30-13	51,921	100	0
6-30-12	47,159	100	0

### School Department Employees

For the year ended June 30, 2014, the Metropolitan School Department's annual pension cost of \$30,992 to TCRS was equal to the School Department'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 School Department's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

#### **Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-14	\$30,992	100%	\$0
6-30-13	29,897	100	0
6-30-12	63,053	100	0

#### **Funded Status and Funding Progress**

##### Metropolitan Government Employees

As of July 1, 2013, the most recent actuarial valuation date, the plan was 85.39 percent funded. The actuarial accrued liability for benefits was \$1.42 million, and the actuarial value of assets was \$1.21 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.21 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.51 million, and the ratio of the UAAL to the covered payroll was 41.01 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the

actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### School Department Employees

As of July 1, 2013, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was \$3.31 million, and the actuarial value of assets was \$3.31 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 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 Metropolitan School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. 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](http://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 \$342,727, \$346,406, and \$351,043, respectively, equal to the required contributions for each year.

## **2. Deferred Compensation**

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

## **G. Other Postemployment Benefits (OPEB)**

### **Plan Description**

The Metropolitan School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The 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 members in the Medicare Supplement Plan. The School Department recognized expenditures of \$113,272 for postemployment health care during the year ended June 30, 2014.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 134,000
Interest on the NOPEBO	22,670
Adjustment to the ARC	(22,086)
Annual OPEB cost	<hr/> \$ 134,584
Amount of contribution	(113,272)
Increase/decrease in NOPEBO	<hr/> \$ 21,312
Net OPEB obligation, 7-1-13	<hr/> 566,757
Net OPEB obligation, 6-30-14	<hr/> <hr/> \$ 588,069

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-12	Local Education Group	\$ 129,793	62%	\$ 540,319
6-30-13	"	130,672	80	566,757
6-30-14	"	134,584	84	588,069

Funded Status and Funding Progress

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

(dollars in thousands)

	<u>Local Education Group Insurance Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,352
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,352
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,814
UAAL as a % of covered payroll	28%

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, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate 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.

## H. Purchasing Law

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The charter further provides for the metropolitan mayor to manage/conduct the Metropolitan Purchasing Department according to the procedures adopted by the Metropolitan Council. The Metropolitan Council is required by the charter to establish a three-member oversight committee to oversee the activity of the Metropolitan Purchasing Department.

The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the council adopted the following purchasing procedures to be administered by the metropolitan mayor assisted by the director of schools and the highway superintendent:

1. Purchase orders are required for all purchases estimated to exceed \$500.
2. Purchase orders shall be approved by the metropolitan mayor for the general metropolitan government, the director of schools for the School Department, and the highway superintendent for the Highway Department.
3. Evidence of receiving goods or services should be noted on all invoices prior to payment.
4. The Metropolitan Council set the bid requirements for the Office of Metropolitan Mayor to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for competitive bids on all purchases exceeding \$10,000.
5. The Metropolitan Council set the bid requirements for the Office of Highway Superintendent to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *TCA*, and the Uniform Road Law, Section 54-7-113, *TCA*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.
6. The Metropolitan Council set the bid requirements for the Office of Director of Schools to follow the general statutes applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**VI. OTHER NOTES – WATER AND SEWER DEPARTMENT (ENTERPRISE FUND)**

**A. General**

The financial statements include the accounts of the Metropolitan Lynchburg – Moore County Water and Sewer Department, which is owned by Metropolitan Lynchburg – Moore County, Tennessee, (the primary government) and governed by the Metropolitan Council and a Utility Board composed of members of the council. The department does not represent a separate legal entity separate and apart from the primary government.

**B. Summary of Significant Accounting Policies**

The accounting policies of the department conform to generally accepted accounting principles as applicable to enterprise funds. The following is a summary of significant policies:

Measurement Focus and Basis of Accounting – These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The department accrues the unbilled revenue from the dates of the most recent meter readings to the balance sheet date.

Utility Plant and Depreciation – Utility plant in service is reported at cost and includes improvements, with a cost in excess of \$3,000 that significantly adds to the utility plant or extends useful lives. Cost of maintenance and repairs are charged to expense, as are tap connection costs.

Depreciation is calculated by the straight-line method to allocate the cost of the assets over their estimated useful lives using guidelines set forth by the Utility Review Board. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Structures	20 - 50
Utility Plant Other Than Structure and Equipment	25 - 50
Equipment	5 - 10

Allowance for Uncollectible Accounts – The department provides an allowance for uncollectible accounts equal to estimated losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the outstanding receivables.

Inventories – Inventories are stated at cost, first-in, first-out method.

Compensated Absences – The costs of vacation pay granted to employees are recorded as expenditures when earned.

Cash Equivalents – For purposes of the Statement of Cash Flows, the department considers all highly liquid investments (including restricted assets) purchased with an original maturity of three months or less to be cash equivalents.

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

Capitalized Interest – Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. The department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative and maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, when both restricted and unrestricted resources are available for use, it is the department's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**C. Utility Plant Additions and Retirements**

**Business-type Activities:**

	Balance 7-1-13	Additions	Deductions	Balance 6-30-14
Capital Assets Not Depreciated or Amortized:				
Land and Land Rights	\$ 92,459	\$ 0	\$ 0	\$ 92,459
Construction in Progress	726,803	578,118	(1,221,352)	83,569
<b>Total Capital Assets Not Depreciated or Amortized</b>	<b>\$ 819,262</b>	<b>\$ 578,118</b>	<b>\$ (1,221,352)</b>	<b>\$ 176,028</b>
Other Capital Assets:				
General	\$ 338,563	\$ 13,692	\$ 0	\$ 352,255
Water	13,497,336	248,974	0	13,746,310
Sewer	1,630,355	1,043,850	(43,915)	2,630,290
Maintenance	146,315	0	0	146,315
Acquistion Adjustment	301,099	0	0	301,099
<b>Utility Plant</b>	<b>\$ 15,913,668</b>	<b>\$ 1,306,516</b>	<b>\$ (43,915)</b>	<b>\$ 17,176,269</b>
Less Accumulated Depreciation/ Amortization for:				
General	\$ 151,418	\$ 18,167	\$ 0	\$ 169,585
Water	3,108,119	362,734	0	3,470,853
Sewer	1,081,904	52,897	(36,014)	1,098,787
Maintenance	94,805	10,984	0	105,789
Acquistion Adjustment	84,799	15,055	0	99,854
<b>Total Accumulated Depreciation/ Amortization</b>	<b>\$ 4,521,045</b>	<b>\$ 459,837</b>	<b>\$ (36,014)</b>	<b>\$ 4,944,868</b>
<b>Other Capital Assets, Net</b>	<b>\$ 11,392,623</b>	<b>\$ 846,679</b>	<b>\$ (7,901)</b>	<b>\$ 12,231,401</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 12,211,885</b>	<b>\$ 1,424,797</b>	<b>\$ (1,229,253)</b>	<b>\$ 12,407,429</b>

**D. Cash and Restricted Funds**

The following is a summary of cash and restricted funds at June 30, 2014:

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use	\$ 529,745	\$ 56,731	\$ 586,476
Restricted Funds:			
Bond Reserve Fund	0	50,184	50,184
<b>Total</b>	<b>\$ 529,745</b>	<b>\$ 106,915</b>	<b>\$ 636,660</b>

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$437,193 to be used to fund capital asset replacements.

**Legal Provisions:** All deposits with financial institutions must be secured by one of two methods depending on whether the financial institution participates in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the department.

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

**E. Revenue Bonds**

A summary of revenue bond transactions for the year ended June 30, 2014, includes the following:

Balance, July 1, 2013	\$ 4,081,221
Reductions	<u>(65,629)</u>
	4,015,592
Less current maturities	<u>(68,791)</u>
Balance, less current maturities, June 30, 2014	<u><u>\$ 3,946,801</u></u>

Details of water and sewer revenue bonds are as follows:

Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	\$ 231,040
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	292,562
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	179,754
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	952,498
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	1,832,309
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	<u>527,429</u>
Total	<u><u>\$ 4,015,592</u></u>

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2014, are as follows:

Year	Principal	Interest
2015	\$ 68,791	\$ 172,805
2016	71,848	169,749
2017	75,041	166,555
2018	78,378	163,218
2019	81,861	159,735
2020-2024	467,280	740,700
2025-2029	580,960	627,020
2030-2034	719,333	488,646
2035-2039	800,133	316,494
2040-2044	817,071	147,346
2045-2047	254,896	12,765
Total	<u><u>\$ 4,015,592</u></u>	<u><u>\$ 3,165,033</u></u>

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to pay the principal and interest on the bonds as such payments are due. As part of the bond funds, Debt Service Reserve Accounts are also to be funded for \$17,508 for the 1997 series, \$20,532 for the 2000 series, and \$12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2014.

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

	Balance 6-30-13	Balance 6-30-14
Revenue	\$ 610,350	\$ 584,561
Operation and Maintenance	1,910	1,915
Bond	50,184	50,184

Principal and interest payments for these revenue bonds as a percentage of pledged revenue totaled 13 percent for the year.

**F. Notes Payable**

Metropolitan Lynchburg, Moore County, Tennessee, (the primary government) has borrowed funds under the State of Tennessee’s revolving loan program for the department’s construction projects. The principal and interest payments required under the terms of the first loan, which is secured by the department’s revenues and has a stated interest rate of 2.95 percent, are as follows:

Year	Principal	Interest
2015	\$ 44,323	\$ 15,125
2016	45,648	13,800
2017	47,013	12,435
2018	48,419	11,029
2019	49,867	9,581
2020-2024	268,387	24,565
2025	29,810	252
Total	<u>\$ 533,467</u>	<u>\$ 86,787</u>

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

The department has borrowed \$880,175 on a second loan to finance sewer system improvements. As the project is still in process, the repayment schedule has not been finalized, but the obligation will be non-interest bearing.

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

Year	Winchester Utilities		
	Principal	Principal	Principal
2015	\$ 18,103	\$ 14,206	\$ 11,375
2016	18,103	14,206	11,376
2017	6,035	14,206	11,375
2018	0	10,656	11,376
2019	0	0	11,375
Total	<u>\$ 42,241</u>	<u>\$ 53,274</u>	<u>\$ 56,877</u>

The obligations are non-interest bearing.

Notes payable activity for the year ended June 30, 2014, is as follows:

Balance 7-1-13	Draws	Repayments	Balance 6-30-14
\$ 1,392,511	\$ 260,042	\$ (86,519)	\$ 1,566,034

The department incurred \$193,036 in interest costs during the current year, of which \$625 was capitalized.

**G. Line of Credit**

The department obtained a line of credit with Clayton Bank for \$300,000, to provide funding to pay construction project costs pending receipt of state funding. The line has an interest rate of 2.34 percent, and there was no outstanding balance as of June 30, 2014. Draws during the year totaled \$307,010 with repayments of \$376,948.

**H. Risk Management**

The department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The department obtains insurance coverage covering the above risks of loss through a public risk entity pool, Tennessee Risk Management Trust (TRMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The creation of the TRMT provides for it to be self-sustaining through member premiums.

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

**I. Income Taxes**

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

**J. Significant Concentrations**

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2014, totaled \$88,530. Deposits from these customers, totaling \$24,768 at June 30, 2014, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 23 percent of the department's total water and sewer revenues.

**K. Environmental Contingency**

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

**L. Funding Approval**

The department has been approved for funding totaling \$1,615,000 from the State Revolving Loan Fund for sewer system improvements. As of June 30, 2014, the department had used \$1,100,219 of this funding.

The department has been awarded loan/grant funding from the United States Department of Agriculture-Rural Development totaling \$2,200,000. The loan portion of the award is \$1,436,000, with an interest rate of 2.75 percent and a term of 38 years. The remaining amount of \$764,000 will be a grant. No draws of this funding have been made as of June 30, 2014.

**M. Transfers**

In prior years, the metropolitan government provided funding to the department to complete a water service expansion project. Surcharges to customers benefiting from the expansion have been collected by the department and transferred to the metropolitan government. The amount transferred for the year totaled \$21,304.

