

ANNUAL FINANCIAL REPORT
LINCOLN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

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Summary of Audit Findings

Annual Financial Report
Lincoln County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2015.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Lincoln County management. The detailed finding and recommendation is included in the Single Audit section of this report.

Finding

The following is a summary of the audit finding:

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

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Lincoln County Officials
June 30, 2015

Officials

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

Board of County Commissioners

William Newman, County Mayor, Chairperson	Chris Thornton
R. Stephen Graham	Donny Ogle
Randy Bradford	Shirley Dangerfield
Darren Walker	Tull Malone
Grady Reavis	William R. Askins, Jr.
Darrin Simms	Doug Cunningham
Ben Brown	Ricky Bryant
Anthony Taylor	Mark Monks
John Thorpe	Todd Groce
Sharon Eubanks	Wayne King
David Smith	Steve Guntherberg
Katie Guin	Jack Towry
Ronald Jean	

Financial Management Committee

William Newman, County Mayor, Chairperson	Ben Brown
Tim Gill, Highway Superintendent	Doug Cunningham
Wanda Shelton, Director of Schools	Mark Monks
Sharon Eubanks	

Board of Education

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

Audit Committee

William R. Askins, Jr., Chairman	Mark Monks
Sharon Eubanks	Larry Taft
Ben Brown	

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health System (a major enterprise fund), which represent 55.8 percent, 56 percent, and 86.4 percent, respectively, of the assets, net position, and revenues of the business-type activities or the financial statements of the Lincoln County Board of Public Utilities (a major enterprise fund), which represent 49.2 percent, 42.4 percent, and 12.7 percent, respectively, of the assets, net position, and revenues of the business-type activities. In addition, we did not audit the financial statements of the discretely presented Lincoln County Emergency Communications District, which represent 5.5 percent, 6.8 percent, and 1.3 percent,

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

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes a restatement increasing the beginning Governmental Activities net position by \$230,863, increasing the beginning Business-type Activities net position by \$753,272, and decreasing the discretely presented Lincoln County School Department's beginning net position by \$4,614,986 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. 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 schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 126 through 134 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

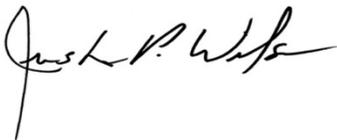
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and miscellaneous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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 27, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Lincoln County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
ASSETS					
Cash and Cash Equivalents	\$ 0	\$ 11,553,564	\$ 11,553,564	\$ 1,021	\$ 745,524
Equity in Pooled Cash and Investments	19,144,675	244,335	19,389,010	6,432,295	0
Accounts Receivable	63,700	7,972,300	8,036,000	17,348	0
Allowance for Uncollectibles	(3,054)	(1,863,048)	(1,866,102)	0	0
Due from Other Governments	1,099,316	113,965	1,213,281	1,393,434	0
Due from Primary Government	0	0	0	9,671	0
Property Taxes Receivable	8,066,806	0	8,066,806	3,417,940	0
Allowance for Uncollectible Property Taxes	(101,391)	0	(101,391)	(45,996)	0
Accrued Interest Receivable	0	0	0	0	636
Prepaid Items	0	144,803	144,803	571,089	84,342
Notes Receivable - Long-term	0	13,809	13,809	0	0
Other Assets	0	256,750	256,750	0	0
Inventories	0	875,371	875,371	32,061	0
Net Pension Asset - Agency Plan	887,062	2,163,077	3,050,139	1,480,211	0
Net Pension Asset - Cost-sharing Plan	0	0	0	61,869	0
Restricted Assets:					
Restricted Cash	0	9,663,728	9,663,728	0	0
Other Assets	0	178,382	178,382	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	8,970,887	1,658,949	10,629,836	957,984	208,327
Construction in Progress	4,648,571	1,190,509	5,839,080	0	150,351
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	2,013,225	34,222,977	36,236,202	22,257,870	388,650
Ground Improvements	0	1,349,555	1,349,555	0	183,875
Infrastructure	5,849,043	0	5,849,043	0	0
Other Capital Assets	2,988,823	2,270,493	5,259,316	3,793,309	600,046
Total Assets	\$ 53,627,663	\$ 72,009,519	\$ 125,637,182	\$ 40,380,106	\$ 2,361,751
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Amount on Refunding	\$ 0	\$ 382,476	\$ 382,476	\$ 0	\$ 0
Pension Changes in Experience	47,514	76,862	124,376	229,489	0
Pension Changes in Contributions after Measurement Date	164,292	401,441	565,733	1,456,098	0
Total Deferred Outflows of Resources	\$ 211,806	\$ 860,779	\$ 1,072,585	\$ 1,685,587	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>LIABILITIES</u>					
Accounts Payable	\$ 764,155	\$ 1,700,627	\$ 2,464,782	\$ 256,009	\$ 12,091
Accrued Payroll	142,660	0	142,660	912,457	0
Contracts Payable	836,606	0	836,606	0	0
Retainage Payable	37,159	0	37,159	0	0
Accrued Liabilities	0	1,203,471	1,203,471	0	0
Due to Component Units	9,671	0	9,671	0	0
Due to State of Tennessee	5,319	0	5,319	0	0
Due to Cities	183,642	0	183,642	0	125,137
Accrued Interest Payable	132,337	76,256	208,593	0	0
Other Accrued Liabilities	0	1,130,873	1,130,873	0	0
Noncurrent Liabilities:					
Due Within One Year	2,377,210	1,249,810	3,627,020	32,289	0
Due in More Than One Year (net of unamortized premium on debt)	15,411,264	22,114,936	37,526,200	751,301	0
Total Liabilities	<u>\$ 19,900,023</u>	<u>\$ 27,475,973</u>	<u>\$ 47,375,996</u>	<u>\$ 1,952,056</u>	<u>\$ 137,228</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 7,821,822	\$ 0	\$ 7,821,822	\$ 3,301,507	\$ 0
Pension Changes in Experience	0	137,133	137,133	0	0
Pension Changes in Investment Earnings	726,460	1,329,914	2,056,374	6,309,882	0
Pension Other	0	0	0	52,774	0
Total Deferred Inflows of Resources	<u>\$ 8,548,282</u>	<u>\$ 1,467,047</u>	<u>\$ 10,015,329</u>	<u>\$ 9,664,163</u>	<u>\$ 0</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$ 16,246,399	\$ 17,710,214	\$ 33,956,613	\$ 27,009,163	\$ 1,531,249
Restricted for:					
General Government	10,760	0	10,760	0	0
Finance	16,002	0	16,002	0	0
Administration of Justice	268,300	0	268,300	0	0
Public Safety	337,547	0	337,547	0	0
Public Health and Welfare	1,225,769	0	1,225,769	0	0
Highway/Public Works	3,835,011	0	3,835,011	0	0
Debt Service	0	1,361,408	1,361,408	0	0
Instruction	0	0	0	106,445	0
Operation of Non-instructional Services	0	0	0	415,273	0
Capital Outlay	3,473,601	0	3,473,601	0	0
Other Purposes	887,062	2,230,883	3,117,945	1,542,080	0
Unrestricted	(909,287)	22,624,773	21,715,486	1,376,513	693,274
Total Net Position	<u>\$ 25,391,164</u>	<u>\$ 43,927,278</u>	<u>\$ 69,318,442</u>	<u>\$ 30,449,474</u>	<u>\$ 2,224,523</u>

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

Exhibit B

Lincoln County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								Component Units	
	Expenses	Program Revenues			Primary Government			Lincoln County School Department	Emergency Communications District	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total			
Primary Government:										
Governmental Activities:										
General Government	\$ 1,552,500	\$ 238,047	\$ 19,564	\$ 0	\$ (1,294,889)	\$ 0	\$ (1,294,889)	\$ 0	\$ 0	
Finance	1,054,565	826,834	0	0	(227,731)	0	(227,731)	0	0	
Administration of Justice	1,116,972	718,037	13,500	0	(385,435)	0	(385,435)	0	0	
Public Safety	5,333,322	819,532	141,984	0	(4,371,806)	0	(4,371,806)	0	0	
Public Health and Welfare	2,316,049	940,057	628,475	0	(747,517)	0	(747,517)	0	0	
Social, Cultural, and Recreational Services	185,061	0	2,000	0	(183,061)	0	(183,061)	0	0	
Agriculture and Natural Resources	184,930	0	17,015	0	(167,915)	0	(167,915)	0	0	
Highways/Public Works	3,573,442	0	1,925,748	118,229	(1,529,465)	0	(1,529,465)	0	0	
Interest on Long-term Debt	750,482	0	0	0	(750,482)	0	(750,482)	0	0	
Total Governmental Activities	\$ 16,067,323	\$ 3,542,507	\$ 2,748,286	\$ 118,229	\$ (9,658,301)	\$ 0	\$ (9,658,301)	\$ 0	\$ 0	
Business-type Activities:										
Lincoln County Health System	\$ 38,808,576	\$ 39,173,394	\$ 22,813	\$ 34,541	\$ 0	\$ 422,172	\$ 422,172	\$ 0	\$ 0	
Lincoln County Board of Public Utilities	4,108,885	4,706,507	0	1,066,467	0	1,664,089	1,664,089	0	0	
Lincoln County Sewer System	0	0	0	379,713	0	379,713	379,713	0	0	
Total Business-type Activities	\$ 42,917,461	\$ 43,879,901	\$ 22,813	\$ 1,480,721	\$ 0	\$ 2,465,974	\$ 2,465,974	\$ 0	\$ 0	
Total Primary Government	\$ 58,984,784	\$ 47,422,408	\$ 2,771,099	\$ 1,598,950	\$ (9,658,301)	\$ 2,465,974	\$ (7,192,327)	\$ 0	\$ 0	
Component Units:										
Lincoln County School Department	\$ 32,045,576	\$ 836,699	\$ 4,569,480	\$ 153,928	\$ 0	\$ 0	\$ 0	\$ (26,485,469)	\$ 0	
Emergency Communications District	516,376	423,787	0	0	0	0	0	0	(92,589)	
Total Component Units	\$ 32,561,952	\$ 1,260,486	\$ 4,569,480	\$ 153,928	\$ 0	\$ 0	\$ 0	\$ (26,485,469)	\$ (92,589)	

(Continued)

Exhibit B

Lincoln County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Lincoln County School Department	Emergency Communica- tions District
					Governmental Activities	Business-type Activities	Total		
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					\$ 5,688,539	\$ 0	\$ 5,688,539	\$ 3,334,734	\$ 0
Property Taxes Levied for Debt Service					1,150,130	0	1,150,130	0	0
Local Option Sales Tax					1,133,000	0	1,133,000	2,632,746	0
Other Local Taxes:									
Wheel Tax					2,184,320	0	2,184,320	0	0
Business Tax					262,780	0	262,780	0	0
Wholesale Beer Tax					0	0	0	91,347	0
Litigation Tax - Special Purpose					99,056	0	99,056	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					82,004	0	82,004	0	0
Litigation Tax - General					86,405	0	86,405	0	0
Litigation Tax - Courtroom Security					82,697	0	82,697	0	0
Mineral Severance Tax					29,019	0	29,019	0	0
Hotel/Motel Tax					129,183	0	129,183	0	0
Other Local Taxes					2,560	0	2,560	2,382	0
Grants and Contributions Not Restricted to Specific Programs					918,394	0	918,394	21,012,575	1,966
Unrestricted Investment Earnings					35,495	9,833	45,328	592	375
Miscellaneous					187,787	0	187,787	61,446	0
Pension Income					0	56,418	56,418	61,857	0
Insurance Recovery					0	0	0	809,443	0
Gain on Sale of Capital Assets					4,617	0	4,617	0	0
Total General Revenues					\$ 12,075,986	\$ 66,251	\$ 12,142,237	\$ 28,007,122	\$ 2,341
Extraordinary Item - See Note IV.C.					\$ 0	\$ 0	\$ 0	\$ 4,304,811	\$ 0
Change in Net Position					\$ 2,417,685	\$ 2,532,225	\$ 4,949,910	\$ 5,826,464	\$ (90,248)
Net Position, July 1, 2014					22,742,616	40,641,781	63,384,397	29,237,996	2,314,771
Restatement - See Note I.D.9.					230,863	753,272	984,135	(4,614,986)	0
Net Position, June 30, 2015					\$ 25,391,164	\$ 43,927,278	\$ 69,318,442	\$ 30,449,474	\$ 2,224,523