**N. Restatement of Net Position**

The department restated beginning net position to comply with the provisions of GASB Statement No. 65, which requires most debt issuance costs to be expensed when incurred. The restatement resulted in a decrease in net position of \$39,826.

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

**A. Summary of Significant Accounting Policies**

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

The district uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred.

Depreciation – Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when

the capital assets are placed in service. Depreciation is summarized as follows:

Asset	Method	Estimated Useful Life in Years	Depreciation
Office Equipment	S/L	5, 7, 10	\$ 860
Communications Equipment	S/L	5, 10	22,469
Total			\$ 23,329

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

**B. Cash and Cash Investments**

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

The following is a schedule of bank accounts at June 30, 2014:

Checking - Farmer's Bank	\$ 141,892
Certificates of Deposit - Moore County Bank	315,311
Total	\$ 457,203

At June 30, 2014, the carrying amount of the Moore County Emergency Communications District’s cash deposits was \$457,203. The district’s deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts at Moore County Bank above FDIC coverage are covered by collateral held by the bank in the district’s name. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

**C. Bonding and Insurance**

The district has a bond covering certain members of the board at June 30, 2014. There have been no losses or settlements that exceeded coverage during the past three years. All other potential risks such as theft, property damage, and public liability are covered under the county's insurance policy.

**D. Capital Assets**

The following is a schedule of capital assets and depreciation at June 30, 2014:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value 6-30-14</u>
Capital Assets Not Depreciated:			
Land	\$ 183,314	\$ 0	\$ 183,314
Construction in Progress	148,700	0	148,700
Total Capital Assets Not Depreciated	<u>\$ 332,014</u>	<u>\$ 0</u>	<u>\$ 332,014</u>
Capital Assets Depreciated:			
Office Equipment	\$ 13,592	\$ 11,298	\$ 2,294
Communications Equipment	298,348	186,732	111,616
Total Capital Assets Depreciated	<u>\$ 311,940</u>	<u>\$ 198,030</u>	<u>\$ 113,910</u>
Total Capital Assets	<u>\$ 643,954</u>	<u>\$ 198,030</u>	<u>\$ 445,924</u>

A schedule of changes in capital assets (at cost) for the year ended June 30, 2014, follows:

<u>Assets</u>	7-1-13	Additions	6-30-14
Capital Assets Not Depreciated:			
Land	\$ 168,756	\$ 14,558	\$ 183,314
Construction in Progress	0	148,700	148,700
Total Capital Assets Not Depreciated	<u>\$ 168,756</u>	<u>\$ 163,258</u>	<u>\$ 332,014</u>
Capital Assets Depreciated:			
Office Equipment	\$ 13,592	0	\$ 13,592
Communications Equipment	298,348	0	298,348
Total Capital Assets Depreciated	<u>\$ 311,940</u>	<u>0</u>	<u>\$ 311,940</u>
Total Capital Assets	<u>\$ 480,696</u>	<u>\$ 163,258</u>	<u>\$ 643,954</u>

**E. Cash and Cash Equivalents**

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

**F. Accounts Receivable/Due From State Emergency Communications Board**

The amounts of \$1,309 from BellSouth, \$47 from other telephone service companies, and \$2,708 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2014. There is no need for an allowance for bad debts.

**G. Compensated Absences**

There were no employees at June 30, 2014.

**H. Calculation of Invested in Capital Assets**

Net Book Value	\$ 445,924
Current and Noncurrent Debt	<u>0</u>
Invested in Capital Assets	<u>\$ 445,924</u>

**I. Restricted and Unrestricted Resources**

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

**J. Budgetary Information**

As stated in Note VII.A., the district must file a budget with the metropolitan government each year, which is adopted by the district's Board of Directors. The budget is prepared on the accrual basis of accounting. Compliance with the budget is required at the line-item level.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Metropolitan School Department  
June 30, 2014

(Dollar amounts in thousands)

Member	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)
Metropolitan Government Employees	7-1-13	\$ 1,211	\$ 1,419	207	85.39 %	\$ 505	41.01 %
"	7-1-11	1,084	1,261	176	86.02	439	40.14
"	7-1-09	861	956	95	90.07	439	21.62
School Department Employees	7-1-13	3,313	3,313	0	100	998	0
"	7-1-11	3,025	3,025	0	100	1,038	0
"	7-1-09	2,505	2,505	0	100	985	0

Exhibit F-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Metropolitan School Department  
June 30, 2014

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of 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)
Local Education Group	7-1-10	\$ 0	\$ 1,554	\$ 1,554	0 %	\$ 4,721	33 %
"	7-1-11	0	1,137	1,137	0	4,809	24
"	7-1-13	0	1,352	1,352	0	4,814	28

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG  
MOORE COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2014**

**NONE**

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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

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

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

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

## Capital Projects Fund

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects		
<b>ASSETS</b>							
Equity in Pooled Cash and Investments	\$ 19,550	\$ 318,836	\$ 57,325	\$ 395,711	\$ 32,191	\$	\$ 427,902
Accounts Receivable	0	41,483	0	41,483	0		41,483
Property Taxes Receivable	6,460	210,035	0	216,495	243,800		460,295
Allowance for Uncollectible Property Taxes	(154)	(5,207)	0	(5,361)	(4,876)		(10,237)
<b>Total Assets</b>	\$ 25,856	\$ 565,147	\$ 57,325	\$ 648,328	\$ 271,115	\$	\$ 919,443
<b>LIABILITIES</b>							
Accounts Payable	\$ 0	\$ 2,259	\$ 0	\$ 2,259	\$ 0	\$	\$ 2,259
Payroll Deductions Payable	0	146	0	146	0		146
<b>Total Liabilities</b>	\$ 0	\$ 2,405	\$ 0	\$ 2,405	\$ 0	\$	\$ 2,405
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred Current Property Taxes	\$ 5,630	\$ 200,900	\$ 0	\$ 206,530	\$ 238,924	\$	\$ 445,454
Deferred Delinquent Property Taxes	569	3,626	0	4,195	0		4,195
Other Deferred/Unavailable Revenue	0	26,570	0	26,570	0		26,570
<b>Total Deferred Inflows of Resources</b>	\$ 6,199	\$ 231,096	\$ 0	\$ 237,295	\$ 238,924	\$	\$ 476,219
<b>FUND BALANCES</b>							
Restricted:							
Restricted for Public Safety	\$ 0	\$ 0	\$ 57,325	\$ 57,325	\$ 0	\$	\$ 57,325

(Continued)

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds (Cont.)

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects		
Restricted (Cont.):							
Restricted for Public Health and Welfare	\$ 0	\$ 229,951	\$ 0	\$ 229,951	\$ 0	\$ 0	\$ 229,951
Restricted for Capital Projects	0	0	0	0	32,191	0	32,191
Restricted for Other Purposes	19,657	0	0	19,657	0	0	19,657
Committed:							
Committed for Public Health and Welfare	0	101,695	0	101,695	0	0	101,695
Total Fund Balances	\$ 19,657	\$ 331,646	\$ 57,325	\$ 408,628	\$ 32,191	\$ 0	\$ 440,819
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,856	\$ 565,147	\$ 57,325	\$ 648,328	\$ 271,115	\$ 0	\$ 919,443

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2014

	Special Revenue Funds					Total
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees		
<u>Revenues</u>						
Local Taxes	9,329 \$	224,044 \$	0 \$	0 \$	0 \$	233,373
Licenses and Permits	2,521	0	0	0	0	2,521
Fines, Forfeitures, and Penalties	0	0	18,852	0	0	18,852
Charges for Current Services	0	190,236	0	63	0	190,299
Other Local Revenues	0	28,983	101	0	0	29,084
State of Tennessee	0	21,415	0	0	0	21,415
Total Revenues	11,850 \$	464,678 \$	18,953 \$	63 \$	63 \$	495,544
<u>Expenditures</u>						
Current:						
General Government	20,744 \$	0 \$	0 \$	0 \$	0 \$	20,744
Public Safety	0	0	10,229	63	0	10,292
Public Health and Welfare	0	437,792	0	0	0	437,792
Capital Projects	0	0	0	0	0	0
Total Expenditures	20,744 \$	437,792 \$	10,229 \$	63 \$	63 \$	468,828
Excess (Deficiency) of Revenues Over Expenditures	(8,894) \$	26,886 \$	8,724 \$	0 \$	0 \$	26,716
Net Change in Fund Balances	(8,894) \$	26,886 \$	8,724 \$	0 \$	0 \$	26,716
Fund Balance, July 1, 2013	28,551	304,760	48,601	0	0	381,912
Fund Balance, June 30, 2014	19,657 \$	331,646 \$	57,325 \$	0 \$	0 \$	408,628

(Continued)

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds (Cont.)

	Capital Projects Fund		Total Nonmajor Governmental Funds
	General Capital Projects		
<u>Revenues</u>			
Local Taxes	\$ 32,853	\$	266,226
Licenses and Permits	0	0	2,521
Fines, Forfeitures, and Penalties	0	0	18,852
Charges for Current Services	0	0	190,299
Other Local Revenues	0	0	29,084
State of Tennessee	0	0	21,415
Total Revenues	\$ 32,853	\$	528,397
<u>Expenditures</u>			
Current:			
General Government	0	\$	20,744
Public Safety	0	0	10,292
Public Health and Welfare	0	0	437,792
Capital Projects	662	662	662
Total Expenditures	\$ 662	\$	469,490
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,191	\$	58,907
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ 32,191	\$	58,907
	0	0	381,912
Fund Balance, June 30, 2014	\$ 32,191	\$	440,819

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Urban Services Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,329	\$ 14,050	\$ 14,050	\$ (4,721)
Licenses and Permits	2,521	2,200	2,200	321
Other Local Revenues	0	85	85	(85)
State of Tennessee	0	1,649	1,649	(1,649)
Total Revenues	<u>\$ 11,850</u>	<u>\$ 17,984</u>	<u>\$ 17,984</u>	<u>\$ (6,134)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 20,744	\$ 19,600	\$ 21,100	\$ 356
Total Expenditures	<u>\$ 20,744</u>	<u>\$ 19,600</u>	<u>\$ 21,100</u>	<u>\$ 356</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,894)	\$ (1,616)	\$ (3,116)	\$ (5,778)
Net Change in Fund Balance	\$ (8,894)	\$ (1,616)	\$ (3,116)	\$ (5,778)
Fund Balance, July 1, 2013	28,551	25,498	25,498	3,053
Fund Balance, June 30, 2014	<u>\$ 19,657</u>	<u>\$ 23,882</u>	<u>\$ 22,382</u>	<u>\$ (2,725)</u>

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 224,044	\$ 206,650	\$ 206,650	\$ 17,394
Charges for Current Services	190,236	190,000	190,000	236
Other Local Revenues	28,983	25,200	25,200	3,783
State of Tennessee	21,415	35,100	35,100	(13,685)
Total Revenues	<u>\$ 464,678</u>	<u>\$ 456,950</u>	<u>\$ 456,950</u>	<u>\$ 7,728</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 21,595	\$ 33,700	\$ 33,700	\$ 12,105
Recycling Center	416,197	410,796	495,883	79,686
Total Expenditures	<u>\$ 437,792</u>	<u>\$ 444,496</u>	<u>\$ 529,583</u>	<u>\$ 91,791</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,886</u>	<u>\$ 12,454</u>	<u>\$ (72,633)</u>	<u>\$ 99,519</u>
Net Change in Fund Balance	\$ 26,886	\$ 12,454	\$ (72,633)	\$ 99,519
Fund Balance, July 1, 2013	304,760	291,296	291,296	13,464
Fund Balance, June 30, 2014	<u>\$ 331,646</u>	<u>\$ 303,750</u>	<u>\$ 218,663</u>	<u>\$ 112,983</u>

Exhibit G-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 18,852	\$ 1,750	\$ 1,750	\$ 17,102
Other Local Revenues	101	0	0	101
Total Revenues	<u>\$ 18,953</u>	<u>\$ 1,750</u>	<u>\$ 1,750</u>	<u>\$ 17,203</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 10,229	\$ 16,075	\$ 16,075	\$ 5,846
Total Expenditures	<u>\$ 10,229</u>	<u>\$ 16,075</u>	<u>\$ 16,075</u>	<u>\$ 5,846</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,724	\$ (14,325)	\$ (14,325)	\$ 23,049
Net Change in Fund Balance	\$ 8,724	\$ (14,325)	\$ (14,325)	\$ 23,049
Fund Balance, July 1, 2013	48,601	34,613	34,613	13,988
Fund Balance, June 30, 2014	<u>\$ 57,325</u>	<u>\$ 20,288</u>	<u>\$ 20,288</u>	<u>\$ 37,037</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit H

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,027,377	\$ 892,740	\$ 892,740	\$ 134,637
Other Local Revenues	1,899	0	0	1,899
Other Governments and Citizens Groups	29,100	22,500	29,100	0
Total Revenues	<u>\$ 1,058,376</u>	<u>\$ 915,240</u>	<u>\$ 921,840</u>	<u>\$ 136,536</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 79,730	\$ 79,730	\$ 79,730	\$ 0
Education	769,008	307,270	769,008	0
<u>Interest on Debt</u>				
General Government	4,019	65,766	65,766	61,747
Education	34,789	338,279	340,136	305,347
<u>Other Debt Service</u>				
General Government	27,096	26,114	27,914	818
Education	55,533	49,982	55,533	0
Total Expenditures	<u>\$ 970,175</u>	<u>\$ 867,141</u>	<u>\$ 1,338,087</u>	<u>\$ 367,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 88,201</u>	<u>\$ 48,099</u>	<u>\$ (416,247)</u>	<u>\$ 504,448</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 21,304	0	22,500	(1,196)
Total Other Financing Sources	<u>\$ 21,304</u>	<u>\$ 0</u>	<u>\$ 22,500</u>	<u>\$ (1,196)</u>
Net Change in Fund Balance	\$ 109,505	\$ 48,099	\$ (393,747)	\$ 503,252
Fund Balance, July 1, 2013	<u>1,276,573</u>	<u>942,243</u>	<u>942,243</u>	<u>334,330</u>
Fund Balance, June 30, 2014	<u>\$ 1,386,078</u>	<u>\$ 990,342</u>	<u>\$ 548,496</u>	<u>\$ 837,582</u>

# Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Changes in Assets and Liabilities - Agency Fund  
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 18,252	\$ 1,018,453	\$ 1,019,198	\$ 17,507
Accounts Receivable	0	12	0	12
Total Assets	<u>\$ 18,252</u>	<u>\$ 1,018,465</u>	<u>\$ 1,019,198</u>	<u>\$ 17,519</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 18,252	\$ 1,018,465	\$ 1,019,198	\$ 17,519
Total Liabilities	<u>\$ 18,252</u>	<u>\$ 1,018,465</u>	<u>\$ 1,019,198</u>	<u>\$ 17,519</u>

# Metropolitan School Department

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

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

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

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

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

Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Activities  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 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	\$ 5,108,827	\$ 23,614	\$ 397,808	\$ 75,337	\$ (4,612,068)
Support Services	3,300,137	12,298	93,356	42,276	(3,152,207)
Operation of Non-instructional Services	655,840	228,377	347,057	0	(80,406)
Interest on Long-term Debt	7,362	0	0	0	(7,362)
Total Governmental Activities	\$ 9,072,166	\$ 264,289	\$ 838,221	\$ 117,613	\$ (7,852,043)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	2,664,349
Local Option Sales Tax					377,061
Other Local Taxes					593
Grants and Contributions Not Restricted to Specific Programs					4,857,514
Unrestricted Investment Income					153
Miscellaneous					21,951
Insurance Recovery					17,672
Total General Revenues				\$	7,939,293
Change in Net Position				\$	87,250
Net Position, July 1, 2013					12,849,211
Net Position, June 30, 2014				\$	12,936,461

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Metropolitan School Department  
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Purpose</u>	<u>Governmental</u>	<u>Funds</u>
	<u>School</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 16,222	\$ 16,222
Equity in Pooled Cash and Investments	1,063,632	147,522	1,211,154
Inventories	0	6,468	6,468
Due from Other Governments	175,254	62,313	237,567
Property Taxes Receivable	2,581,810	0	2,581,810
Allowance for Uncollectible Property Taxes	(64,088)	0	(64,088)
Total Assets	<u>\$ 3,756,608</u>	<u>\$ 232,525</u>	<u>\$ 3,989,133</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 11,370	\$ 33,733	\$ 45,103
Payroll Deductions Payable	206,804	30,605	237,409
Total Liabilities	<u>\$ 218,174</u>	<u>\$ 64,338</u>	<u>\$ 282,512</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,472,344	\$ 0	\$ 2,472,344
Deferred Delinquent Property Taxes	45,378	0	45,378
Other Deferred/Unavailable Revenue	134,006	0	134,006
Total Deferred Inflows of Resources	<u>\$ 2,651,728</u>	<u>\$ 0</u>	<u>\$ 2,651,728</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 6,468	\$ 6,468
Restricted:			
Restricted for Education	2,191	118,170	120,361
Committed:			
Committed for Education	31,939	20,000	51,939
Committed for Capital Projects	40,000	23,549	63,549
Unassigned	812,576	0	812,576
Total Fund Balances	<u>\$ 886,706</u>	<u>\$ 168,187</u>	<u>\$ 1,054,893</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,756,608</u>	<u>\$ 232,525</u>	<u>\$ 3,989,133</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Position  
Discretely Presented Metropolitan 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)		\$	1,054,893
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: buildings and improvements net of accumulated depreciation		11,752,661	
Add: other capital assets net of accumulated depreciation		<u>651,119</u>	12,443,122
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government debt for capital lease	\$	(139,964)	
Less: other postemployment benefits liability		(588,069)	
Less: compensated absences payable		<u>(12,905)</u>	(740,938)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>179,384</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>12,936,461</u></u>

Exhibit J-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 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	\$ 3,031,628	\$ 0	\$ 3,031,628
Licenses and Permits	599	0	599
Charges for Current Services	46,974	205,917	252,891
Other Local Revenues	31,593	1,909	33,502
State of Tennessee	4,924,399	5,675	4,930,074
Federal Government	0	744,872	744,872
Other Governments and Citizens Groups	42,276	0	42,276
Total Revenues	<u>\$ 8,077,469</u>	<u>\$ 958,373</u>	<u>\$ 9,035,842</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,277,161	\$ 374,401	\$ 4,651,562
Support Services	3,340,012	68,819	3,408,831
Operation of Non-instructional Services	116,321	537,009	653,330
Capital Outlay	32,841	0	32,841
Debt Service:			
Other Debt Service	29,100	0	29,100
Capital Projects	0	12,500	12,500
Total Expenditures	<u>\$ 7,795,435</u>	<u>\$ 992,729</u>	<u>\$ 8,788,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 282,034</u>	<u>\$ (34,356)</u>	<u>\$ 247,678</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 17,672	\$ 0	\$ 17,672
Total Other Financing Sources (Uses)	<u>\$ 17,672</u>	<u>\$ 0</u>	<u>\$ 17,672</u>
Net Change in Fund Balances	\$ 299,706	\$ (34,356)	\$ 265,350
Fund Balance, July 1, 2013	587,000	202,543	789,543
Fund Balance, June 30, 2014	<u>\$ 886,706</u>	<u>\$ 168,187</u>	<u>\$ 1,054,893</u>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 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)		\$	265,350
(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	\$	188,927	
Less: current-year depreciation expense		<u>(474,302)</u>	(285,375)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$	179,384	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(73,482)</u>	105,902
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on capital lease to primary government			21,738
(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	\$	(21,312)	
Change in compensated absences payable		<u>947</u>	<u>(20,365)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 87,250</u>

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Metropolitan School Department  
June 30, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
Cash	\$ 0	\$ 16,222	\$ 16,222	\$ 0	\$ 0	\$ 16,222
Equity in Pooled Cash and Investments	17,319	94,154	111,473	36,049		147,522
Inventories	0	6,468	6,468	0		6,468
Due from Other Governments	39,099	23,214	62,313	0		62,313
Total Assets	\$ 56,418	\$ 140,058	\$ 196,476	\$ 36,049	\$ 36,049	\$ 232,525
<u>LIABILITIES</u>						
Accounts Payable	\$ 21,233	\$ 0	\$ 21,233	\$ 12,500	\$ 12,500	\$ 33,733
Payroll Deductions Payable	14,034	16,571	30,605	0		30,605
Total Liabilities	\$ 35,267	\$ 16,571	\$ 51,838	\$ 12,500	\$ 12,500	\$ 64,338
<u>FUND BALANCES</u>						
Nonspendable:						
Inventory	\$ 0	\$ 6,468	\$ 6,468	\$ 0	\$ 0	\$ 6,468
Restricted:						
Restricted for Education	1,151	117,019	118,170	0		118,170
Committed:						
Committed for Education	20,000	0	20,000	0		20,000
Committed for Capital Projects	0	0	0	23,549		23,549
Total Fund Balances	\$ 21,151	\$ 123,487	\$ 144,638	\$ 23,549	\$ 23,549	\$ 168,187
Total Liabilities and Fund Balances	\$ 56,418	\$ 140,058	\$ 196,476	\$ 36,049	\$ 36,049	\$ 232,525

Exhibit J-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
<u>Revenues</u>						
Charges for Current Services	\$ 0	\$ 205,917	\$ 205,917	\$ 0	\$ 0	\$ 205,917
Other Local Revenues	0	1,909	1,909	0	0	1,909
State of Tennessee	0	5,675	5,675	0	0	5,675
Federal Government	439,198	305,674	744,872	0	0	744,872
Total Revenues	\$ 439,198	\$ 519,175	\$ 958,373	\$ 0	\$ 0	\$ 958,373
<u>Expenditures</u>						
Current:						
Instruction	\$ 374,401	0	374,401	0	0	374,401
Support Services	68,819	0	68,819	0	0	68,819
Operation of Non-instructional Services	0	537,009	537,009	0	0	537,009
Capital Projects	0	0	0	12,500	12,500	12,500
Total Expenditures	\$ 443,220	\$ 537,009	\$ 980,229	\$ 12,500	\$ 12,500	\$ 992,729
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,022)	\$ (17,834)	\$ (21,856)	\$ (12,500)	\$ (12,500)	\$ (34,356)
Net Change in Fund Balances	\$ (4,022)	\$ (17,834)	\$ (21,856)	\$ (12,500)	\$ (12,500)	\$ (34,356)
Fund Balance, July 1, 2013	25,173	141,321	166,494	36,049	36,049	202,543
Fund Balance, June 30, 2014	\$ 21,151	\$ 123,487	\$ 144,638	\$ 23,549	\$ 23,549	\$ 168,187