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

Exhibit C-1

Lincoln County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 3,395,018	\$ 4,022,655	\$ 5,898,463	\$ 4,230,311	\$ 1,598,228	\$ 19,144,675
Accounts Receivable	59,719	0	0	793	3,188	63,700
Allowance for Uncollectibles	0	0	0	0	(3,054)	(3,054)
Due from Other Governments	287,468	472,430	138,412	0	201,006	1,099,316
Due from Other Funds	0	2,170	0	0	476	2,646
Property Taxes Receivable	5,890,894	1,019,272	1,156,640	0	0	8,066,806
Allowance for Uncollectible Property Taxes	(72,109)	(13,717)	(15,565)	0	0	(101,391)
Total Assets	\$ 9,560,990	\$ 5,502,810	\$ 7,177,950	\$ 4,231,104	\$ 1,799,844	\$ 28,272,698
<u>LIABILITIES</u>						
Accounts Payable	\$ 134,630	\$ 549,547	\$ 0	\$ 279	\$ 79,699	\$ 764,155
Accrued Payroll	122,403	17,162	0	0	3,095	142,660
Contracts Payable	0	116,541	0	720,065	0	836,606
Retainage Payable	0	0	0	37,159	0	37,159
Due to Other Funds	476	0	0	0	2,170	2,646
Due to Component Units	9,671	0	0	0	0	9,671
Due to State of Tennessee	5,319	0	0	0	0	5,319
Due to Cities	166,418	0	0	0	17,224	183,642
Total Liabilities	\$ 438,917	\$ 683,250	\$ 0	\$ 757,503	\$ 102,188	\$ 1,981,858
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 5,720,034	\$ 984,549	\$ 1,117,239	\$ 0	\$ 0	\$ 7,821,822
Deferred Delinquent Property Taxes	89,111	18,955	21,509	0	0	129,575
Other Deferred/Unavailable Revenue	229,950	292,762	89,655	0	106,098	718,465
Total Deferred Inflows of Resources	\$ 6,039,095	\$ 1,296,266	\$ 1,228,403	\$ 0	\$ 106,098	\$ 8,669,862

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total	
	General	Highway / Public Works	General Debt Service	General Capital Projects		Funds Other Govern- mental Funds
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 10,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,760
Restricted for Finance	16,002	0	0	0	0	16,002
Restricted for Administration of Justice	268,300	0	0	0	0	268,300
Restricted for Public Safety	18,107	0	0	0	319,440	337,547
Restricted for Public Health and Welfare	50,270	0	0	0	1,272,118	1,322,388
Restricted for Highways/Public Works	0	3,523,294	0	0	0	3,523,294
Restricted for Capital Projects	0	0	0	3,473,601	0	3,473,601
Committed:						
Committed for Public Safety	25,476	0	0	0	0	25,476
Committed for Capital Outlay	278,904	0	0	0	0	278,904
Committed for Debt Service	0	0	5,949,547	0	0	5,949,547
Assigned:						
Assigned for General Government	322,537	0	0	0	0	322,537
Assigned for Finance	3,860	0	0	0	0	3,860
Assigned for Administration of Justice	959	0	0	0	0	959
Assigned for Public Safety	26,565	0	0	0	0	26,565
Assigned for Public Health and Welfare	23,147	0	0	0	0	23,147
Assigned for Agriculture and Natural Resources	288	0	0	0	0	288
Assigned for Other Operations	1,203	0	0	0	0	1,203
Unassigned	2,036,600	0	0	0	0	2,036,600
Total Fund Balances	\$ 3,082,978	\$ 3,523,294	\$ 5,949,547	\$ 3,473,601	\$ 1,591,558	\$ 17,620,978
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,560,990	\$ 5,502,810	\$ 7,177,950	\$ 4,231,104	\$ 1,799,844	\$ 28,272,698

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

Exhibit C-2

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2015

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)		\$ 17,620,978
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 8,970,887	
Add: construction in progress	4,648,571	
Add: buildings and improvements net of accumulated depreciation	2,013,225	
Add: infrastructure net of accumulated depreciation	5,849,043	
Add: other capital assets net of accumulated depreciation	<u>2,988,823</u>	24,470,549
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (1,000,000)	
Less: bonds payable	(16,080,000)	
Less: unamortized premium on debt	(56,868)	
Less: landfill closure/postclosure care costs	(202,717)	
Less: other postemployment benefits liability	(260,878)	
Less: compensated absences payable	(188,011)	
Less: accrued interest on note and bonds	<u>(132,337)</u>	(17,920,811)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 211,806	
Less: deferred inflows of resources related to pensions	<u>(726,460)</u>	(514,654)
(4) Net pension liabilities of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		887,062
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>848,040</u>
Net position of governmental activities (Exhibit A)		<u>\$ 25,391,164</u>

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

Exhibit C-3

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 6,692,669	\$ 2,251,037	\$ 2,792,730	\$ 0	\$ 0	\$ 11,736,436
Licenses and Permits	96,502	0	0	0	0	96,502
Fines, Forfeitures, and Penalties	205,172	0	0	0	49,658	254,830
Charges for Current Services	135,555	0	0	0	911,640	1,047,195
Other Local Revenues	173,431	31,750	0	5,883	17,649	228,713
Fees Received From County Officials	1,414,411	0	0	0	0	1,414,411
State of Tennessee	1,408,678	2,218,061	0	0	20,859	3,647,598
Federal Government	87,237	0	0	0	0	87,237
Other Governments and Citizens Groups	1,065	0	0	0	0	1,065
Total Revenues	\$ 10,214,720	\$ 4,500,848	\$ 2,792,730	\$ 5,883	\$ 999,806	\$ 18,513,987
<u>Expenditures</u>						
Current:						
General Government	\$ 1,524,472	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,524,472
Finance	1,055,909	0	0	0	24	1,055,933
Administration of Justice	1,136,454	0	0	0	0	1,136,454
Public Safety	4,694,022	0	0	0	40,778	4,734,800
Public Health and Welfare	786,039	0	0	0	866,346	1,652,385
Social, Cultural, and Recreational Services	151,446	0	0	0	0	151,446
Agriculture and Natural Resources	154,866	0	0	0	0	154,866
Other Operations	952,299	0	0	0	0	952,299
Highways	0	3,651,454	0	0	0	3,651,454
Debt Service:						
Principal on Debt	0	0	2,243,000	0	0	2,243,000
Interest on Debt	0	0	769,983	0	0	769,983
Other Debt Service	0	0	41,394	0	0	41,394

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 4,058,365	\$ 0	\$ 4,058,365
Total Expenditures	\$ 10,455,507	\$ 3,651,454	\$ 3,054,377	\$ 4,058,365	\$ 907,148	\$ 22,126,851
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (240,787)	 \$ 849,394	 \$ (261,647)	 \$ (4,052,482)	 \$ 92,658	 \$ (3,612,864)
 <u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,000,000	\$ 0	\$ 1,000,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 1,000,000	\$ 0	\$ 1,000,000
 Net Change in Fund Balances	 \$ (240,787)	 \$ 849,394	 \$ (261,647)	 \$ (3,052,482)	 \$ 92,658	 \$ (2,612,864)
Fund Balance, July 1, 2014	3,323,765	2,673,900	6,211,194	6,526,083	1,498,900	20,233,842
 Fund Balance, June 30, 2015	 \$ 3,082,978	 \$ 3,523,294	 \$ 5,949,547	 \$ 3,473,601	 \$ 1,591,558	 \$ 17,620,978

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

Exhibit C-4

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2015

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)		\$ (2,612,864)
(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	\$ 5,172,707	
Less: current-year depreciation expense	<u>(1,518,347)</u>	3,654,360
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to increase net position.		
Add: assets donated and capitalized	\$ 55,000	
Less: book value of capital assets disposed	<u>(2,790)</u>	52,210
(3) 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, 2015	\$ 848,040	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(933,204)</u>	(85,164)
(4) The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$ 2,065,000	
Add: principal payments on notes	178,000	
Less: note proceeds	(1,000,000)	
Add: change in premium on debt issuances	<u>3,975</u>	1,246,975
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 19,501	
Change in landfill closure/postclosure care costs	12,261	
Change in net pension obligation	656,199	
Change in deferred outflows for pensions	211,806	
Change in deferred inflows for pensions	(726,460)	
Change in other postemployment benefits liability	(9,170)	
Change in compensated absences payable	<u>(1,969)</u>	162,168
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,417,685</u>

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

Exhibit C-5

Lincoln County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,692,669	\$ 0	\$ 0	\$ 6,692,669	\$ 6,451,358	\$ 6,454,870	\$ 237,799
Licenses and Permits	96,502	0	0	96,502	92,000	92,000	4,502
Fines, Forfeitures, and Penalties	205,172	0	0	205,172	159,400	163,194	41,978
Charges for Current Services	135,555	0	0	135,555	90,900	90,900	44,655
Other Local Revenues	173,431	0	0	173,431	130,413	144,785	28,646
Fees Received From County Officials	1,414,411	0	0	1,414,411	1,390,800	1,390,800	23,611
State of Tennessee	1,408,678	0	0	1,408,678	1,081,210	1,987,730	(579,052)
Federal Government	87,237	0	0	87,237	56,350	103,420	(16,183)
Other Governments and Citizens Groups	1,065	0	0	1,065	0	445	620
Total Revenues	\$ 10,214,720	\$ 0	\$ 0	\$ 10,214,720	\$ 9,452,431	\$ 10,428,144	\$ (213,424)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 137,252	\$ (1,158)	\$ 0	\$ 136,094	\$ 130,201	\$ 140,201	\$ 4,107
County Mayor/Executive	165,717	(135)	0	165,582	174,979	174,671	9,089
County Attorney	39,960	0	0	39,960	79,599	79,599	39,639
Election Commission	296,664	(17,429)	0	279,235	306,711	306,403	27,168
Register of Deeds	174,864	0	0	174,864	206,876	210,742	35,878
Planning	25,374	0	0	25,374	72,000	42,000	16,626
County Buildings	665,598	(21,256)	109,292	753,634	653,096	1,254,441	500,807
Preservation of Records	19,043	(670)	1,572	19,945	16,344	21,189	1,244
<u>Finance</u>							
Accounting and Budgeting	333,387	(1,299)	3,860	335,948	336,734	344,469	8,521
Property Assessor's Office	196,412	0	0	196,412	219,725	224,279	27,867
Reappraisal Program	85,097	0	0	85,097	85,663	85,792	695
County Trustee's Office	204,582	(2,165)	0	202,417	217,581	216,965	14,548
County Clerk's Office	236,431	(129)	0	236,302	236,737	243,854	7,552
<u>Administration of Justice</u>							
Circuit Court	454,352	(655)	0	453,697	478,435	481,380	27,683
General Sessions Court	160,598	0	0	160,598	164,877	164,569	3,971