Exhibit J-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Metropolitan School Department  
General Purpose School Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,031,628	\$ 2,850,604	\$ 3,019,627	\$ 12,001
Licenses and Permits	599	600	600	(1)
Charges for Current Services	46,974	66,400	54,513	(7,539)
Other Local Revenues	31,593	21,185	36,935	(5,342)
State of Tennessee	4,924,399	4,868,325	5,007,107	(82,708)
Other Governments and Citizens Groups	42,276	0	42,000	276
<b>Total Revenues</b>	<b>\$ 8,077,469</b>	<b>\$ 7,807,114</b>	<b>\$ 8,160,782</b>	<b>\$ (83,313)</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,483,415	\$ 3,539,730	\$ 3,613,281	\$ 129,866
Alternative Instruction Program	79,931	89,899	80,777	846
Special Education Program	465,885	520,635	496,367	30,482
Vocational Education Program	247,930	299,254	299,254	51,324
<u>Support Services</u>				
Attendance	8,342	8,461	8,561	219
Health Services	81,353	56,350	81,353	0
Other Student Support	288,706	270,165	296,165	7,459
Regular Instruction Program	472,892	479,160	480,660	7,768
Special Education Program	3,863	3,572	3,863	0
Vocational Education Program	20,107	27,637	22,232	2,125
Other Programs	42,886	0	42,886	0
Board of Education	214,976	216,130	219,850	4,874
Director of Schools	176,393	166,775	182,275	5,882
Office of the Principal	549,703	591,001	586,687	36,984
Fiscal Services	98,464	92,174	98,674	210
Operation of Plant	660,080	717,719	710,933	50,853
Maintenance of Plant	151,595	183,931	176,931	25,336
Transportation	570,652	556,181	589,656	19,004
<u>Operation of Non-instructional Services</u>				
Community Services	17,600	41,900	30,000	12,400
Early Childhood Education	98,721	99,835	99,895	1,174
<u>Capital Outlay</u>				
Regular Capital Outlay	32,841	30,000	92,000	59,159
<u>Principal on Debt</u>				
Education	0	20,726	0	0
<u>Interest on Debt</u>				
Education	0	11,000	0	0
<u>Other Debt Service</u>				
Education	29,100	0	32,370	3,270
<b>Total Expenditures</b>	<b>\$ 7,795,435</b>	<b>\$ 8,022,235</b>	<b>\$ 8,244,670</b>	<b>\$ 449,235</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 282,034</b>	<b>\$ (215,121)</b>	<b>\$ (83,888)</b>	<b>\$ 365,922</b>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 17,672	\$ 0	\$ 17,247	\$ 425
<b>Total Other Financing Sources</b>	<b>\$ 17,672</b>	<b>\$ 0</b>	<b>\$ 17,247</b>	<b>\$ 425</b>

(Continued)

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ 299,706	\$ (215,121)	\$ (66,641)	\$ 366,347
Fund Balance, July 1, 2013	587,000	451,575	451,575	135,425
Fund Balance, June 30, 2014	\$ 886,706	\$ 236,454	\$ 384,934	\$ 501,772

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Metropolitan School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 439,198	\$ 440,117	\$ 482,562	\$ (43,364)
Total Revenues	\$ 439,198	\$ 440,117	\$ 482,562	\$ (43,364)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 189,217	\$ 184,528	\$ 208,115	\$ 18,898
Special Education Program	176,549	176,859	180,834	4,285
Vocational Education Program	8,635	8,579	8,953	318
<u>Support Services</u>				
Health Services	18,266	18,921	18,294	28
Other Student Support	7,172	7,595	7,172	0
Regular Instruction Program	38,453	42,009	70,067	31,614
Special Education Program	4,209	3,545	4,209	0
Vocational Education Program	600	600	600	0
Transportation	119	0	286	167
Total Expenditures	\$ 443,220	\$ 442,636	\$ 498,530	\$ 55,310
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,022)	\$ (2,519)	\$ (15,968)	\$ 11,946
Net Change in Fund Balance	\$ (4,022)	\$ (2,519)	\$ (15,968)	\$ 11,946
Fund Balance, July 1, 2013	25,173	2,519	15,968	9,205
Fund Balance, June 30, 2014	\$ 21,151	\$ 0	\$ 0	\$ 21,151

Exhibit J-10

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Metropolitan School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 205,917	\$ 287,000	\$ 287,000	\$ (81,083)
Other Local Revenues	1,909	550	550	1,359
State of Tennessee	5,675	5,600	5,600	75
Federal Government	305,674	215,000	235,000	70,674
Total Revenues	<u>\$ 519,175</u>	<u>\$ 508,150</u>	<u>\$ 528,150</u>	<u>\$ (8,975)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 537,009	\$ 516,840	\$ 537,009	\$ 0
Total Expenditures	<u>\$ 537,009</u>	<u>\$ 516,840</u>	<u>\$ 537,009</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,834)	\$ (8,690)	\$ (8,859)	\$ (8,975)
Net Change in Fund Balance	\$ (17,834)	\$ (8,690)	\$ (8,859)	\$ (8,975)
Fund Balance, July 1, 2013	141,321	62,879	62,879	78,442
Fund Balance, June 30, 2014	<u>\$ 123,487</u>	<u>\$ 54,189</u>	<u>\$ 54,020</u>	<u>\$ 69,467</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Capital Leases  
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	Paid and/or Matured During Period	Outstanding 6-30-14
<b>NOTES PAYABLE</b>							
<u>Payable through General Debt Service Fund</u>							
School Improvements	\$ 510,000	2.62 %	12-12-11	5-21-14	\$ 476,000	\$ 476,000	\$ 0
Total Notes Payable					\$ 476,000	\$ 476,000	\$ 0
<b>OTHER LOANS PAYABLE</b>							
<u>Payable through General Debt Service Fund</u>							
School Construction	8,300,000	Variable	7-17-07	5-25-35	\$ 7,241,000	\$ 232,000	\$ 7,009,000
School Construction/Public Water	(1)	Variable	6-9-08	5-25-28	2,448,980	119,000	2,329,980
Total Other Loans Payable					\$ 9,689,980	\$ 351,000	\$ 9,338,980
<b>CAPITAL LEASES PAYABLE</b>							
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>							
TAC Energy Management System	244,766	4.79	9-17-08	12-15-19	\$ 161,702	\$ 21,738	\$ 139,964
Total Capital Leases Payable					\$ 161,702	\$ 21,738	\$ 139,964

(1) Total amount approved was \$3,000,000, of which \$28,020 remains available for draws as of June 30, 2014.

Exhibit K-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2015	\$ 365,000	\$ 21,968	\$ 62,744	\$ 449,712
2016	377,000	21,110	60,371	458,481
2017	391,000	20,223	57,920	469,143
2018	405,000	19,304	55,379	479,683
2019	421,000	18,351	52,746	492,097
2020	435,000	17,361	50,010	502,371
2021	451,000	16,338	47,182	514,520
2022	469,000	15,278	44,251	528,529
2023	485,000	14,175	41,202	540,377
2024	503,000	13,034	38,050	554,084
2025	521,000	11,852	34,780	567,632
2026	540,000	10,626	31,394	582,020
2027	560,000	9,357	27,884	597,241
2028	552,980	8,040	24,159	585,179
2029	372,000	6,740	19,630	398,370
2030	383,000	5,864	17,212	406,076
2031	396,000	4,962	14,722	415,684
2032	408,000	4,030	12,148	424,178
2033	421,000	3,070	9,496	433,566
2034	435,000	2,079	6,760	443,839
2035	448,000	1,055	3,847	452,902
<b>Total</b>	<b>\$ 9,338,980</b>	<b>\$ 244,817</b>	<b>\$ 711,887</b>	<b>\$ 10,295,684</b>

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2015	\$ 22,798	\$ 6,302	\$ 29,100
2016	23,911	5,190	29,101
2017	25,077	4,023	29,100
2018	26,301	2,800	29,101
2019	27,584	1,516	29,100
2020	14,293	257	14,550
<b>Total</b>	<b>\$ 139,964</b>	<b>\$ 20,088</b>	<b>\$ 160,052</b>

Exhibit K-3  
The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Water and Sewer Department	General Debt Service	Surcharges to help retire debt	\$ 21,304
Total Transfers			\$ <u>21,304</u>

Exhibit K-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Mayor	Section 8-24-102, TCA, and Metropolitan Council	\$ 64,832	\$ 25,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, TCA	64,832	100,000	"
Director of Schools	State Board of Education and Metropolitan Board of Education	78,000 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, TCA	56,132	479,000	Auto-Owners (Mutual) Insurance
Assessor of Property	Section 8-24-102, TCA	56,132	50,000	RLI Insurance Company
Metropolitan Clerk	Section 8-24-102, TCA	56,132	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	56,132	25,000	"
Clerk and Master	Section 8-24-102, TCA	56,132	25,000	"
Register of Deeds	Section 8-24-102, TCA	56,132	25,000	"
Sheriff	Section 8-24-102, TCA	61,745 (2)	25,000	"
<b>Employee Bonds</b>				
Metropolitan Employees			150,000	Tennessee Risk Management Trust
School Department Employees			150,000	"

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

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

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2014

	Special Revenue Funds					
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,855,158	\$ 6,402	\$ 218,190	\$ 0	\$ 0	\$ 32,739
Trustee's Collections - Prior Year	30,996	645	4,173	0	0	602
Circuit/Clerk and Master Collections - Prior Years	9,804	0	991	0	0	173
Interest and Penalty	5,863	92	690	0	0	103
Payments in-Lieu-of Taxes - T.V.A.	50,828	2,190	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	186,607	0	0	0	0	0
Hotel/Motel Tax	8,276	0	0	0	0	0
Litigation Tax - General	15,562	0	0	0	0	0
Litigation Tax - Special Purpose	133	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	18,065	0	0	0	0	0
Business Tax	25,676	0	0	0	0	12,000
Mineral Severance Tax	0	0	0	0	0	763
<u>Statutory Local Taxes</u>						
Bank Excise Tax	59,048	0	0	0	0	0
Wholesale Beer Tax	75,583	0	0	0	0	0
Interstate Telecommunications Tax	904	0	0	0	0	0
Other Statutory Local Taxes	0	0	0	0	0	0
Total Local Taxes	\$ 2,342,503	\$ 9,329	\$ 224,044	\$ 0	\$ 0	\$ 46,380
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 9,787	\$ 2,521	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Building Permits	24,098	0	0	0	0	0
Total Licenses and Permits	\$ 33,885	\$ 2,521	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,116	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	885	0	0	0	0	0
Drug Control Fines	0	0	0	14,969	0	0
Drug Court Fees	306	0	0	0	0	0
Jail Fees	86	0	0	0	0	0
Data Entry Fee - Circuit Court	172	0	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines	571	0	0	0	0	0
Courtroom Security Fee	11	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	7,008	0	0	0	0	0
Fines for Littering	48	0	0	0	0	0
Officers Costs	7,498	0	0	0	0	0
Game and Fish Fines	444	0	0	0	0	0
Drug Control Fines	0	0	0	3,383	0	0
Drug Court Fees	940	0	0	0	0	0
Jail Fees	5,003	0	0	0	0	0
DUI Treatment Fines	1,710	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,205	0	0	0	0	0
Courtroom Security Fee	230	0	0	0	0	0
Victims Assistance Assessments	1,500	0	0	0	0	0
<u>Juvenile Court</u>						
Drug Control Fines	0	0	0	500	0	0
<u>Chancery Court</u>						
Officers Costs	388	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Chancery Court (Cont.)</u>						
Data Entry Fee - Chancery Court	\$ 216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 29,337	\$ 0	\$ 0	\$ 18,852	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 190,236	\$ 0	\$ 0	\$ 0
Patient Charges	140,022	0	0	0	0	0
Other General Service Charges	650	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	10,742	0	0	0	0	0
Copy Fees	264	0	0	0	0	0
Library Fees	3,572	0	0	0	0	0
Archives and Records Management Fee - County Clerk	24	0	0	0	0	0
Greenbelt Late Application Fee	100	0	0	0	0	0
Vending Machine Collections	39	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	63	0
Data Processing Fee - Register	2,282	0	0	0	0	0
Data Processing Fee - Sheriff	662	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,800	0	0	0	0	0
Data Processing Fee - County Clerk	1,145	0	0	0	0	0
Total Charges for Current Services	\$ 161,302	\$ 0	\$ 190,236	\$ 0	\$ 63	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 25,278	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Lease/Rentals	\$ 12,712	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Commissary Sales	6,883	0	0	0	0	0
Sale of Recycled Materials	0	0	28,898	0	0	512
E-Rate Funding	1,556	0	0	0	0	0
Miscellaneous Refunds	6,795	0	85	101	0	1,081
<u>Nonrecurring Items</u>						
Contributions and Gifts	9,515	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	96	0	0	0	0	0
Total Other Local Revenues	\$ 62,835	\$ 0	\$ 28,983	\$ 101	\$ 0	\$ 1,593
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 54,272	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	10,137	0	0	0	0	0
General Sessions Court Clerk	22,805	0	0	0	0	0
Clerk and Master	15,281	0	0	0	0	0
Juvenile Court Clerk	2,140	0	0	0	0	0
Register	26,020	0	0	0	0	0
Sheriff	4,506	0	0	0	0	0
Trustee	153,317	0	0	0	0	0
Total Fees Received from County Officials	\$ 288,478	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety Grants	7,200	0	0	0	0	0
Law Enforcement Training Programs						
Health and Welfare Grants	114,993	0	0	0	0	0
Health Department Programs						
Public Works Grants						
State Aid Program	0	0	0	0	0	175,598
Litter Program	0	0	21,415	0	0	0
<u>Other State Revenues</u>						
Income Tax	37,968	0	0	0	0	0
Beer Tax	18,077	0	0	0	0	0
Alcoholic Beverage Tax	13,987	0	0	0	0	0
State Revenue Sharing - T.V.A.	152,485	0	0	0	0	0
Contracted Prisoner Boarding	134,347	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,184,466
Petroleum Special Tax	0	0	0	0	0	5,761
Registrar's Salary Supplement	15,164	0	0	0	0	0
State Shared Sales Tax - Cities	41,696	0	0	0	0	0
Other State Grants	1,500,077	0	0	0	0	0
Other State Revenues	16,267	0	0	0	0	0
Total State of Tennessee	\$ 2,056,761	\$ 0	\$ 21,415	\$ 0	\$ 0	\$ 1,365,825
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 15,949	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	41,108	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Urban Services	Solid Waste/ Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	\$ 62,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 120,042	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 23,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Citizens Groups</u>						
Donations	11,771	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 35,436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,130,579	\$ 11,850	\$ 464,678	\$ 18,953	\$ 63	\$ 1,413,798

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	Total
	General Debt Service	General Capital Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 567,718	\$ 32,740	\$ 2,712,947
Trustee's Collections - Prior Year	11,029	0	47,445
Circuit/Clerk and Master Collections - Prior Years	3,076	96	14,140
Interest and Penalty	1,879	17	8,644
Payments in-Lieu-of Taxes - T.V.A.	0	0	53,018
<u>County Local Option Taxes</u>			
Local Option Sales Tax	186,607	0	373,214
Hotel/Motel Tax	0	0	8,276
Litigation Tax - General	0	0	15,562
Litigation Tax - Special Purpose	0	0	133
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	18,065
Business Tax	0	0	37,676
Mineral Severance Tax	0	0	763
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0	0	59,048
Wholesale Beer Tax	0	0	75,583
Interstate Telecommunications Tax	0	0	904
Other Statutory Local Taxes	257,068	0	257,068
Total Local Taxes	\$ 1,027,377	\$ 32,853	\$ 3,682,486
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Cable TV Franchise	\$ 0	\$ 0	\$ 12,308
<u>Permits</u>			
Building Permits	0	0	24,098
Total Licenses and Permits	\$ 0	\$ 0	\$ 36,406

(Continued)

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$ 0	\$ 0	1,116
Officers Costs	0	0	885
Drug Control Fines	0	0	14,969
Drug Court Fees	0	0	306
Jail Fees	0	0	86
Data Entry Fee - Circuit Court	0	0	172
<u>Criminal Court</u>			
DUI Treatment Fines	0	0	571
Courtroom Security Fee	0	0	11
<u>General Sessions Court</u>			
Fines	0	0	7,008
Fines for Littering	0	0	48
Officers Costs	0	0	7,498
Game and Fish Fines	0	0	444
Drug Control Fines	0	0	3,383
Drug Court Fees	0	0	940
Jail Fees	0	0	5,003
DUI Treatment Fines	0	0	1,710
Data Entry Fee - General Sessions Court	0	0	1,205
Courtroom Security Fee	0	0	230
Victims Assistance Assessments	0	0	1,500
<u>Juvenile Court</u>			
Drug Control Fines	0	0	500
<u>Chancery Court</u>			
Officers Costs	0	0	388

(Continued)

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

	Debt Service Fund	Capital Projects Fund	General Debt Service	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Chancery Court (Cont.)</u>					
Data Entry Fee - Chancery Court	0 \$	0 \$			216
Total Fines, Forfeitures, and Penalties	0 \$	0 \$			48,189
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fee	0 \$	0 \$			190,236
Patient Charges	0	0			140,022
Other General Service Charges	0	0			650
<u>Fees</u>					
Recreation Fees	0	0			10,742
Copy Fees	0	0			264
Library Fees	0	0			3,572
Archives and Records Management Fee - County Clerk	0	0			24
Greenbelt Late Application Fee	0	0			100
Vending Machine Collections	0	0			39
Constitutional Officers' Fees and Commissions	0	0			63
Data Processing Fee - Register	0	0			2,282
Data Processing Fee - Sheriff	0	0			662
Sexual Offender Registration Fee - Sheriff	0	0			1,800
Data Processing Fee - County Clerk	0	0			1,145
Total Charges for Current Services	0 \$	0 \$			351,601
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0 \$	0 \$			25,278

(Continued)

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	General Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>			
<u>Recurring Items (Cont.)</u>			
Lease/Rentals	0 \$	0 \$	12,712
Commissary Sales	0	0	6,883
Sale of Recycled Materials	0	0	29,410
E-Rate Funding	0	0	1,556
Miscellaneous Refunds	1,899	0	9,961
<u>Nonrecurring Items</u>			
Contributions and Gifts	0	0	9,515
<u>Other Local Revenues</u>			
Other Local Revenues	0	0	96
Total Other Local Revenues	1,899 \$	0 \$	95,411
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0 \$	0 \$	54,272
Circuit Court Clerk	0	0	10,137
General Sessions Court Clerk	0	0	22,805
Clerk and Master	0	0	15,281
Juvenile Court Clerk	0	0	2,140
Register	0	0	26,020
Sheriff	0	0	4,506
Trustee	0	0	153,317
Total Fees Received from County Officials	0 \$	0 \$	288,478

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	Total
	General Debt Service	General Capital Projects	Total
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$ 0	4,500
Public Safety Grants			
Law Enforcement Training Programs	0	0	7,200
Health and Welfare Grants			
Health Department Programs	0	0	114,993
Public Works Grants			
State Aid Program	0	0	175,598
Litter Program	0	0	21,415
<u>Other State Revenues</u>			
Income Tax	0	0	37,968
Beer Tax	0	0	18,077
Alcoholic Beverage Tax	0	0	13,987
State Revenue Sharing - T.V.A.	0	0	152,485
Contracted Prisoner Boarding	0	0	134,347
Gasoline and Motor Fuel Tax	0	0	1,184,466
Petroleum Special Tax	0	0	5,761
Registrar's Salary Supplement	0	0	15,164
State Shared Sales Tax - Cities	0	0	41,696
Other State Grants	0	0	1,500,077
Other State Revenues	0	0	16,267
Total State of Tennessee	\$ 0	\$ 0	\$ 3,444,001
<u>Federal Government</u>			
<u>Federal Through State</u>			
Homeland Security Grants	\$ 0	\$ 0	15,949
Other Federal through State	0	0	41,108

(Continued)

Exhibit K-5

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

	<u>Debt Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects Fund</u>			
	General Debt Service	General Capital Projects	Total		
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0 \$	0 \$	62,985		
Total Federal Government	<u>0 \$</u>	<u>0 \$</u>	<u>120,042</u>		
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	29,100 \$	0 \$	52,765		
<u>Citizens Groups</u>					
Donations	0	0	11,771		
Total Other Governments and Citizens Groups	<u>29,100 \$</u>	<u>0 \$</u>	<u>64,536</u>		
Total	<u>1,058,376 \$</u>	<u>32,853 \$</u>	<u>8,131,150</u>		

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Metropolitan School Department  
 For the Year Ended June 30, 2014

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,593,260	\$ 0	\$ 0	\$ 0	\$ 2,593,260
Trustee's Collections - Prior Year	43,713	0	0	0	43,713
Circuit/Clerk and Master Collections - Prior Years	13,214	0	0	0	13,214
Interest and Penalty	7,633	0	0	0	7,633
<u>County Local Option Taxes</u>					
Local Option Sales Tax	373,215	0	0	0	373,215
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	593	0	0	0	593
Total Local Taxes	\$ 3,031,628	\$ 0	\$ 0	\$ 0	\$ 3,031,628
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 599	\$ 0	\$ 0	\$ 0	\$ 599
Total Licenses and Permits	\$ 599	\$ 0	\$ 0	\$ 0	\$ 599
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Regular Day Students	\$ 23,614	\$ 0	\$ 0	\$ 0	\$ 23,614
Lunch Payments - Children	0	0	126,610	0	126,610
Lunch Payments - Adults	0	0	2,972	0	2,972
Income from Breakfast	0	0	66,114	0	66,114
A la carte Sales	0	0	10,221	0	10,221
Receipts from Individual Schools	900	0	0	0	900
Community Service Fees - Children	22,460	0	0	0	22,460
Total Charges for Current Services	\$ 46,974	\$ 0	\$ 205,917	\$ 0	\$ 252,891

(Continued)

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

	<u>Special Revenue Funds</u>				Total
	General Purpose School	School Federal Projects	Central Cafeteria	Total	
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	0 \$	0 \$	153 \$	153	
Sale of Materials and Supplies	1,051	0	0	1,051	
E-Rate Funding	11,398	0	0	11,398	
Miscellaneous Refunds	18,959	0	1,756	20,715	
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	30	0	0	30	
<u>Other Local Revenues</u>	155	0	0	155	
Total Other Local Revenues	<u>\$ 31,593 \$</u>	<u>0 \$</u>	<u>1,909 \$</u>	<u>33,502</u>	
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	42,886 \$	0 \$	0 \$	42,886	
<u>State Education Funds</u>					
Basic Education Program	4,601,000	0	0	4,601,000	
Early Childhood Education	25,708	0	0	25,708	
Energy Efficient School Initiative	10,000	0	0	10,000	
Driver Education	4,640	0	0	4,640	
Other State Education Funds	146,744	0	5,675	152,419	
Career Ladder Program	33,560	0	0	33,560	
Career Ladder - Extended Contract	4,420	0	0	4,420	
<u>Other State Revenues</u>					
Beer Tax	41,733	0	0	41,733	
Alcoholic Beverage Tax	12,908	0	0	12,908	

(Continued)

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Grants	800 \$	0 \$	0 \$	0 \$	800
Total State of Tennessee	4,924,399 \$	0 \$	5,675 \$	4,930,074 \$	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	0 \$	0 \$	212,999 \$	212,999 \$	
USDA - Commodities Breakfast	0	0	18,565	18,565	
Vocational Education - Basic Grants to States	0	0	74,110	74,110	
Title I Grants to Local Education Agencies	0	12,351	0	12,351	
Special Education - Grants to States	0	158,388	0	158,388	
Special Education Preschool Grants	0	190,917	0	190,917	
Eisenhower Professional Development State Grants	0	10,583	0	10,583	
Race-to-the-Top - ARRA	0	21,272	0	21,272	
Total Federal Government	0 \$	439,198 \$	305,674 \$	744,872 \$	
<u>Other Governments and Citizens Groups</u>					
<u>Citizens Groups</u>					
Donations	42,276 \$	0 \$	0 \$	0 \$	42,276
Total Other Governments and Citizens Groups	42,276 \$	0 \$	0 \$	42,276 \$	
Total	8,077,469 \$	439,198 \$	519,175 \$	9,035,842 \$	

Exhibit K-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	3,240	
Audit Services		4,214	
Liability Insurance		44,402	
Trustee's Commission		48,585	
Workers' Compensation Insurance		25,375	
Total County Commission			\$ 125,816

County Mayor/Executive

County Official/Administrative Officer	\$	64,832	
Accountants/Bookkeepers		35,020	
Longevity Pay		2,000	
Communication		1,287	
Dues and Memberships		5,374	
Legal Notices, Recording, and Court Costs		1,001	
Printing, Stationery, and Forms		912	
Other Charges		140	
Office Equipment		87	
Total County Mayor/Executive			110,653