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Chancery Court	\$ 257,530	\$ (506)	\$ 655	\$ 257,679	\$ 263,702	\$ 263,006	\$ 5,327
Juvenile Court	151,418	0	304	151,722	157,948	164,044	12,322
Judicial Commissioners	33,152	0	0	33,152	34,798	35,733	2,581
Courtroom Security	79,404	0	0	79,404	62,580	92,798	13,394
<u>Public Safety</u>							
Sheriff's Department	2,241,813	(2,899)	7,401	2,246,315	2,303,993	2,389,628	143,313
Special Patrols	17,670	0	1,180	18,850	0	31,760	12,910
Jail	1,993,644	(3,054)	9,047	1,999,637	2,042,129	2,133,341	133,704
Fire Prevention and Control	255,724	(2,550)	7,264	260,438	261,892	277,680	17,242
Civil Defense	185,171	(2,555)	1,672	184,288	180,971	209,431	25,143
<u>Public Health and Welfare</u>							
Local Health Center	468,725	(975)	535	468,285	571,091	571,091	102,806
Maternal and Child Health Services	22,875	0	0	22,875	22,500	22,875	0
Other Local Welfare Services	178,985	0	0	178,985	9,158	409,158	230,173
Sanitation Management	115,454	0	0	115,454	124,370	128,020	12,566
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	14,350	0	0	14,350	14,350	14,350	0
Libraries	121,096	0	0	121,096	117,666	121,096	0
Parks and Fair Boards	16,000	0	0	16,000	16,000	16,000	0
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	85,714	0	0	85,714	113,558	113,558	27,844
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	67,152	0	288	67,440	61,236	68,395	955
<u>Other Operations</u>							
Industrial Development	189,398	0	0	189,398	145,231	301,225	111,827
Other Economic and Community Development	366,772	0	0	366,772	109,732	377,204	10,432
Airport	10,000	0	0	10,000	10,000	10,000	0
Veterans' Services	19,545	(115)	974	20,404	25,159	25,259	4,855
Contributions to Other Agencies	4,900	0	0	4,900	4,900	4,900	0

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Miscellaneous	\$ 361,684	\$ 0	\$ 229	\$ 361,913	\$ 367,995	\$ 389,256	\$ 27,343
Total Expenditures	\$ 10,455,507	\$ (57,550)	\$ 144,273	\$ 10,542,230	\$ 10,402,517	\$ 12,162,362	\$ 1,620,132
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (240,787)	\$ 57,550	\$ (144,273)	\$ (327,510)	\$ (950,086)	\$ (1,734,218)	\$ 1,406,708
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2014	\$ 3,323,765	\$ (57,550)	\$ 0	\$ 3,266,215	\$ 3,160,881	\$ 3,266,215	\$ 0
<u>Fund Balance, June 30, 2015</u>							
	\$ 3,082,978	\$ 0	\$ (144,273)	\$ 2,938,705	\$ 2,210,795	\$ 1,531,997	\$ 1,406,708

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

Exhibit C-6

Lincoln County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,251,037	\$ 0	\$ 2,251,037	\$ 2,176,543	\$ 2,176,543	\$ 74,494
Other Local Revenues	31,750	0	31,750	13,000	13,000	18,750
State of Tennessee	2,218,061	0	2,218,061	1,824,071	2,200,796	17,265
Total Revenues	\$ 4,500,848	\$ 0	\$ 4,500,848	\$ 4,013,614	\$ 4,390,339	\$ 110,509
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 205,439	\$ 0	\$ 205,439	\$ 229,247	\$ 229,247	\$ 23,808
Highway and Bridge Maintenance	1,855,450	0	1,855,450	2,408,399	2,408,399	552,949
Operation and Maintenance of Equipment	576,695	0	576,695	902,617	902,617	325,922
Quarry Operations	218,120	78,329	296,449	350,493	350,493	54,044
Other Charges	120,827	0	120,827	119,600	129,600	8,773
Employee Benefits	89,447	0	89,447	106,000	96,000	6,553
Capital Outlay	585,476	4,370	589,846	482,000	858,725	268,879
Total Expenditures	\$ 3,651,454	\$ 82,699	\$ 3,734,153	\$ 4,598,356	\$ 4,975,081	\$ 1,240,928
Excess (Deficiency) of Revenues Over Expenditures	\$ 849,394	\$ (82,699)	\$ 766,695	\$ (584,742)	\$ (584,742)	\$ 1,351,437
Net Change in Fund Balance	\$ 849,394	\$ (82,699)	\$ 766,695	\$ (584,742)	\$ (584,742)	\$ 1,351,437
Fund Balance, July 1, 2014	2,673,900	0	2,673,900	2,557,078	2,673,900	0
Fund Balance, June 30, 2015	\$ 3,523,294	\$ (82,699)	\$ 3,440,595	\$ 1,972,336	\$ 2,089,158	\$ 1,351,437

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

Exhibit D-1

Lincoln County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,954,348	\$ 4,599,216	\$ 0	\$ 11,553,564
Equity in Pooled Cash and Investments	0	0	244,335	244,335
Restricted Cash	35,570	0	0	35,570
Accounts Receivable	7,451,519	520,781	0	7,972,300
Allowance for Uncollectibles	(1,860,848)	(2,200)	0	(1,863,048)
Due from Other Governments	0	0	113,965	113,965
Inventories	717,331	158,040	0	875,371
Prepaid Items	111,775	33,028	0	144,803
Other Assets	256,000	750	0	256,750
Total Current Assets	\$ 13,665,695	\$ 5,309,615	\$ 358,300	\$ 19,333,610
Noncurrent Assets:				
Restricted Cash	\$ 0	\$ 311,704	\$ 0	\$ 311,704
Special Funds	9,316,454	0	0	9,316,454
Long-term Portion of Note Receivable	13,809	0	0	13,809
Net Pension Asset	1,434,964	728,113	0	2,163,077
Other Assets	178,382	0	0	178,382
Capital Assets (Net of Accumulated Depreciation):				
Land	1,131,254	527,695	0	1,658,949
Construction in Progress	0	620,365	570,144	1,190,509
Ground Improvements	1,349,555	0	0	1,349,555
Buildings and Improvements	10,839,331	23,383,646	0	34,222,977
Machinery and Equipment	2,270,493	0	0	2,270,493
Total Noncurrent Assets	\$ 26,534,242	\$ 25,571,523	\$ 570,144	\$ 52,675,909
Total Assets	\$ 40,199,937	\$ 30,881,138	\$ 928,444	\$ 72,009,519
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Amount on Refunding	\$ 382,476	\$ 0	\$ 0	\$ 382,476
Pension Changes in Experience	76,862	0	0	76,862
Pension Changes in Contributions after Measurement Date	314,048	87,393	0	401,441
Total Deferred Outflows of Resources	\$ 773,386	\$ 87,393	\$ 0	\$ 860,779

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 1,105,818	\$ 400,264	\$ 194,545	\$ 1,700,627
Accrued Liabilities	1,183,609	19,862	0	1,203,471
Advance Payments from Customers	0	25,800	0	25,800
Accrued Interest	60,231	16,025	0	76,256
Accrued Leave	1,007,768	27,555	0	1,035,323
Current Maturities of Long-term Debt	908,222	341,588	0	1,249,810
Patient Trust Funds	35,570	0	0	35,570
Customer Deposits	0	34,180	0	34,180
Total Current Liabilities	\$ 4,301,218	\$ 865,274	\$ 194,545	\$ 5,361,037
Noncurrent Liabilities:				
Long-term Debt	\$ 10,918,074	\$ 11,196,862	\$ 0	\$ 22,114,936
Total Noncurrent Liabilities	\$ 10,918,074	\$ 11,196,862	\$ 0	\$ 22,114,936
Total Liabilities	\$ 15,219,292	\$ 12,062,136	\$ 194,545	\$ 27,475,973
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 137,133	\$ 0	\$ 137,133
Pension Changes in Investment Earnings	1,175,166	154,748	0	1,329,914
Total Deferred Inflows of Resources	\$ 1,175,166	\$ 291,881	\$ 0	\$ 1,467,047
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 4,146,813	\$ 12,993,257	\$ 570,144	\$ 17,710,214
Restricted for Debt Service	1,083,884	277,524	0	1,361,408
Restricted for Other Purposes	1,502,770	728,113	0	2,230,883
Unrestricted	17,845,398	4,615,620	163,755	22,624,773
Total Net Position	\$ 24,578,865	\$ 18,614,514	\$ 733,899	\$ 43,927,278

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

Exhibit D-2

Lincoln County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Major Enterprise Funds			
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	Total
<u>Operating Revenues</u>				
Charges for Current Services	\$ 36,873,826	\$ 4,706,507	\$ 0	\$ 41,580,333
Other Local Revenues	2,299,568	0	0	2,299,568
Total Operating Revenues	<u>\$ 39,173,394</u>	<u>\$ 4,706,507</u>	<u>\$ 0</u>	<u>\$ 43,879,901</u>
<u>Operating Expenses</u>				
Public Health and Welfare	\$ 36,578,240	\$ 2,784,846	\$ 0	\$ 39,363,086
Depreciation Expense	1,755,287	882,528	0	2,637,815
Total Operating Expenses	<u>\$ 38,333,527</u>	<u>\$ 3,667,374</u>	<u>\$ 0</u>	<u>\$ 42,000,901</u>
Operating Income (Loss)	<u>\$ 839,867</u>	<u>\$ 1,039,133</u>	<u>\$ 0</u>	<u>\$ 1,879,000</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment Income	\$ 64,382	\$ 1,869	\$ 0	\$ 66,251
Interest Expense	(390,230)	(441,511)	0	(831,741)
Amortization	(26,657)	0	0	(26,657)
Noncapital Grants and Contributions	22,813	0	0	22,813
Gain (Loss) on Disposal of Capital Assets	(58,162)	0	0	(58,162)
Total Nonoperating Revenues (Expenses)	<u>\$ (387,854)</u>	<u>\$ (439,642)</u>	<u>\$ 0</u>	<u>\$ (827,496)</u>
Income Before Grants and Contributions	\$ 452,013	\$ 599,491	\$ 0	\$ 1,051,504
Capital Grants	0	1,066,467	113,965	1,180,432
Capital Contributions	34,541	0	265,748	300,289
Change in Net Position	\$ 486,554	\$ 1,665,958	\$ 379,713	\$ 2,532,225
Restatement	373,458	379,814	0	753,272
Net Position, July 1, 2014	<u>23,718,853</u>	<u>16,568,742</u>	<u>354,186</u>	<u>40,641,781</u>
Net Position, June 30, 2015	<u>\$ 24,578,865</u>	<u>\$ 18,614,514</u>	<u>\$ 733,899</u>	<u>\$ 43,927,278</u>