County Attorney

Other Charges	\$	360	
Total County Attorney			360

Election Commission

County Official/Administrative Officer	\$	50,518	
In-service Training		395	
Communication		677	
Dues and Memberships		124	
Legal Notices, Recording, and Court Costs		354	
Maintenance and Repair Services - Office Equipment		1,890	
Postal Charges		371	
Printing, Stationery, and Forms		140	
Travel		3,646	
Other Contracted Services		3,483	
Office Supplies		178	
Office Equipment		1,285	
Total Election Commission			63,061

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		222	
In-service Training		85	
Communication		405	
Dues and Memberships		95	
Maintenance Agreements		2,594	
Printing, Stationery, and Forms		752	
Other Contracted Services		1,000	
Office Equipment		5	
Total Register of Deeds			61,290

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Planning

County Official/Administrative Officer	\$	4,926	
Communication		477	
Contracts with Government Agencies		20,160	
Other Contracted Services		90	
Office Supplies		26	
Total Planning			\$ 25,679

County Buildings

Custodial Personnel	\$	20,600	
Legal Notices, Recording, and Court Costs		59	
Maintenance Agreements		125	
Maintenance and Repair Services - Buildings		17,435	
Pest Control		309	
Postal Charges		5,800	
Custodial Supplies		3,204	
Electricity		12,447	
Natural Gas		4,818	
Office Supplies		3,840	
Water and Sewer		2,702	
Other Supplies and Materials		152	
Total County Buildings			71,491

Preservation of Records

Part-time Personnel	\$	3,800	
Communication		560	
Data Processing Services		15	
Maintenance Agreements		319	
Postal Charges		52	
Office Supplies		2,243	
Total Preservation of Records			6,989

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		5,688	
In-service Training		383	
Other Per Diem and Fees		260	
Communication		411	
Data Processing Services		893	
Legal Notices, Recording, and Court Costs		69	
Printing, Stationery, and Forms		200	
Travel		1,263	
Other Contracted Services		808	
Office Equipment		532	
Total Property Assessor's Office			66,639

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		1,901	
In-service Training		150	
Communication		424	
Data Processing Services		5,278	
Legal Notices, Recording, and Court Costs		172	
Printing, Stationery, and Forms		76	
Travel		296	
Office Equipment		229	
Total County Trustee's Office			\$ 64,658

County Clerk's Office

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		11,577	
In-service Training		85	
Communication		461	
Data Processing Services		400	
Maintenance and Repair Services - Office Equipment		3,320	
Office Equipment		193	
Total County Clerk's Office			72,168

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		4,434	
Jury and Witness Expense		1,315	
Communication		452	
Data Processing Services		18	
Dues and Memberships		417	
Legal Notices, Recording, and Court Costs		260	
Maintenance Agreements		2,720	
Travel		446	
Office Equipment		1,011	
Total Circuit Court			67,205

General Sessions Court

Judge(s)	\$	66,647	
Travel		708	
Total General Sessions Court			67,355

Chancery Court

County Official/Administrative Officer	\$	56,132	
Part-time Personnel		1,499	
Communication		413	
Dues and Memberships		421	
Printing, Stationery, and Forms		804	
Travel		125	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Periodicals	\$	1,163	
Office Equipment		489	
Total Chancery Court			\$ 61,046

Juvenile Court

Supervisor/Director	\$	9,000	
Other Contracted Services		2,275	
Office Supplies		63	
Total Juvenile Court			11,338

Judicial Commissioners

County Official/Administrative Officer	\$	13,509	
In-service Training		150	
Communication		99	
Total Judicial Commissioners			13,758

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,745	
Assistant(s)		39,884	
Supervisor/Director		38,644	
Deputy(ies)		167,351	
Investigator(s)		70,001	
Sergeant(s)		65,774	
Dispatchers/Radio Operators		137,474	
Longevity Pay		34,000	
Overtime Pay		10,602	
Other Salaries and Wages		18,304	
In-service Training		11,180	
Communication		6,997	
Contracts with Private Agencies		6,428	
Dues and Memberships		1,000	
Maintenance and Repair Services - Equipment		2,375	
Maintenance and Repair Services - Vehicles		22,068	
Medical and Dental Services		212	
Postal Charges		635	
Printing, Stationery, and Forms		2,667	
Travel		5,459	
Other Contracted Services		1,736	
Gasoline		44,686	
Office Supplies		2,073	
Uniforms		1,575	
Other Supplies and Materials		22,034	
Other Charges		501	
Data Processing Equipment		1,071	
Law Enforcement Equipment		6,862	
Total Sheriff's Department			783,338

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Postal Charges	\$	92	
Other Contracted Services		400	
Office Supplies		216	
Total Administration of the Sexual Offender Registry			\$ 708

Jail

Foremen	\$	29,558	
Guards		113,808	
Secretary(ies)		25,382	
Longevity Pay		7,000	
Other Salaries and Wages		7,505	
In-service Training		736	
Maintenance and Repair Services - Buildings		19,205	
Maintenance and Repair Services - Equipment		2,041	
Medical and Dental Services		47,686	
Pest Control		117	
Other Contracted Services		64	
Custodial Supplies		3,209	
Drugs and Medical Supplies		431	
Electricity		18,343	
Food Preparation Supplies		729	
Food Supplies		28,768	
Natural Gas		3,738	
Prisoners Clothing		1,082	
Uniforms		1,047	
Water and Sewer		12,197	
Other Charges		912	
Total Jail			323,558

Commissary

Postal Charges	\$	153	
Printing, Stationery, and Forms		361	
Food Supplies		54	
Office Supplies		28	
Other Supplies and Materials		70	
Total Commissary			666

Fire Prevention and Control

Part-time Personnel	\$	13,312	
In-service Training		5,049	
Communication		1,663	
Maintenance Agreements		8,337	
Maintenance and Repair Services - Buildings		6,274	
Maintenance and Repair Services - Vehicles		11,488	
Pest Control		117	
Electricity		4,034	
Gasoline		4,115	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Natural Gas	\$	4,002	
Office Supplies		353	
Water and Sewer		712	
Excess Risk Insurance		3,045	
Other Equipment		83,976	
Total Fire Prevention and Control			\$ 146,477

Other Emergency Management

Supervisor/Director	\$	12,600	
In-service Training		300	
Communication		9,899	
Maintenance and Repair Services - Equipment		215	
Maintenance and Repair Services - Vehicles		1,021	
Gasoline		1,139	
Office Supplies		57	
Uniforms		274	
Other Supplies and Materials		21,372	
Other Equipment		270	
Total Other Emergency Management			47,147

Public Health and Welfare

Local Health Center

Medical Personnel	\$	72,061	
Communication		2,234	
Contracts with Government Agencies		14,000	
Contracts with Private Agencies		14,550	
Maintenance and Repair Services - Buildings		774	
Pest Control		117	
Travel		540	
Drugs and Medical Supplies		70	
Office Supplies		200	
Utilities		6,151	
Water and Sewer		174	
Other Supplies and Materials		111	
Other Charges		50	
Total Local Health Center			111,032

Ambulance/Emergency Medical Services

Supervisor/Director	\$	37,800
Paraprofessionals		146,684
Part-time Personnel		33,876
Longevity Pay		9,000
Overtime Pay		28,091
Other Salaries and Wages		5,523
In-service Training		1,014
Communication		1,443
Data Processing Services		12,469

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Dues and Memberships	\$	1,460	
Maintenance and Repair Services - Buildings		3,848	
Maintenance and Repair Services - Equipment		3,431	
Maintenance and Repair Services - Vehicles		8,795	
Medical and Dental Services		1,500	
Pest Control		117	
Postal Charges		98	
Travel		132	
Drugs and Medical Supplies		9,100	
Electricity		3,468	
Equipment and Machinery Parts		13,328	
Gasoline		6,003	
Natural Gas		1,198	
Office Supplies		343	
Uniforms		1,275	
Water and Sewer		905	
Other Supplies and Materials		820	
Refunds		255	
Total Ambulance/Emergency Medical Services			\$ 331,976

Alcohol and Drug Programs

Drug Treatment	\$	731	
Other Supplies and Materials		1,100	
Total Alcohol and Drug Programs			1,831

Regional Mental Health Center

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

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Assistant(s)	\$	19,038	
Supervisor/Director		27,766	
Part-time Personnel		14,316	
Longevity Pay		3,000	
In-service Training		122	
Communication		2,387	
Data Processing Services		1,938	
Dues and Memberships		115	
Maintenance and Repair Services - Buildings		1,569	
Pest Control		117	
Postal Charges		249	
Printing, Stationery, and Forms		69	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Travel	\$	619	
Custodial Supplies		253	
Electricity		4,298	
Instructional Supplies and Materials		1,376	
Library Books/Media		4,801	
Natural Gas		2,091	
Office Supplies		2,035	
Periodicals		665	
Water and Sewer		784	
Other Charges		9,884	
Office Equipment		2,443	
Total Libraries			\$ 99,935

Parks and Fair Boards

Assistant(s)	\$	1,935	
Supervisor/Director		5,250	
Attendants		5,637	
Communication		1,242	
Dues and Memberships		680	
Maintenance and Repair Services - Buildings		7,239	
Maintenance and Repair Services - Equipment		4,158	
Electricity		15,235	
Gasoline		4,592	
Natural Gas		891	
Water and Sewer		7,993	
Chemicals		1,878	
Other Supplies and Materials		18,950	
Total Parks and Fair Boards			75,680

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	39,435	
Part-time Personnel		9,862	
Longevity Pay		2,400	
Communication		1,290	
Data Processing Services		2,000	
Travel		4,926	
Other Charges		110	
Total Agricultural Extension Service			60,023

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

Soil Conservation

Communication	\$	407	
Total Soil Conservation			407

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations

Tourism

Dues and Memberships	\$	3,000	
Maintenance and Repair Services - Buildings		345	
Custodial Supplies		239	
Electricity		872	
Natural Gas		294	
Water and Sewer		588	
Other Charges		150	
Total Tourism			\$ 5,488

Other Economic and Community Development

Other Charges	\$	1,500,000	
Total Other Economic and Community Development			1,500,000

Veterans' Services

County Official/Administrative Officer	\$	1,688	
Travel		578	
Total Veterans' Services			2,266

Other Charges

Other Charges	\$	6,804	
Total Other Charges			6,804

Employee Benefits

Social Security	\$	142,212	
State Retirement		48,209	
Employee and Dependent Insurance		273,566	
Unemployment Compensation		3,099	
Local Retirement		15,568	
Total Employee Benefits			482,654

Total General Fund \$ 4,880,846

Urban Services Fund

General Government

Other General Administration

Electricity	\$	19,070	
Trustee's Commission		189	
Other Charges		1,485	
Total Other General Administration			\$ 20,744

Total Urban Services Fund 20,744

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,760	
Laborers		10,962	

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Social Security	\$	1,030	
Unemployment Compensation		52	
Gasoline		1,585	
Instructional Supplies and Materials		5,100	
Other Supplies and Materials		106	
Total Waste Pickup			\$ 21,595

Recycling Center

Assistant(s)	\$	2,907	
Laborers		85,560	
Part-time Personnel		11,225	
Longevity Pay		7,000	
Other Salaries and Wages		5,336	
Social Security		7,297	
Medical Insurance		37,622	
Unemployment Compensation		352	
Local Retirement		141	
Communication		314	
Contracts with Private Agencies		88,801	
Maintenance and Repair Services - Buildings		575	
Maintenance and Repair Services - Vehicles		24,392	
Postal Charges		75	
Other Contracted Services		28,225	
Diesel Fuel		26,600	
Office Supplies		78	
Tires and Tubes		3,635	
Utilities		1,431	
Trustee's Commission		6,442	
Vehicle and Equipment Insurance		7,104	
Workers' Compensation Insurance		6,994	
Solid Waste Equipment		64,091	
Total Recycling Center			416,197