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

Exhibit D-3

Lincoln County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Cash Flows from Operating Activities</u>				
Receipts from Customers and Users	\$ 40,250,893	\$ 4,727,827	\$ 0	\$ 44,978,720
Payments to Employees	(21,995,128)	(1,205,279)	0	(23,200,407)
Payments to Suppliers	(16,192,889)	(1,759,281)	0	(17,952,170)
Net Cash Provided By (Used In) Operating Activities	\$ 2,062,876	\$ 1,763,267	\$ 0	\$ 3,826,143
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition/Construction of Capital Assets	\$ (503,230)	\$ (980,709)	\$ (229,415)	\$ (1,713,354)
Principal Payments on Long-term Debt	(887,311)	(225,815)	0	(1,113,126)
Interest Payments on Long-term Debt	(393,513)	(441,817)	0	(835,330)
Capital Grants	0	0	39,600	39,600
Capital Contributions	34,541	830,690	265,748	1,130,979
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (1,749,513)	\$ (817,651)	\$ 75,933	\$ (2,491,231)
<u>Cash Flows from Noncapital Financing Activities</u>				
Noncapital Grants	\$ 22,813	\$ 0	\$ 0	\$ 22,813
Net Cash Provided By (Used In) Noncapital Financing Activities	\$ 22,813	\$ 0	\$ 0	\$ 22,813
<u>Cash Flows from Investing Activities</u>				
Investment Income	\$ 68,987	\$ 1,869	\$ 0	\$ 70,856
Increase in Special Funds	(40,044)	0	0	(40,044)
Net Cash Provided By (Used In) Investing Activities	\$ 28,943	\$ 1,869	\$ 0	\$ 30,812
Net Increase (Decrease) in Cash	\$ 365,119	\$ 947,485	\$ 75,933	\$ 1,388,537
Cash, July 1, 2014	6,589,229	3,963,435	168,402	10,721,066
Cash, June 30, 2015	\$ 6,954,348	\$ 4,910,920	\$ 244,335	\$ 12,109,603

(Continued)

Exhibit D-3

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

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>				
Operating (Loss) Income	\$ 839,867	\$ 1,039,133	\$ 0	\$ 1,879,000
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Depreciation Expense	1,755,287	882,528	0	2,637,815
Provision for Bad Debts	4,891,210	0	0	4,891,210
Amortization of Deferred Pension Adjustments	(277,250)	(87,393)	0	(364,643)
Provision for Note Receivable Arrangements	118,475	0	0	118,475
Investment in Insurance Funds, Net	(25,387)	0	0	(25,387)
(Increase) Decrease in Accounts Receivable	(4,472,030)	(639)	0	(4,472,669)
(Increase) Decrease in Inventories	(4,772)	(49,973)	0	(54,745)
(Increase) Decrease in Prepaid Items	7,318	0	0	7,318
(Increase) Decrease in Other Assets	(87,815)	(26,688)	0	(114,503)
Increase (Decrease) in Accounts Payable	58,387	(37,760)	0	20,627
Increase (Decrease) in Customer Deposits	0	22,230	0	22,230
Increase (Decrease) in Accrued Leave	0	17,851	0	17,851
Increase (Decrease) in Estimated Third-party Payor Settlements, Net	(766,366)	0	0	(766,366)
Increase (Decrease) in Accrued Liabilities	25,952	3,978	0	29,930
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,062,876</u>	<u>\$ 1,763,267</u>	<u>\$ 0</u>	<u>\$ 3,826,143</u>
<u>Reconciliation of Cash With Statement of Net Position</u>				
Cash Per Net Position	\$ 6,954,348	\$ 4,599,216	\$ 0	\$ 11,553,564
Equity in Pooled Cash and Investments	0	0	244,335	244,335
Noncurrent Assets: Restricted Cash Per Net Position	0	311,704	0	311,704
Cash, June 30, 2015	<u>\$ 6,954,348</u>	<u>\$ 4,910,920</u>	<u>\$ 244,335</u>	<u>\$ 12,109,603</u>
<u>Noncash Investing, Capital, and Financing Activities</u>				
Capital Assets Financed in Accounts Payable	\$ 0	\$ 230,323	\$ 194,545	\$ 424,868

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

Exhibit E

Lincoln County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,531,115
Equity in Pooled Cash and Investments	473,175
Accounts Receivable	6,311
Due from Other Governments	671,844
Property Taxes Receivable	1,269,870
Allowance for Uncollectible Property Taxes	<u>(15,491)</u>
Total Assets	<u>\$ 3,936,824</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 4,995
Accrued Payroll	348
Due to Other Taxing Units	2,019,166
Due to Litigants, Heirs, and Others	1,618,152
Due to Joint Ventures	<u>294,163</u>
Total Liabilities	<u>\$ 3,936,824</u>

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

LINCOLN COUNTY, TENNESSEE
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LINCOLN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

Administrative Office:

Lincoln County Emergency
Communications District
414 Jay Street
Fayetteville, TN 37334

B. Government-wide and Fund Financial Statements

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

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

Lincoln County issues all debt for the discretely presented Lincoln County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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

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

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

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

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

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

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

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

Lincoln County reports the following major governmental funds:

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

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

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

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

Lincoln County reports the following major proprietary funds:

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

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

Lincoln County Sewer System Fund – This fund accounts for wastewater services to areas of the county not served by existing municipal systems.

Additionally, Lincoln County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lincoln County, the city school system’s share of educational revenues, state grants and other restricted revenues held for the benefit of the Judicial District Drug Task Force, and restricted revenues held for the benefit of the Office of District Attorney General. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has three proprietary funds, an enterprise fund used to account for medical center operations, an enterprise fund to account for the Board of Public Utilities (Water Department) operations, and an enterprise fund used to account for the operations of sewer system. Operating revenues and expenses generally result from providing services in connection with the funds’ principal ongoing operations. The principal operating revenue of the county’s enterprise funds is charges for services from customers and users. Principal operating expenses for the enterprise funds include salaries, purchase of supplies and materials, and depreciation of capital assets.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the discretely presented Lincoln County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Central Cafeteria funds. Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since, the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Retainage payable in Lincoln County's General Capital Projects Fund represents amounts withheld from payments made on a construction contract pending completion of the project. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the fund.

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the

government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaid items are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

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

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government

has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience and employer contributions made to the pension plan after the measurement date.

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

6. Compensated Absences

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

7. Long-term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt

issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

On the government-wide Statement of Net Position (Exhibit A), the account balances in Restricted for Other Purposes for the primary government (\$887,062) and the discretely presented School Department (\$1,542,080) consist of net pension obligations.

As of June 30, 2015, Lincoln County had \$8,855,850 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

9. Restatement

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension asset/liability in their Statement of Net Position. Therefore, a restatement increasing Lincoln County’s beginning Governmental Activities net position by \$230,863, increasing the beginning Business-type Activities net position by \$753,272, and decreasing the Lincoln County School Department’s beginning net position by \$4,614,986 has been recognized on the Statement of Activities.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lincoln County’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lincoln County’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Lincoln County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension

expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. **Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position**

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Lincoln County School Department

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

B. **Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Lincoln County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

At June 30, 2015, the Lincoln County School Department reported a significant encumbrance of \$431,270 in the General Purpose School Fund for the purchase of school buses.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The county had no pooled and nonpooled investments as of June 30, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 8,970,887	\$ 0	\$ 0	\$ 8,970,887
Construction in Progress	409,049	4,239,522	0	4,648,571
Total Capital Assets Not Depreciated	<u>\$ 9,379,936</u>	<u>\$ 4,239,522</u>	<u>\$ 0</u>	<u>\$ 13,619,458</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,559,682	\$ 0	\$ 0	\$ 9,559,682
Infrastructure	23,328,292	388,488	0	23,716,780
Other Capital Assets	8,219,377	599,697	(142,108)	8,676,966
Total Capital Assets Depreciated	<u>\$ 41,107,351</u>	<u>\$ 988,185</u>	<u>\$ (142,108)</u>	<u>\$ 41,953,428</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,233,314	\$ 313,143	\$ 0	\$ 7,546,457
Infrastructure	17,232,768	634,969	0	17,867,737
Other Capital Assets	5,257,226	570,235	(139,318)	5,688,143
Total Accumulated Depreciation	<u>\$ 29,723,308</u>	<u>\$ 1,518,347</u>	<u>\$ (139,318)</u>	<u>\$ 31,102,337</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,384,043</u>	<u>\$ (530,162)</u>	<u>\$ (2,790)</u>	<u>\$ 10,851,091</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,763,979</u>	<u>\$ 3,709,360</u>	<u>\$ (2,790)</u>	<u>\$ 24,470,549</u>

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

Governmental Activities:

General Government	\$ 111,487
Administration of Justice	6,500
Public Safety	508,407
Public Health and Welfare	90,272
Agriculture and Natural Resources	19,377
Highways/Public Works	<u>782,304</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,518,347</u>

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

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Construction in Progress	\$ 172,004	\$ 398,140	\$ 570,144
Total Capital Assets Not Depreciated	<u>\$ 172,004</u>	<u>\$ 398,140</u>	<u>\$ 570,144</u>
Total Capital Assets Depreciated, Net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Business-type Activities Capital Assets, Net	<u>\$ 172,004</u>	<u>\$ 398,140</u>	<u>\$ 570,144</u>

Discretely Presented Lincoln County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 957,984	\$ 0	\$ 0	\$ 957,984
Construction in Progress	3,680,462	0	(3,680,462)	0
Total Capital Assets Not Depreciated	<u>\$ 4,638,446</u>	<u>\$ 0</u>	<u>\$ (3,680,462)</u>	<u>\$ 957,984</u>

Governmental Activities (Cont.):

	Balance		Balance	
	7-1-14	Increases	Decreases	6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	\$ 36,448,457	\$ 8,570,704	\$ (369,926)	\$ 44,649,235
Other Capital Assets	6,429,277	662,463	(52,420)	7,039,320
Total Capital Assets				
Depreciated	\$ 42,877,734	\$ 9,233,167	\$ (422,346)	\$ 51,688,555
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 21,226,263	\$ 1,168,322	\$ (3,220)	\$ 22,391,365
Other Capital Assets	2,792,533	504,850	(51,372)	3,246,011
Total Accumulated Depreciation	\$ 24,018,796	\$ 1,673,172	\$ (54,592)	\$ 25,637,376
Total Capital Assets Depreciated, Net	\$ 18,858,938	\$ 7,559,995	\$ (367,754)	\$ 26,051,179
Governmental Activities Capital Assets, Net	\$ 23,497,384	\$ 7,559,995	\$ (4,048,216)	\$ 27,009,163

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

Governmental Activities:

Support Services	\$ 504,850
Operation of Non-instructional Services	<u>1,168,322</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,673,172</u>

C. Impairment Losses for Capital Assets and Insurance Recoveries

A tornado struck the South Lincoln School Building on April 28, 2014, causing severe structural damage. GASB Statement No. 42 requires disclosure and recognition of asset impairments when events like this happen. The building's carrying value at the time of the tornado was \$2,827,843. Auditors were unable to obtain reliable information about the total estimated cost to restore the building or the total estimated amount of insurance recovery that might be expected because of the impairment. All transactions related to the project were being handled externally by a third-party contractor hired through the School System's Insurance carrier.

Consequently, the complete accounting entry for the impairment gain or loss required by GASB Statement No. 42 was not recorded as of and for the year ended June 30, 2014. Some entries related to the building restoration were known and were recorded in the government-wide and fund financial statements. The remaining accounting entries to record the asset impairment, building restoration, insurance recovery, and impairment gain have been recorded as of and for the year ended June 30, 2015, when the relevant information became available. The Lincoln County School System ultimately received insurance proceeds of \$8,337,674. This resulted in a total gain from the asset impairment of \$5,149,405. The Lincoln County School System received more money to restore the usefulness of the building than the building's original carrying value at the time of the tornado. Of this gain, \$844,595 was recorded as a gain on the disposal of an asset for the year ended June 30, 2014, and \$4,304,811 has been recorded as an extraordinary gain for the year ended June 30, 2015. The building's book value after restoration was \$7,977,248.

D. Construction Commitments

At June 30, 2015, Lincoln County had an uncompleted construction contract of approximately \$3,427,648 for the construction of a jail addition. Funding has been received for this future expenditure.

E. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
Nonmajor governmental	General	\$ 476
Highway/Public Works	Nonmajor governmental	2,170
Component Unit:		
Nonmajor governmental	General Purpose School	25,753

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

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:	Primary Government:	
General Purpose School	General	\$ 9,671

F. Long-term Obligations

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

General Obligation Notes and Bonds

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding and the capital outlay note were issued for original terms of up to 20 years for bonds and 12 years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

General obligation bonds and the capital outlay note outstanding as of June 30, 2015, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-15</u>
General Obligation Bonds - Refunding	3.9 to 5.25 %	5-1-21	\$ 21,235,000	\$ 9,600,000
General Obligation Bonds	3.25	6-1-34	7,000,000	6,480,000
Capital Outlay Note	2.195	4-1-27	1,000,000	1,000,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 75,000	\$ 21,157	\$ 96,157
2017	80,000	20,304	100,304
2018	80,000	18,548	98,548
2019	80,000	16,792	96,792
2020	80,000	15,036	95,036
2021-2025	425,000	48,180	473,180
2026-2027	180,000	5,926	185,926
Total	\$ 1,000,000	\$ 145,943	\$ 1,145,943

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 2,125,000	\$ 672,420	\$ 2,797,420
2017	2,240,000	573,725	2,813,725
2018	2,050,000	469,286	2,519,286
2019	2,010,000	375,021	2,385,021
2020	1,685,000	283,216	1,968,216
2021-2025	2,430,000	789,288	3,219,288
2026-2030	1,820,000	496,490	2,316,490
2031-2034	1,720,000	162,375	1,882,375
Total	\$ 16,080,000	\$ 3,821,821	\$ 19,901,821

There is \$5,949,547 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes totaled \$512, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the primary government (excluding the Lincoln County Health System and the Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Postemployment Benefits
Balance, July 1, 2014	\$ 18,145,000	\$ 178,000	\$ 251,708
Additions	0	1,000,000	20,259
Reductions	(2,065,000)	(178,000)	(11,089)
Balance, June 30, 2015	<u>\$ 16,080,000</u>	<u>\$ 1,000,000</u>	<u>\$ 260,878</u>
Balance Due Within One Year	<u>\$ 2,125,000</u>	<u>\$ 75,000</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2014	\$ 186,042	\$ 214,978
Additions	142,544	3,094
Reductions	(140,575)	(15,355)
Balance, June 30, 2015	<u>\$ 188,011</u>	<u>\$ 202,717</u>
Balance Due Within One Year	<u>\$ 169,210</u>	<u>\$ 8,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 17,731,606
Less: Balances Due Within One Year	(2,377,210)
Add: Unamortized Premium on Debt	<u>56,868</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,411,264</u>

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

Discretely Presented Lincoln County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Lincoln County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 34,465	\$ 753,204
Additions	41,840	172,776
Reductions	(44,016)	(174,679)
Balance, June 30, 2015	<u>\$ 32,289</u>	<u>\$ 751,301</u>
Balance Due Within One Year	<u>\$ 32,289</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 783,590
Less: Balances Due Within One Year	<u>(32,289)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 751,301</u>

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

G. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lincoln County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$88,791 and \$30,982, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

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

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

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

Discretely Presented Lincoln County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Event

On December 31, 2015, Wanda Shelton left the Office of Director of Schools and was succeeded by Dr. Bill Heath.

D. Contingent Liabilities

The county and School Department are involved in several pending lawsuits. The county attorney and School Department attorney estimate that the potential claims against the county and School Department not covered by insurance resulting from such litigation would not materially affect the county's or School Department's financial statements.

E. Changes in Administration

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

F. Landfill Postclosure Care Costs

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

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Lincoln County and the City of Fayetteville closed their sanitary landfill in 1995. Lincoln County and the City of Fayetteville each agreed to pay 50 percent of the postclosure costs. The \$202,717 reported as postclosure care liability at June 30, 2015, represents the county's share based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$91,096 to the operations of the library during the year ended June 30, 2015.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$10,000 to the operations of the airport during the year ended June 30, 2015.

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

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Franklin, Moore and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2015.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$189,398 to the operations of the Industrial Development Board during the year ended June 30, 2015.

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. Lincoln County made no contribution to the DTF for the year ended June 30, 2015.

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

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

Administrative Offices:

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

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

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

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

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

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

H. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Lincoln County, the Lincoln County Medical Center (an enterprise fund of the primary government), and non-certified employees of the discretely presented Lincoln County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 23.33 percent, employees of the Lincoln County Medical Center (an enterprise fund of the primary government) comprise 37.74 percent, and the non-certified employees of the discretely presented School Department comprise 38.93 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	265
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	543
Active Employees	<u>583</u>
 Total	 <u><u>1,391</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Lincoln County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Lincoln

County were \$598,221 based on a rate of 3.22 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lincoln County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Lincoln County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected

future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Lincoln County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 42,860,128	\$ 42,703,886	\$ 156,242
Changes for the Year:			
Service Cost	\$ 1,678,947	\$ 0	\$ 1,678,947
Interest	3,271,086	0	3,271,086
Differences Between Expected and Actual Experience	254,576	0	254,576
Contributions-Employer	0	1,145,798	(1,145,798)
Contributions-Employees	0	937,568	(937,568)
Net Investment Income	0	7,103,007	(7,103,007)
Benefit Payments, Including Refunds of Employee Contributions	(1,849,190)	(1,849,190)	0
Administrative Expense	0	(23,285)	23,285
Other Changes	0	0	0
Net Changes	\$ 3,355,419	\$ 7,313,898	\$ (3,958,479)
Balance, June 30, 2014	\$ 46,215,547	\$ 50,017,784	\$ (3,802,237)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	23.33%	\$ 10,782,087	\$ 11,669,149	\$ (887,062)
Medical Center (reflected in a proprietary fund)	37.74%	17,441,747	18,876,712	(1,434,964)
School Department	38.93%	17,991,712	19,471,923	(1,480,211)
Total		\$ 46,215,547	\$ 50,017,784	\$ (3,802,237)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Lincoln County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was

calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	6.5%	Rate	8.5%
<u>Lincoln County</u>		7.5%	

Net Pension Liability \$ 2,383,254 \$ (3,802,237) \$ (8,885,749)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Lincoln County recognized pension expense of \$97,504.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Lincoln County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	Deferred
	Outflows	Inflows
	of	of
	<u>Resources</u>	<u>Resources</u>
Differences Between Expected and Actual Experience	\$ 203,661	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	3,113,846
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>598,221</u>	<u>N/A</u>
Total	<u>\$ 801,882</u>	<u>\$ 3,113,846</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 211,806	\$ 726,460
Medical Center (reflected in a proprietary fund)	390,910	1,175,166
School Department	199,166	1,212,220
Total	<u>\$ 801,882</u>	<u>\$ 3,113,846</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (727,546)
2017	(727,546)
2018	(727,546)
2019	(727,546)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Lincoln County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Lincoln County, the Lincoln County Medical Center (an enterprise fund of the primary government), and non-certified employees of the discretely presented Lincoln County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government

employees comprise 23.33 percent, employees of the Lincoln County Medical Center (reflected in a proprietary fund) comprise 37.74 percent, and the non-certified employees of the discretely present School Department comprise 38.93 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Lincoln County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted

if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$25,388, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Lincoln County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Lincoln County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 25,388	N/A
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The Lincoln County School Department's employer contributions of \$25,388 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Lincoln County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement

benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Lincoln County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,310,829, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2014, the Lincoln County School Department reported an asset of \$61,870 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Lincoln County School Department's proportion of the net pension asset was based on Lincoln County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all participating LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, Lincoln County School Department's proportion was .380747 percent. The proportion measured as of June 30, 2013, was .384488 percent.

Pension Income. For the year ended June 30, 2015, the Lincoln County School Department recognized a pension income of \$61,857.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Lincoln County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 150,204	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,097,662
Changes in Proportion of Net Pension Asset	0	52,774
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>1,310,829</u>	N/A
Total	<u>\$ 1,461,033</u>	<u>\$ 5,150,436</u>

The Lincoln County School Department's employer contributions of \$1,310,829 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (1,258,177)
2017	(1,258,177)
2018	(1,258,177)
2019	(1,258,177)
2020	16,238
Thereafter	16,238

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Lincoln County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lincoln County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability \$ 10,435,010 \$ (61,870) \$ (8,752,148)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation

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

I. Other Postemployment Benefits (OPEB)

Plan Description

Lincoln County and the Lincoln County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for health care benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for teachers and Section 8-27-207, *TCA*, for local governments. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state’s website at <http://tn.gov/finance/act/cafr.shtml>.

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of

subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Lincoln County and the School Department recognized expenditures of \$11,089 and \$174,679, respectively, for postemployment health care during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 172,000	\$ 20,000
Interest on the NOPEBO	30,128	10,068
Adjustment to the ARC	(29,352)	(9,809)
Annual OPEB cost	\$ 172,776	\$ 20,259
Less: Amount of contribution	(174,679)	(11,089)
Increase/decrease in NOPEBO	\$ (1,903)	\$ 9,170
Net OPEB obligation, 7-1-14	753,204	251,708
Net OPEB obligation, 6-30-15	\$ 751,301	\$ 260,878

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 325,431	55 %	\$ 785,965
6-30-14	"	166,810	120	753,204
6-30-15	"	172,776	101	751,301
6-30-13	Local Government Group	46,519	14	235,184
6-30-14	"	19,242	14	251,708
6-30-15	"	20,259	55	260,878

Funded Status and Funding Progress

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation for the Local Education Plan and the Local Government Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate was seven percent for fiscal year 2015. The trend will decrease to 6.5 percent in fiscal year 2016 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.

J. Office of Central Accounting, Budgeting, and Purchasing

Office of Director of Finance

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

K. Purchasing Law

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

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

A. Summary of Significant Accounting Policies

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

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

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 acute care beds and ten geropsych beds. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, personal care, and hospice services. The wellness center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The care centers provide long-term health care services. The care centers are licensed for 115 intermediate-level care beds and 125 skilled-level care beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center's financial statements include the Lincoln Medical Center Auxiliary Gift Shop (auxiliary) and the Physician Practices. These cost centers are not separate legal entities, and they are subject to financial accountability to the committee. The Physician Practices are comprised of employed physicians. A summary of these cost center's assets, liabilities, net position, results of operations, and changes in net position is presented below as of June 30, 2015.

Condensed Statement of Net Position

	<u>Auxiliary</u>	<u>Physician Practices</u>
Assets		
Cash and Cash Equivalents	\$ 60,157	\$ 48,649
Accounts Receivable, Net of Allowance	0	48,649
Inventory	7,649	0
	<u>\$ 67,806</u>	<u>\$ 97,298</u>
Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
Net Position		
Restricted	\$ 67,806	\$ 0
Unrestricted	0	97,298
	<u>\$ 67,806</u>	<u>\$ 97,298</u>

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

	Auxiliary	Physician Practices
Net Operating Revenue	\$ 26,438	\$ 878,907
Operating Expenses	(15,341)	(1,794,906)
Income (Loss) from Operations	<u>\$ 11,097</u>	<u>\$ (915,999)</u>
Nonoperating Revenues and (Expenses)	\$ (12,169)	\$ 39,307
Excess (Deficiency) Revenues Over Expenses	\$ (1,072)	\$ (876,692)
Operating Transfers from Medical Center	0	874,711
Net Position, July 1, 2014	<u>68,878</u>	<u>99,279</u>
Net Position, June 30, 2015	<u>\$ 67,806</u>	<u>\$ 97,298</u>

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

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

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

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

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the established useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2015.