Total Solid Waste/Sanitation Fund \$ 437,792

Drug Control Fund

Public Safety

Drug Enforcement

In-service Training	\$	720	
Communication		1,266	
Confidential Drug Enforcement Payments		1,000	
Maintenance and Repair Services - Vehicles		1,402	
Gasoline		2,836	
Law Enforcement Supplies		538	
Uniforms		524	
Other Supplies and Materials		14	
Other Charges		117	
Other Equipment		1,812	
Total Drug Enforcement			\$ 10,229

Total Drug Control Fund 10,229

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund

Public Safety

Sheriff's Department

Bank Charges	\$ 63	
Total Sheriff's Department		\$ 63

Total Constitutional Officers - Fees Fund \$ 63

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,832	
Assistant(s)	43,802	
Secretary(ies)	39,046	
Temporary Personnel	738	
Longevity Pay	3,000	
Social Security	9,314	
State Retirement	8,745	
Employee and Dependent Insurance	4,763	
Life Insurance	250	
Unemployment Compensation	562	
Employer Medicare	2,178	
Data Processing Services	5,536	
Postal Charges	190	
Printing, Stationery, and Forms	234	
Travel	929	
Office Supplies	455	
Trustee's Commission	1,038	
Other Charges	3,645	
Data Processing Equipment	2,274	
Total Administration		\$ 191,531

Highway and Bridge Maintenance

Equipment Operators	\$ 123,451
Truck Drivers	113,429
Laborers	97,776
Temporary Personnel	2,272
Longevity Pay	25,000
Social Security	21,184
State Retirement	3,720
Employee and Dependent Insurance	66,140
Life Insurance	856
Unemployment Compensation	2,672
Employer Medicare	4,954
Contracts with Private Agencies	11,400
Dues and Memberships	1,930
Asphalt	20,996
Crushed Stone	10,202
Riprap	17,539
Pipe	7,333

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Road Signs	\$	1,787	
Chemicals		1,053	
Other Charges		1,817	
Maintenance Equipment		645	
Total Highway and Bridge Maintenance			\$ 536,156

Operation and Maintenance of Equipment

Mechanic(s)	\$	40,259	
Longevity Pay		2,000	
Social Security		2,321	
State Retirement		954	
Employee and Dependent Insurance		14,319	
Life Insurance		94	
Unemployment Compensation		270	
Employer Medicare		543	
Custodial Supplies		299	
Diesel Fuel		31,775	
Equipment and Machinery Parts		18,115	
Garage Supplies		2,501	
Gasoline		14,009	
Lubricants		3,119	
Tires and Tubes		5,498	
Vehicle Parts		3,627	
Other Charges		402	
Total Operation and Maintenance of Equipment			140,105

Other Charges

Advertising	\$	160	
Communication		2,664	
Electricity		2,883	
Propane Gas		2,638	
Water and Sewer		424	
Liability Insurance		11,988	
Trustee's Commission		11,497	
Vehicle and Equipment Insurance		11,988	
Total Other Charges			44,242

Employee Benefits

Workers' Compensation Insurance	\$	35,239	
Total Employee Benefits			35,239

Capital Outlay

Highway Equipment	\$	65,765	
State Aid Projects		238,673	
Other Capital Outlay		110,714	
Total Capital Outlay			415,152

Total Highway/Public Works Fund \$ 1,362,425

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Other Loans	\$ 79,730	
Total General Government		\$ 79,730
<u>Education</u>		
Principal on Notes	\$ 476,000	
Principal on Capital Leases	21,738	
Principal on Other Loans	271,270	
Total Education		769,008
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Other Loans	\$ 4,019	
Total General Government		4,019
<u>Education</u>		
Interest on Notes	\$ 8,575	
Interest on Capital Leases	7,363	
Interest on Other Loans	18,851	
Total Education		34,789
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 16,159	
Other Debt Service	10,937	
Total General Government		27,096
<u>Education</u>		
Other Debt Service	\$ 55,533	
Total Education		55,533
Total General Debt Service Fund		\$ 970,175
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Trustee's Commission	\$ 662	
Total Social, Cultural, and Recreation Projects		\$ 662
Total General Capital Projects Fund		662
Total Governmental Funds - Primary Government		<u>\$ 7,682,936</u>

Exhibit K-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Metropolitan School Department  
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,303,170	
Career Ladder Program		21,698	
Career Ladder Extended Contracts		2,924	
Homebound Teachers		339	
Educational Assistants		58,852	
Other Salaries and Wages		5,695	
Certified Substitute Teachers		11,964	
Non-certified Substitute Teachers		47,687	
Social Security		142,889	
State Retirement		207,021	
Medical Insurance		442,431	
Employer Medicare		33,418	
Instructional Supplies and Materials		43,648	
Textbooks		66,974	
Other Supplies and Materials		1,974	
Other Charges		2,982	
Regular Instruction Equipment		89,749	
Total Regular Instruction Program			\$ 3,483,415

Alternative Instruction Program

Teachers	\$	48,535	
Educational Assistants		17,147	
Social Security		3,983	
State Retirement		4,787	
Medical Insurance		4,548	
Employer Medicare		931	
Total Alternative Instruction Program			79,931

Special Education Program

Teachers	\$	285,962	
Homebound Teachers		6,525	
Educational Assistants		49,971	
Social Security		19,883	
State Retirement		25,845	
Medical Insurance		71,531	
Employer Medicare		4,650	
Contracts with Private Agencies		1,518	
Total Special Education Program			465,885

Vocational Education Program

Teachers	\$	184,467	
Career Ladder Program		1,765	
Social Security		11,017	
State Retirement		16,537	
Medical Insurance		28,489	
Employer Medicare		2,576	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Instructional Supplies and Materials	\$	2,981	
Other Charges		98	
Total Vocational Education Program			\$ 247,930

Support Services

Attendance

Supervisor/Director	\$	6,024	
Career Ladder Program		100	
Social Security		356	
State Retirement		544	
Medical Insurance		1,235	
Employer Medicare		83	
Total Attendance			8,342

Health Services

Medical Personnel	\$	59,835	
Social Security		3,543	
State Retirement		5,313	
Medical Insurance		11,188	
Employer Medicare		829	
Other Supplies and Materials		512	
Other Charges		133	
Total Health Services			81,353

Other Student Support

Guidance Personnel	\$	89,747	
Clerical Personnel		16,888	
Other Salaries and Wages		30,938	
Social Security		7,910	
State Retirement		11,095	
Medical Insurance		27,206	
Employer Medicare		1,850	
Contracts with Government Agencies		37,609	
Evaluation and Testing		29,354	
Other Contracted Services		16,000	
Other Supplies and Materials		13,817	
In Service/Staff Development		1,996	
Other Charges		4,296	
Total Other Student Support			288,706

Regular Instruction Program

Supervisor/Director	\$	185,501	
Career Ladder Program		900	
Librarians		84,391	
Educational Assistants		16,726	
Other Salaries and Wages		52,112	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	19,771	
State Retirement		25,931	
Medical Insurance		68,144	
Employer Medicare		4,624	
Maintenance and Repair Services - Equipment		388	
Travel		1,137	
Library Books/Media		9,233	
Other Supplies and Materials		145	
In Service/Staff Development		3,889	
Total Regular Instruction Program			\$ 472,892

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		115	
State Retirement		56	
Medical Insurance		432	
Employer Medicare		27	
Travel		1,233	
Total Special Education Program			3,863

Vocational Education Program

Supervisor/Director	\$	15,731	
Career Ladder Program		325	
Social Security		962	
State Retirement		1,426	
Medical Insurance		1,438	
Employer Medicare		225	
Total Vocational Education Program			20,107

Other Programs

On-behalf Payments to OPEB	\$	42,886	
Total Other Programs			42,886

Board of Education

Board and Committee Members Fees	\$	1,500	
Social Security		93	
Medical Insurance		27,113	
Unemployment Compensation		4,275	
Employer Medicare		22	
Audit Services		3,500	
Dues and Memberships		5,168	
Liability Insurance		17,974	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		68,745	
Workers' Compensation Insurance		81,545	
In Service/Staff Development		105	
Other Charges		4,761	
Total Board of Education			214,976

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	78,000	
Social Security		4,836	
State Retirement		6,926	
Medical Insurance		16,723	
Dental Insurance		922	
Employer Medicare		1,131	
Communication		42,615	
Travel		3,173	
Office Supplies		8,613	
Other Charges		8,559	
Administration Equipment		4,895	
Total Director of Schools			\$ 176,393

Office of the Principal

Principals	\$	140,133	
Career Ladder Program		2,000	
Assistant Principals		141,728	
Secretary(ies)		64,744	
Clerical Personnel		66,045	
Social Security		24,359	
State Retirement		28,843	
Medical Insurance		74,919	
Employer Medicare		5,697	
Communication		435	
Other Charges		800	
Total Office of the Principal			549,703

Fiscal Services

Accountants/Bookkeepers	\$	77,384	
Social Security		4,478	
State Retirement		2,151	
Medical Insurance		13,404	
Employer Medicare		1,047	
Total Fiscal Services			98,464

Operation of Plant

Custodial Personnel	\$	151,093	
Social Security		8,245	
State Retirement		4,140	
Medical Insurance		63,976	
Employer Medicare		1,928	
Other Contracted Services		4,748	
Electricity		263,630	
Natural Gas		36,867	
Water and Sewer		45,086	
Other Supplies and Materials		36,153	
Building and Contents Insurance		44,214	
Total Operation of Plant			660,080

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Maintenance Personnel	\$	71,255	
Social Security		4,240	
State Retirement		1,981	
Medical Insurance		5,316	
Employer Medicare		992	
Maintenance and Repair Services - Buildings		6,049	
Maintenance and Repair Services - Equipment		28,069	
Pest Control		2,010	
Other Supplies and Materials		10,882	
Other Charges		11,796	
Maintenance Equipment		9,005	
Total Maintenance of Plant			\$ 151,595

Transportation

Mechanic(s)	\$	29,351	
Bus Drivers		192,661	
Social Security		13,476	
State Retirement		6,379	
Medical Insurance		7,538	
Employer Medicare		3,184	
Maintenance and Repair Services - Vehicles		17,480	
Medical and Dental Services		2,895	
Diesel Fuel		82,049	
Tires and Tubes		5,955	
Vehicle Parts		26,023	
Other Supplies and Materials		2,745	
Vehicle and Equipment Insurance		13,650	
Other Charges		6,169	
Transportation Equipment		161,097	
Total Transportation			570,652

Operation of Non-instructional Services

Community Services

Other Salaries and Wages	\$	14,383	
Social Security		892	
State Retirement		61	
Employer Medicare		209	
Other Supplies and Materials		2,055	
Total Community Services			17,600

Early Childhood Education

Supervisor/Director	\$	6,188	
Teachers		40,038	
Educational Assistants		15,259	
Social Security		3,249	
State Retirement		4,529	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Early Childhood Education (Cont.)