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

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until that time. The health system has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of the old debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is a deferred outflow related to pension, which is described further in Note VI.I.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The health system has one item that qualifies for reporting in this category. It is a deferred inflow related to pension, which is described further in Note VI.I.

Amortization expense for debt premium/discount costs and debt refunding deferred charges was \$26,657 for the year ended June 30, 2015.

Net Position – Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction, or improvement of those assets as well as any deferred outflows or inflows of resources attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The debt service reserve is presented as a restricted component of net position. The reserve amount is in compliance with the required amount.

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

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

Other operating revenues include charges for sale of medical and pharmaceutical supplies, medical transcripts, cafeteria sales, educational training services, etc. In addition, other operating revenues include payments received for implementation of electronic health records technology as a result of operating expenses incurred as further described in Note VI.P.

Investment income, nonexchange revenues, grants, contributions and incentive payments received for purposes other than capital asset acquisition, are reported as nonoperating revenues.

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

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

Reclassifications – Certain reclassifications have been made in the 2014 financial statements to conform to the 2015 financial statements presentation. Such reclassifications had no effect on the results of operations as previously reported.

B. Designated Net Position

Unrestricted net position includes special funds designated by the health system totaling \$8,172,412 as of June 30, 2015, for specific purposes such as future capital improvements, insurance, and debt service, as discussed in Note VI.E. The designated funds remain under the control of the health system, which may at its discretion, later use the funds for other purposes.

C. Charity Care

Charges foregone for services and supplies furnished under the health system's charity care policy totaled \$1,216,287 for the year ended June 30, 2015.

D. Net Patient Service Revenue

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

Medicare – Medical center inpatient care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medical center outpatient services to Medicare beneficiaries are paid using a prospective payment system based on the patient's ambulatory classification group. Geropsych services, ambulance services, and rehab services related to Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

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

Home health care payments for services to Medicare beneficiaries are based on the patient's resource group classification for patient clinical, functional, and service level factors.

Revenue from the Medicare program accounted for approximately 32 percent and 35 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2015.

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2011.

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

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

Revenue from the Medicaid program accounted for approximately five percent and 50 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2015.

Others – The medical center, ambulance service, and wellness center have entered into payment agreements with certain commercial insurance carriers and managed care health plans. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per-diem rates.

E. Deposits and Special Funds

The health system's carrying amount of deposits was \$6,954,348, and the bank balance was \$7,103,292 as of June 30, 2015. The health system's carrying amount for special funds, excluding an amount held under an indenture agreement, was \$8,268,140, and the bank balance was \$8,259,524 as of June 30, 2015. Bank balances totaling \$15,362,816 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool. Bank balances are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the outstanding Series 2007 and 2013 bonds. The reserve fund consists of a money market fund that normally invests at least 80 percent of its assets in U.S. Treasury securities and repurchase agreements for those securities. Its value as of June 30, 2015, was \$1,083,884. Generally, these investments maintain a dollar weighted average maturity at 60 days or less.

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

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

Special funds are held as follows as of June 30, 2015:

Internally Designated for Capital Improvements, Insurance, and Debt Service	\$ 8,172,412
Restricted by Contributors	60,158
Held Under an Indenture Agreement	1,083,884
Held Under Patient Trust Fund Arrangements - Cash	35,570
Less: Amounts Reclassified to Meet Current Liabilities	<u>(35,570)</u>
Total	<u>\$ 9,316,454</u>

F. Notes Receivable Arrangements

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash or continuation of the physicians’ medical practices for a certain period based upon the terms of these arrangements. There were no net advances to physicians for the year ended June 30, 2015. Net repayments, primarily from amortization of advances to physicians, totaled \$118,475 for the year ended June 30, 2015. As of June 30, 2015, net advances totaling \$13,809 were due under these arrangements.

G. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 831,254	\$ 0	\$ 0	\$ 831,254
Property Under Capitalized Lease	300,000	0	0	300,000
Construction in Progress	39,768	0	(39,768)	0
Total Capital Assets Not Depreciated	\$ 1,171,022	\$ 0	\$ (39,768)	\$ 1,131,254
Capital Assets Depreciated:				
Ground Improvements	\$ 2,439,822	\$ 10,400	\$ 0	\$ 2,450,222
Buildings and Improvements	27,557,116	51,629	(26,500)	27,582,245
Equipment	16,476,362	373,601	(161,390)	16,688,573
Total Capital Assets Depreciated	\$ 46,473,300	\$ 435,630	\$ (187,890)	\$ 46,721,040
Less Accumulated Depreciation For:				
Ground Improvements	\$ (1,020,989)	\$ (79,678)	\$ 0	\$ (1,100,667)
Buildings and Improvements	(15,835,677)	(907,237)	0	(16,742,914)
Equipment	(13,819,204)	(768,372)	169,496	(14,418,080)
Total Accumulated Depreciation	\$ (30,675,870)	\$ (1,755,287)	\$ 169,496	\$ (32,261,661)
Capital Assets, Net	\$ 16,968,452	\$ (1,319,657)	\$ (58,162)	\$ 15,590,633

The general depreciation rates based on the useful lives for depreciable capital assets are five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment under capital lease. Depreciation and amortization expense for the year ended June 30, 2015, totaled \$1,755,287. Accumulated amortization for equipment under capital lease obligations was \$323,294 at June 30, 2015.

H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2015:

	Balance 7-1-14	Reductions	Balance 6-30-15	Due Within One Year
Series 2007, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$10,000 to \$1,040,000 through May 2028, at an interest rate of 4.2%	\$ 4,875,000	\$ (10,000)	\$ 4,865,000	\$ 10,000
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$155,000 to \$220,000 through May 2021, at an interest rate of 3.93%	1,375,000	(170,000)	1,205,000	180,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	108,772	(35,789)	72,983	38,567
Capital Lease Obligation, due in monthly installments of \$3,917 through August 2016, at an interest rate of 5.45%	93,919	(41,522)	52,397	44,655
Series 2013, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$620,000 and \$730,000 through May 2023, at an interest rate of 2%	6,115,000	(630,000)	5,485,000	635,000
Total long-term debt	\$ 12,567,691	\$ (887,311)	\$ 11,680,380	\$ 908,222
Less current maturities of long-term debt	(887,310)		(908,222)	
Add unamortized bond premium	164,314		145,916	
Total noncurrent liabilities	\$ 11,844,695		\$ 10,918,074	

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2015, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2016	\$ 908,222	\$ 367,901
2017	892,158	342,479
2018	870,000	320,305
2019	890,000	298,922
2020	920,000	276,945
2021-2025	4,210,000	1,066,056
2026-2028	2,990,000	254,730
Total	\$ 11,680,380	\$ 2,927,338

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

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

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

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

The Series 2013 bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 2013 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2023. The Series 2013 bonds are on a parity lien with the Series 2007 bonds.

For the year ended June 30, 2015, the medical center complied with its debt service coverage ratio of 1.15:1 for the outstanding Series 2007 and Series 2013 bonds.

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

I. **Pension Plan**

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

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

General Information About the Pension Plan

Plan Description. Employees of Lincoln County, the Lincoln County Medical Center (an enterprise fund of the primary government), and non-certified employees of the discretely presented Lincoln County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 23.33 percent, employees of the Lincoln County Medical Center (an enterprise fund of the primary government) comprise 37.74 percent, and the non-certified employees of the discretely presented School Department comprise 38.93 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the

previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	72
Inactive Employees Entitled to But Not Yet Receiving Benefits	190
Active Employees	<u>225</u>
 Total	 <u><u>487</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Lincoln County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Lincoln County were \$314,048 based on a rate of 3.22 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lincoln County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Lincoln County’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Lincoln County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 16,175,412	\$ 16,116,447	\$ 58,965
Changes for the Year:			
Service Cost	\$ 633,635	\$ 0	\$ 633,635
Interest	1,234,508	0	1,234,508
Differences Between Expected and Actual Experience	96,077	0	96,077
Contributions-Employer	0	432,424	(432,424)
Contributions-Employees	0	353,838	(353,838)
Net Investment Income	0	2,680,675	(2,680,675)
Benefit Payments, Including Refunds of Employee Contributions	(697,884)	(697,884)	0
Administrative Expense	0	(8,788)	8,788
Other Changes	0	0	0
Net Changes	\$ 1,266,336	\$ 2,760,265	\$ (1,493,929)
Balance, June 30, 2014	\$ 17,441,748	\$ 18,876,712	\$ (1,434,964)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Lincoln County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Lincoln County	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Net Pension Liability	\$ 899,440	\$ (1,434,964)	\$ (3,353,482)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Lincoln County recognized pension expense of \$36,798.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Lincoln County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 76,862	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,175,166
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>314,048</u>	<u>N/A</u>
Total	<u>\$ 390,910</u>	<u>\$ 1,175,166</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Medical Center (reflected in a proprietary fund)	\$ 390,910	\$ 1,175,166

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (274,576)
2017	(274,576)
2018	(274,576)
2019	(274,576)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan. At June 30, 2015, the Lincoln County Medical Center reported a payable of \$21,613 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

Care Centers. The care centers adopted a defined contribution pension plan, under Sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. The plan is administered by OneAmerica, One America Square, P.O. Box 368, Indianapolis, IN 46206 or can be accessed at www.oneamerica.com. Benefit terms, including contribution requirements, for the pension plan are established and may be amended by the health system committee. Participants are immediately invested in their own contributions and become fully invested in the employer's contributions after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provide for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution up to the first three percent of gross pay. Employer and employee contributions under this plan totaled \$25,267 and \$24,880, respectively, for the year ended June 30, 2015. The pension administrative expense is paid by the employees under the plan.

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

The plan is administered through a third-party administrator, Massachusetts Mutual Life Insurance Company. The health system does not perform the investing function and has no fiduciary accountability for the plan. Thus, plan assets and any related liabilities to plan participants have been excluded from the health system's financial statements.

J. Risk Management

The health system contracts with Blue Cross of Tennessee to provide a self-insured group health insurance plan to eligible employees and their eligible dependents, as defined in the contract. The health system has also purchased reinsurance for claims paid in any one-contract year, in excess of \$100,000 per member, which includes employees and their eligible dependents. Claims are paid on a monthly basis by Blue Cross with a settlement at the end of each quarter for the excess or deficit of premiums paid by the health system over or under claims paid by Blue Cross.

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

As of June 30, 2015, the health system accrued \$7,829 for an estimated claims lag. Changes in the reported liability for 2015 resulted from the following:

Balance, 7-1-14	\$ 306,099
Current-year Claims and Settlements	1,860,696
Claim Payments	<u>(2,158,966)</u>
Balance, 6-30-15	<u>\$ 7,829</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2015, this internally designated cash, including interest earned, totaled \$158,868.

K. Concentrations of Credit Risk

The health system grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2015:

Medicare	32 %
Medicaid	20
Other Third-party Payors	23
Patients	<u>25</u>
Total	<u>100 %</u>

L. Management Agreement

The health system had an agreement with Quorum Health Resources, LLC, (QHR) to provide management services and certain special personnel, as defined in the agreement. The agreement was for a three-year term that expired February 28, 2015. The health system did not renew this agreement but entered into an alliance agreement with Saint Thomas Health effective March 1, 2015, through August 31, 2015, to provide certain executive staffing services and access to group purchasing arrangements. Informally, this arrangement did extend through September 30, 2015. The QHR management fee paid in the current year was \$197,727. This fee is in addition to payments for special personnel, reimbursements for travel, and dues of \$291,726. Total payments to QHR were \$489,453 for the year ended June 30, 2015. Executive staffing fees paid to Saint Thomas totaled \$127,848 for the year ended June 30, 2015.

Executive personnel are to be provided by the health system after August 31, 2015.

M. Contingencies and Commitments

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

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

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

The following is a schedule by year of future minimum noncancellable lease payments as of June 30, 2015:

Year Ending June 30	Amount
2016	\$ 15,000
2017	<u>13,750</u>
Total	<u>\$ 28,750</u>

Rental expense under all operating leases for 2014 totaled \$267,961.

The health system leases office space in its medical office building to physicians, which expires in April 2016 and also leases office space at Lincoln Care Center, which expired in August 2015. The remaining future minimum rentals under the non-cancelable leases expiring in fiscal year 2016 totals \$95,223.

Rental income received for 2015 totaled \$245,903. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment (see Note VI.G.) as follows:

Cost	\$ 3,569,499
Accumulated Depreciation	<u>(1,420,722)</u>
Net Book Value	<u>\$ 2,148,777</u>

N. Lincoln County Health System Foundation

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

However, for informational purposes only, a summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows as of June 30, 2015:

Assets, Cash, and Cash Equivalents	\$ 33,649
Unrestricted Net Position	<u>\$ 33,649</u>
Support and Revenue	\$ 40,061
Expenses	<u>(40,960)</u>
Deficiency of Support and Revenue Over Expenses	\$ (899)
Unrestricted Net Position, July 1, 2014	<u>34,548</u>
Unrestricted Net Position, June 30, 2015	<u>\$ 33,649</u>

O. Pledged Revenues

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

Operating Revenues	Current-Year Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Remaining Pledge	
			Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year
\$ 39,173,394	\$ 967,050	2.5%	\$ 13,098,190	2028

P. Electronic Health Record Incentive Payments

The health system received \$807,133 in Medicare and Medicaid Electronic Health Record (EHR) unrestricted incentive payments for the year ended June 30, 2015, which is reported as nonoperating revenue. The Health Information Technology for Economic and Clinical Health Act (HITECH Act) established programs under Medicare and Medicaid to provide incentive payments for the meaningful use of certified EHR technology. The 2015 year was the final funding year; however, incentive payments are subject to adjustment at time of settling of an annual cost report.

Q. Net Service Revenue

Accounts receivable is reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the health system management analyzes its past collection history utilizing a hindsight review methodology along with identification of collection trends and current status of the existing receivables for each of its major sources of revenue to estimate the allowance for doubtful accounts and provision of bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

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

The allowance for doubtful accounts ranged from 29.3 percent to 27.5 percent of accounts receivable as of June 30, 2015, and 2014, respectively. Total net write-offs decreased \$214,748 from \$4,521,486 for 2014 to \$4,306,738 for 2015.

The following schedule summarizes total revenues for the fiscal year ended June 30, 2015:

Patient Service Revenue (net of contractual allowances and discounts)	\$ 41,765,036
Provision for Bad Debt	<u>(4,891,210)</u>
Net Patient Revenue Less Provision for Bad Debt	\$ 36,873,826
Other Operating Revenue	<u>2,299,568</u>
Total Revenue	<u>\$ 39,173,394</u>

R. Restatement

The health system implemented the provisions of GASB Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date” that are effective for employers with fiscal years ending June 30, 2015. These new statements require the recording of a pension asset or liability, and deferred outflows/inflows of resources related to pensions. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements, if practical. The information to determine the amounts of all deferred inflows of resources and the deferred outflows of resources related to pensions, as applicable, at the beginning of the period is not available. In such circumstances, beginning balances for deferred inflows of resources and deferred outflows of resources related to pensions should not be reported. Because the restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as follows:

	Lincoln Medical Center	Lincoln Medical Center EMS	Home Health Care	Patrick Rehab- Wellness Center	Lincoln & Donalson Care Centers
Net Position, June 30, 2014, as previously reported	\$ 1,070,876	\$ 287,380	\$ 179,171	\$ 1,056,631	\$ 21,124,795
Deferred outflow related to pension	349,783	32,672	19,219	30,750	-
Net Pension Liability	(47,697)	(4,455)	(2,621)	(4,193)	-
Net Position, June 30, 2014, restated	\$ 1,372,962	\$ 315,597	\$ 195,769	\$ 1,083,188	\$ 21,124,795

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

A. Summary of Significant Accounting Policies

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

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

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

The board is intended to operate in a manner whereby the costs of providing water distribution services and system expansion are recovered through user charges. The board distinguishes operating revenues and expenses from

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

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

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

Allowance for Uncollectible Accounts – The board provides an allowance for uncollectible receivables equal to the estimated loss that may be incurred in collection of water sales receivables when it is probable that a customer account will be uncollectible. Bad debts offset against water sales revenues in 2015 were \$20,148.

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

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

Depreciation of capital assets is provided on a group straight-line basis over the estimated useful lives of the assets. Under the group depreciation method, gains and losses on asset dispositions are applied against accumulated depreciation and are not reflected as gains or losses in the Statement of Revenues, Expenses, and Changes in Net Position. Plant assets and buildings are depreciated over 25 - 50 years, while vehicles and equipment are depreciated over six to ten years. The board capitalizes equipment additions with a cost in excess of \$500 and plant additions in excess of \$2,000.

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

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

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

Compensated Absences – The cost of vacation benefits are recorded as expense when earned. Employees accrue vacation leave from one to three weeks annually based on years of service. Vacation leave not used is lost if not taken by each employee's anniversary date. Sick leave benefits are recorded as expense when used. Employees accrue 12 days sick leave each year with no accumulation limit. Sick leave does not vest, and no liability for unused sick leave is recorded in the financial statements.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The board has one item reported in this category – contributions to the pension plan made subsequent to the measurement date of June 30, 2014.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The board includes the following items in this category – the difference between expected and actual experience in the calculation of the total pension liability of \$137,133 and the difference between projected and actual earnings on plan investments of \$154,748. Investment gains or losses are amortized over five years, while experience gains or losses are amortized over the average working lifetime of all participants.

Pensions – For purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension income/expense, information about the fiduciary net position of the board's participation in the Public Employee Retirement Plan of Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the board's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Net Position – Net position is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represents capital assets reduced by accumulated depreciation and by any outstanding debt related to the

acquisition, construction, or improvement of those assets as well as any deferred outflows or inflows of resources attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The debt service reserve is presented as a restricted component of net position. The reserve amount is in compliance with the required amount.

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

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

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

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

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

B. Cash and Restricted Funds

The following is a summary of cash and restricted funds as of June 30, 2015:

Cash and Cash Equivalents for General Use	\$ 4,599,160
Special Funds - Restricted	
Externally Restricted	277,524
Internally Restricted	<u>34,180</u>
 Total	 <u><u>\$ 4,910,864</u></u>

Board cash consists of deposits in financial institutions with bank balances of \$4,849,078 and carrying amounts of \$4,910,364. Of the amounts on deposit, all is fully insured by the Federal Deposit Insurance Corporation (FDIC) or Tennessee Bank Collateral Pool. The remaining \$500 is cash on hand.

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 funds 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 board.

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 government's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements. The board has not adopted policies that would further limit its investments.

Restricted Assets – Cash is held in sinking fund reserve funds, which are to be accumulated up to the maximum annual debt service and used for bond payments in the event funds are not otherwise available. These funds are mandated by bond covenants for bonds not secured by property taxes of Lincoln County. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits. Balances in the restricted funds at June 30, 2015, were:

	<u>Balance</u> <u>6-30-15</u>
Sinking Fund Reserve Fund - 1996 Bond	\$ 173,880
Sinking Fund Reserve Fund - 1998 Bond	42,756
Sinking Fund Reserve Fund - 2000 Bond	60,888
Customer Deposits	<u>11,950</u>
Total	<u>\$ 289,474</u>

C. Capital Assets

The following is a summary of capital assets activity for the year ended June 30, 2015:

	<u>Balance</u> <u>7-1-14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6-30-15</u>
Non-Depreciable:				
Land	\$ 527,695	\$ 0	\$ 0	\$ 527,695
Construction in Progress	2,456,072	1,101,291	(2,936,998)	<u>620,365</u>
Total Non-Depreciable Assets	<u>\$ 2,983,767</u>	<u>\$ 1,101,291</u>	<u>\$ (2,936,998)</u>	<u>\$ 1,148,060</u>
Depreciable:				
Distribution Lines and Tanks	\$ 29,827,383	\$ 3,025,733	\$ (474,185)	\$ 32,378,931
Wells and Treatment Plant	4,590,887	3,802	0	4,594,689
Buildings and Equipment	2,514,373	36,817	(23,576)	<u>2,527,614</u>
Total Depreciable Assets	<u>\$ 36,932,643</u>	<u>\$ 3,066,352</u>	<u>\$ (497,761)</u>	<u>\$ 39,501,234</u>
Total Capital Assets	<u>\$ 39,916,410</u>	<u>\$ 4,167,643</u>	<u>\$ (3,434,759)</u>	<u>\$ 40,649,294</u>

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

	<u>Balance</u> <u>7-1-14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6-30-15</u>
Distribution Lines and Tanks	\$ 12,107,732	\$ 688,285	\$ (474,185)	\$ 12,321,832
Wells and Treatment Plant	1,537,642	107,297	0	1,644,939
Buildings and Equipment	<u>2,067,834</u>	<u>86,946</u>	<u>(3,963)</u>	<u>2,150,817</u>
Total Depreciation	<u>\$ 15,713,208</u>	<u>\$ 882,528</u>	<u>\$ (478,148)</u>	<u>\$ 16,117,588</u>

D. Long-term Debt

Bonds and notes are payable from revenues of the board and are also secured by Lincoln County property taxes for the Series 2002, 2004, 2007, and 2010 debt issues. All debt may be prepaid. Parity bonds may be issued if net revenues of the board are at least 120 percent of scheduled bond payments.

The board had the following bonds and notes outstanding at June 30, 2015:

Water Revenue and Tax Bonds, Series 2010, issued March 6, 2014, due monthly to USDA in annual principal and interest amounts of \$205,056 through 2052 at 2.75%	\$ 4,735,429
Water Revenue and Tax Bonds, Series 2007, issued April 23, 2008, due monthly to USDA in annual principal and interest amounts of \$90,360 through 2046 at 4.125%	1,573,311
Water Revenue and Tax Bonds, Series 2004, issued September 22, 2005, due monthly to USDA in annual principal and interest amounts of \$73,308 through 2043 at 4.25%	1,201,641
Water Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual principal and interest amounts of \$21,384 through 2041 at 4.75%	315,878
Water Revenue Bond, Series 2000, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	907,216
Water Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	588,156
Water Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	<u>2,216,819</u>
Total	\$ 11,538,450
Less: current portion of long-term debt	<u>(341,588)</u>
Long-term portion, net	<u><u>\$ 11,196,862</u></u>

Changes in principal balances during the year ended June 30, 2015, are summarized as follows:

Beginning Balance	\$ 11,764,265
Less: principal paid on bonds	<u>(225,815)</u>
Total	<u><u>\$ 11,538,450</u></u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2015, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2016	\$ 341,588	\$ 259,929	\$ 601,517
2017	307,893	329,225	637,118
2018	315,062	320,155	635,217
2019	327,292	310,875	638,167
2020	334,583	301,234	635,817
2021-2025	1,864,591	1,323,995	3,188,586
2026-2030	2,182,252	1,004,938	3,187,190
2031-2035	2,504,875	680,551	3,185,426
2036-2040	1,108,925	345,880	1,454,805
2041-2045	796,086	229,194	1,025,280
2046-2050	913,287	111,993	1,025,280
2051-2052	339,801	8,389	348,190
*Attributable to premium	202,215		
Total	<u>\$ 11,538,450</u>	<u>\$ 5,226,358</u>	<u>\$ 16,562,593</u>

*Subsequent to June 30, 2015, the board paid off six revenue bonds with the proceeds of new debt. The new debt was issued at a premium, part of which is shown above to reconcile the principal requirements on the new debt with the debt outstanding at June 30, 2015.