Medical Insurance	\$	28,641	
Employer Medicare		760	
Other Charges		57	
Total Early Childhood Education			\$ 98,721

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	32,841	
Total Regular Capital Outlay			32,841

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	29,100	
Total Education			29,100

Total General Purpose School Fund \$ 7,795,435

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	89,801	
Certified Substitute Teachers		60	
Non-certified Substitute Teachers		1,568	
Social Security		5,346	
State Retirement		7,974	
Medical Insurance		18,677	
Employer Medicare		1,250	
Instructional Supplies and Materials		47,034	
Regular Instruction Equipment		17,507	
Total Regular Instruction Program			\$ 189,217

Special Education Program

Teachers	\$	35,780	
Educational Assistants		91,091	
Non-certified Substitute Teachers		390	
Social Security		7,586	
State Retirement		5,222	
Medical Insurance		33,522	
Employer Medicare		1,774	
Instructional Supplies and Materials		1,184	
Total Special Education Program			176,549

Vocational Education Program

Instructional Supplies and Materials	\$	1,910	
Vocational Instruction Equipment		6,725	
Total Vocational Education Program			8,635

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Medical Personnel	\$	9,918	
Social Security		485	
State Retirement		881	
Medical Insurance		6,869	
Employer Medicare		113	
Total Health Services			\$ 18,266

Other Student Support

Evaluation and Testing	\$	3,661	
Travel		3,120	
Other Supplies and Materials		391	
Total Other Student Support			7,172

Regular Instruction Program

Supervisor/Director	\$	15,469	
Social Security		927	
State Retirement		1,374	
Medical Insurance		2,094	
Employer Medicare		217	
Travel		1,182	
In Service/Staff Development		17,190	
Total Regular Instruction Program			38,453

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		124	
State Retirement		56	
Employer Medicare		29	
Other Contracted Services		2,000	
Total Special Education Program			4,209

Vocational Education Program

Travel	\$	500	
In Service/Staff Development		100	
Total Vocational Education Program			600

Transportation

Travel	\$	119	
Total Transportation			119

Total School Federal Projects Fund \$ 443,220

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	196,655	
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(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$	10,805	
State Retirement		4,577	
Medical Insurance		64,407	
Employer Medicare		2,527	
Maintenance and Repair Services - Equipment		7,716	
Transportation - Other than Students		1,676	
Travel		2,871	
Food Supplies		197,433	
Office Supplies		1,317	
USDA - Commodities		18,565	
Other Supplies and Materials		13,236	
Other Charges		5,233	
Food Service Equipment		9,991	
Total Food Service			\$ 537,009

Total Central Cafeteria Fund \$ 537,009

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$	12,500	
Total Education Capital Projects			\$ 12,500

Total Education Capital Projects Fund 12,500

Total Governmental Funds - Metropolitan School Department \$ 8,788,164

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## SINGLE AUDIT SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
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**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

Metropolitan Mayor and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

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 the Metropolitan Government of Lynchburg, Moore County, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements, and have issued our report thereon dated November 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan Lynchburg Moore County Water and Sewer Department and the discretely presented Metropolitan Moore County Emergency Communications District, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the metropolitan government'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 the metropolitan government's internal control. Accordingly, we do not express an opinion on the effectiveness of the metropolitan government's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-002, 2014-003(A,B,C,D), 2014-004, and 2014-006.

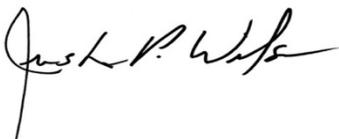
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the metropolitan government'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 2014-001, 2014-003(E), and 2014-005.

### **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 the metropolitan government'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

November 18, 2014

JPW/kp



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

Metropolitan Mayor and  
Metropolitan Council  
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

**Report on Compliance for Each Major Federal Program**

We have audited the Metropolitan Government of Lynchburg, Moore County, Tennessee'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 the metropolitan government's major federal programs for the year ended June 30, 2014. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***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 the metropolitan government'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 the metropolitan government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Metropolitan Government of Lynchburg, Moore County, Tennessee 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 the metropolitan government 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 the metropolitan government'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 the metropolitan government's internal control over compliance.

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

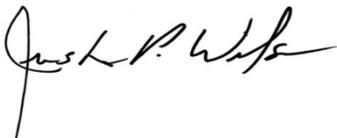
deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements. We issued our report thereon dated November 18, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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

November 18, 2014

JPW/kp

The Metropolitan Government of Lynchburg, Moore 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:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 74,110
National School Lunch Program	10.555	(2)	212,999 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	18,565 (3)
Total U.S. Department of Agriculture			<u>\$ 305,674</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(4)	\$ 18,662
Alcohol Open Container Requirements	20.607	(5)	19,983
Total U.S. Department of Transportation			<u>\$ 38,645</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Library and Archives:			
Grants to States	45.310	30504-00114-91	\$ 1,000
Total U.S. Institute of Museum and Library Services			<u>\$ 1,000</u>
U.S. Environmental Protection Agency:			
Passed-through State Department of Environment and Conservation:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS7000110-0	\$ 134,762
Total U.S. Environmental Protection Agency			<u>\$ 134,762</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 161,459
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	191,465
Special Education Preschool Grants	84.173	N/A	11,338
Career and Technical Education - Basic Grants to States	84.048	N/A	12,357
Improving Teacher Quality State Grants	84.367	N/A	21,353
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	45,248
Total U.S. Department of Education			<u>\$ 443,220</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Grants to States	90.401	30510-00113-64	\$ 1,463
Total U.S. Election Assistance Commission			<u>\$ 1,463</u>
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 62,985
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(6)	15,949
Total U.S. Department of Homeland Security			<u>\$ 78,934</u>
Total Expenditures of Federal Grants			<u>\$ 1,003,698</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Rural Local Health Services - State Department of Health	N/A	(2)	\$ 114,993
Help America Vote Act Requirements Grants - Tennessee Secretary of State	N/A	(2)	77
Litter Program - State Department of Transportation	N/A	(2)	21,415
Pilot-Lottery for Pre-K Classrooms - Early Childhood Education - State Department of Education	N/A	(2)	95,637
Coordinated School Health - State Department of Education	N/A	(2)	82,315
Statewide Student Management System - State Department of Education	N/A	(2)	2,590
Technology Grant - State Department of Education	N/A	(2)	75,337
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	10,700
FastTrack Economic Development Program - State Economic and Community Development	N/A	(2)	1,500,000
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	800
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	<u>4,500</u>
<b>Total State Grants</b>			<u><u>\$ 1,908,364</u></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 \$231,564.
- (4) Z-13-GHS211: \$4,493; Z-14-GHS233: \$2,627; Z-14-GHS236: \$11,542.
- (5) Z-14-GHS234: \$4,984; Z-14-GHS235: \$14,999.
- (6) 34101-16812: \$4,490; 34101-15713: \$11,459.

The Metropolitan Government of Lynchburg, Moore 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 findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2013, which have not been corrected.

**OFFICE OF METROPOLITAN MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-003	148	General ledger payroll liability accounts were not reconciled

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-006	150	The office had purchasing deficiencies

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-007	151	Duties were not segregated adequately

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2014**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unmodified.
2. The audit of the financial statements of the metropolitan government disclosed significant deficiencies in internal control. None of these deficiencies is considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the metropolitan government.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The metropolitan government did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### OFFICE OF METROPOLITAN MAYOR

#### FINDING 2014-001

#### **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF FOOD FOR INMATE MEALS**

(Noncompliance Under *Government Auditing Standards*)

Moore County did not solicit competitive bids for the purchase of food totaling \$28,768 for inmate meals during the fiscal year ended June 30, 2014. The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the Metropolitan Council provided for the Office of Metropolitan Mayor to follow the bid requirements set forth in the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*. These statutes provide for competitive bids on all purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price. This finding resulted from management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

Competitive bids should be solicited for purchases exceeding \$10,000 as required by Metropolitan Charter.

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#### FINDING 2014-002

#### **GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED WITH PAYROLL REPORTS AND PAYMENTS**

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

General ledger payroll liability accounts were not reconciled with payroll reports and payments in the General Fund. Sound business practices dictate that these reconciliations be performed monthly. The failure to regularly reconcile payroll liability accounts allowed errors to remain undiscovered and uncorrected. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

## RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

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## OFFICE OF DIRECTOR OF SCHOOLS

### FINDING 2014-003

### **THE OFFICE HAD PURCHASING DEFICIENCIES**

(A, B, C, and D – Internal Control – Significant Deficiency Under *Government Auditing Standards*; E. – Noncompliance Under *Government Auditing Standards*)

As a part of our auditing procedures for determining whether internal controls over purchasing were operating as designed, we selected a sample of 40 disbursements. Our examination revealed the following deficiencies, which can be attributed to a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

- A. Our sample revealed that purchase orders were either not issued or issued after the purchase was made for three of eight applicable purchases. This calculates to a 38 percent deviation rate. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The practice of issuing purchase orders after the purchase defeats the purpose of the purchase order and makes it an approval of payment rather than approval of the purchase.
- B. Invoices were paid without documentation that goods had been received or services rendered for 19 of 40 applicable purchases. This calculates to a 48 percent deviation rate. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for goods or services that were not received.
- C. Invoices were paid without canceling or marking invoices paid for 11 of 40 applicable purchases. This calculates to a 28 percent deviation rate. This deficiency is the result of management's oversight and could result in the office paying invoices more than once.
- D. Two of the 39 applicable expenditures were coded to accounts that did not reflect the true nature of the transactions. Misclassifying expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. These misclassifications were not corrected; however, they were not considered material to the financial statements of this report.
- E. The metropolitan School Department did not solicit competitive bids for custodial supplies (\$36,153). The Metropolitan Council has not created a

consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the Metropolitan Council provided for the Office of Director of Schools to follow the bid requirements set forth in Section 49-2-203, *Tennessee Code Annotated*. This statute provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Invoices should not be paid without documentation that goods have been received or services rendered. All invoices should be canceled when paid. Expenditures should be properly classified to reflect the true nature of the transactions. Competitive bids should be solicited for purchases exceeding \$10,000 as required by statute.

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**OFFICE OF METROPOLITAN CLERK**

FINDING 2014-004

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

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

The software application used by the office generated a daily log that displayed changes made by users. This log provides the only audit trail of these changes and should be reviewed regularly for inappropriate activity. Management was unaware of this log; therefore, they did not begin reviewing it until it was brought to their attention in March 2014. Procedures for reviewing this log are currently in place.

RECOMMENDATION

Management should continue to review its software audit logs on a daily basis. Any unusual transactions should be investigated.

## **OFFICE OF SHERIFF**

**FINDING 2014-005**

### **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ARRESTEE FILES**

(Noncompliance Under *Government Auditing Standards*)

The Sheriff's Department uses an electronic imaging fingerprint machine to fingerprint arrestees at the time of their arrest. This machine is designed to electronically store the fingerprint images, generate records of the images taken, and transmit the images to the Tennessee Bureau of Investigation (TBI). Section 8-4-115, *Tennessee Code Annotated*, provides that if fingerprints are transmitted to the TBI electronically, the booking agency shall maintain one hard copy of the fingerprints along with an acknowledgement from the TBI that a copy of the fingerprints has been received and accepted. During our examination of arrestee files, we noted that in two of the ten files examined, the department did not maintain the acknowledgement from the TBI that the fingerprints had been received and accepted. This calculates to a 20 percent rate of noncompliance. Additionally, we noted instances in which the required arrest report, photo of the arrestee, and hard copies of the fingerprints were not on file. These deficiencies can be attributed to a lack of management oversight.

## **RECOMMENDATION**

The sheriff should ensure that the fingerprints of all persons arrested are properly submitted to and accepted by the TBI as required by state statute. Photos of arrestees, arrest reports, and hard copies of fingerprints should be maintained for all arrestees.

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

**FINDING 2014-006**

### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

Duties were not segregated adequately among officials and employees in the Offices of Metropolitan Mayor; Trustee; Metropolitan Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register of Deeds; and Sheriff. The officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

## **BEST PRACTICES**

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Metropolitan Moore County.

### **METROPOLITAN MOORE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING**

Metropolitan Moore County does not have a central system of accounting and budgeting. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting and budgeting processes. The absence of a central system of accounting and budgeting has been a management decision by the Metropolitan Council resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting and budgeting covering all county departments.

### **METROPOLITAN MOORE COUNTY SHOULD IMPLEMENT THE PROVISIONS OF THE CHARTER THAT PROVIDE FOR A CONSOLIDATED PURCHASING DEPARTMENT**

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The charter further provides for the metropolitan mayor to manage/conduct the Metropolitan Purchasing Department according to the procedures adopted by the Metropolitan Council. The Metropolitan Council is required by the charter to establish a three-member oversight committee to oversee the activity of the Metropolitan Purchasing Department. However, the Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. We recommend the government implement the provisions of the charter that provide for a consolidated Purchasing Department.

**THE METROPOLITAN GOVERNMENT OF  
LYNCHBURG, MOORE 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.