Principal and interest payments for these new bonds as a percentage of pledged revenues totaled 14 percent for the year. Interest totaled \$441,511 for the year, none of which was capitalized.

Certain of the board's bonds require establishment of sinking funds (as described in Note VII.B) and compliance with various covenants. The board is in compliance with these requirements at June 30, 2015.

E. Pledged Revenues

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

Operating Revenues	Current-Year		Remaining Pledge	
	Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year
\$ 4,706,507	\$ 667,632	14.2%	\$ 16,531,107	2052

F. Pension Plan

General Information About the Pension Plan

Plan Description. Employees of Lincoln County Board of Public Utilities are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	5
Active Employees	<u>23</u>
Total	<u><u>32</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The board makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the board were \$87,393 based on a rate of 8.7 percent of pensionable payroll. By law, employer contributions are required to be paid. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The board’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from the board will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 1,838,265	\$ 2,128,288	\$ (290,023)
Changes for the Year:			
Service Cost	\$ 74,745	\$ 0	\$ 74,745
Interest	138,371	0	138,371
Differences Between Expected and Actual Experience	(156,724)	0	(156,724)
Contributions-Employer	0	89,791	(89,791)
Contributions-Employees	0	52,509	(52,509)
Net Investment Income	0	353,248	(353,248)
Benefit Payments, Including Refunds of Employee Contributions	(136,129)	(136,129)	0
Administrative Expense	0	(1,066)	1,066
Other Changes	0	0	0
Net Changes	\$ (79,737)	\$ 358,353	\$ (438,090)
Balance, June 30, 2014	\$ 1,758,528	\$ 2,486,641	\$ (728,113)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the board calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Lincoln County</u>	6.5%	7.5%	8.5%

Net Pension Liability \$ (497,691) \$ (728,113) \$ (919,452)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, the board recognized pension expense of \$56,418.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 137,133
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	154,748
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>87,383</u>	<u>N/A</u>
Total	<u>\$ 87,383</u>	<u>\$ 291,881</u>

(2) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (58,278)
2017	(58,278)
2018	(58,278)
2019	(58,278)
2020	(19,591)
Thereafter	(39,182)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

G. Risk Management

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2015, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$5,000 per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$5,000. The plan liability at year end is determined based on subsequent payments. The change in the liability for medical benefits for the year ended June 30, 2015, is as follows:

Balance, June 30, 2014	\$ 1,234
Payments Made	(21,181)
Incurred Claims	<u>24,886</u>
Balance, June 30, 2015	<u><u>\$ 4,939</u></u>

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

H. Water Sources

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

I. Related-party Transactions

The board provides water to Lincoln County related entities at the same billing rate as other customers. In the year ended June 30, 2015, these sales totaled \$33,213, and accounts receivable at June 30, 2015, related to these sales were \$2,124.

J. Current and Planned Projects

The board is requesting permits from the State of Tennessee that would allow for the construction of a water treatment plant on the Elk River. The plant would enhance the water available from the board's current wells that are the primary source of water to 91 percent of the board's customers. At June 30, 2015, the board had purchased land for \$202,000, and had recorded construction in progress cost of \$195,633 related to the roadway, other site development costs, and engineering and permitting costs. The estimated cost of the treatment plant and related distribution lines is \$18,000,000. No significant costs are anticipated to be incurred in the near-term and actual plant construction is not expected to begin within the next three years.

During the year ended June 30, 2015, the board incurred costs of \$1,066,467 on the Phase VI. waterline replacement project. Project costs incurred in fiscal year 2015 were funded by a Rural Utility Services grant. The total grant was for \$1,811,000, with \$684,401 being earned in fiscal year 2014 and \$1,066,467 earned in fiscal year 2015. The board is required to make monthly additions of \$29,000 to an asset management reserve to fund short-lived equipment and system costs when both projects V and VI are completed.

K. Contingency

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

The board'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 board to incur cleanup 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 board's financial position or its future cash flows.

L. Restatement of Net Position

Effective for the fiscal year ended June 30, 2015, the board implemented the provisions of GASB Statement 68, "Accounting and Financial Reporting for Pensions" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." These statements' primary objective is to improve accounting and financial reporting for pensions. Among the requirements of GASB Statement 68 are the recognition of a net pension liability or asset. The net pension liability or asset is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively by restating financial statements.

The effect of implementing GASB Statement 68 has been the restatement of beginning net position as follows:

Net Position June 30, 2014	
as previously reported	\$ 16,568,742
Deferred outflow related to pension	89,791
Net Pension Liability	<u>290,023</u>
Net Position June 30, 2014	
restated	<u><u>\$ 16,948,556</u></u>

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

A. Summary of Accounting Policies

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

The district represents a legal entity separate and apart from Lincoln County, Tennessee (the primary government). The district's financial statements are reported as a discretely presented component unit of the primary government. The district is governed by the Lincoln County Emergency Communications District Board, which consists of eight members appointed by the Lincoln County Board of Commissioners, the chief of police

of Fayetteville, Tennessee, and the sheriff of Lincoln County. Each member serves a four-year term. The directors have the authority to do all things necessary to conduct the business of the district, including appointing and fixing the salaries, benefits, and duties of employees and hiring experts and consultants. The district is restricted on the type of debt it can incur without the approval of Lincoln County, Tennessee.

The accounting policies and the reporting requirements of the Lincoln County Emergency Communications District conform to generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). The district is classified as a proprietary fund by GASB. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned (operating revenues as described in Note VIII.B are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Operating expenses include the cost of contractual services, supplies, repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The district classifies net position as:

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

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

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

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

Accounts Receivable – Accounts receivable, if any, represent fees or other amounts that are due to the district as of year-end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2015, in the opinion of management, there were no uncollectible accounts receivable.

Property and Equipment – Property and equipment are stated at cost. The capitalization threshold for an individual item is \$500. Depreciation expense is calculated on the straight-line method. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years, land improvement is 15 years, and communication and office equipment is three to 10 years. Maintenance and repairs are charged to expense as incurred.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the year ended June 30, 2015.

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

Deposits and Investments – Statutes authorize the district to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. In 2014, the district invested only in certificates of deposit with maturities of two to three and one-half years, which are carried at cost.

Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. At June 30, 2015, all of the district's cash was insured through participation in the State of Tennessee bank collateral pool.

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

Budgetary Basis – The district adopts a budget in accordance with the requirements of Section 7-86-120, *Tennessee Code Annotated*. The budget is adopted on another comprehensive basis of accounting, which is not in accordance with generally accepted accounting principles. The budgetary

basis of accounting includes expenditures for capital assets and does not include noncash expenses such as depreciation.

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

B. Operations

Prior to January 1, 2015, the district received operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2 to business customers. These were the maximum charges allowed by the Emergency Communications District Law. Beginning January 1, 2015, the 911 Funding Modernization and IP Transition Act required these fees to be submitted directly to the Tennessee Emergency Communications Board (TECB), and in turn TECB remits funding to the district based of fiscal year 2012 revenues.

The district has contracted for services to lease and maintain lines and equipment for approximately \$2700 per month. The actual monthly costs vary depending on the number of users on the system.

The district also received operating revenues from the TECB prior to January 1, 2015. The TECB received 25 percent of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remitted to each E-911 district its portion of the funds collected based on that district's population.

C. On-Behalf Payments for Dispatch Services

The City of Fayetteville and Lincoln County provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payments for dispatch salaries and benefits on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments, which include salaries, taxes, and related benefits, by the city and county totaled \$643,957 for the year ended June 30, 2015.

D. Property and Equipment

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Land	\$ 208,327	\$ 0	\$ 0	\$ 208,327
Construction in Progress	9,229	141,122	0	150,351
Land Improvements	261,353	10,062	0	271,415
Building	599,767	0	0	599,767
Communication and Office Equipment	1,515,112	59,261	(333,879)	1,240,494
Vehicles	88,229	31,748	0	119,977
Total	<u>\$ 2,723,838</u>	<u>\$ 242,193</u>	<u>\$ (333,879)</u>	<u>\$ 2,590,331</u>

The related activity for accumulated depreciation for the year ended June 30, 2015, was as follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Land Improvements	\$ 68,998	\$ 18,542	\$ 0	\$ 87,540
Building	196,487	14,630	0	211,117
Communication and Office Equipment	896,879	141,321	(333,369)	704,831
Vehicles	40,422	15,172	0	55,594
Total	<u>\$ 1,202,786</u>	<u>\$ 189,665</u>	<u>\$ (333,369)</u>	<u>\$ 1,059,082</u>

Depreciation for the year ended June 30, 2015, totaled \$189,665.

E. Current Project

At June 30, 2015, the board had expended approximately \$150,350 on a project for the construction of a tower located near the communications center. Total project cost is expected to be approximately \$200,000 and will be funded by the board. The project is anticipated to be completed in October 2015.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Lincoln County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government - County Plan
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 1,678,947
Interest	3,271,086
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	254,576
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,849,190)</u>
Net Change in Total Pension Liability (Asset)	\$ 3,355,419
Total Pension Liability (Asset), Beginning	<u>42,860,128</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 46,215,547</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,145,798
Contributions - Employee	937,568
Net Investment Income	7,103,007
Benefit Payments, Including Refunds of Employee Contributions	(1,849,190)
Administrative Expense	<u>(23,285)</u>
Net Change in Plan Fiduciary Net Position	\$ 7,313,898
Plan Fiduciary Net Position, Beginning	<u>42,703,886</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 50,017,784</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (3,802,237)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 108.23%
Covered Employee Payroll	\$ 18,722,223
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	20.31%

Note: ten years of data will be presented when available.

Note: data presented is primary government's Governmental Activities and medical center (Business-type Activity) and discretely presented non-certified employees of the School Department.

Exhibit F-2

Lincoln County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government - Board of Public Utilities Plan
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 74,745
Interest	138,371
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(156,724)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(136,129)</u>
Net Change in Total Pension Liability (Asset)	\$ (79,737)
Total Pension Liability (Asset), Beginning	<u>1,838,265</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 1,758,528</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 89,791
Contributions - Employee	52,509
Net Investment Income	353,248
Benefit Payments, Including Refunds of Employee Contributions	(136,129)
Administrative Expense	<u>(1,066)</u>
Net Change in Plan Fiduciary Net Position	\$ 358,353
Plan Fiduciary Net Position, Beginning	<u>2,128,288</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 2,486,641</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (728,113)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	141.40%
Covered Employee Payroll	\$ 1,050,185
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	69.33%

Note: ten years of data will be presented when available.

Exhibit F-3

Lincoln County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government - County Plan
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,145,798	\$ 598,221
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,145,798)</u>	<u>(598,221)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 18,722,223	\$ 19,018,417
Contributions as a Percentage of Covered Employee Payroll	6.12%	3.15%

Note: ten years of data will be presented when available.

Note: data presented is primary government's Governmental Activities and medical center (Business-type Activity) and discretely presented non-certified employees of the School Department.

Exhibit F-4

Lincoln County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government - Board of Public Utilities Plan
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 89,791	\$ 87,383
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(89,791)</u>	<u>(87,383)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 1,050,185	\$ 104,524
Contributions as a Percentage of Covered Employee Payroll	8.55%	8.70%

Note: ten years of data will be presented when available.

Exhibit F-5

Lincoln County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Lincoln County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 15,868
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(25,388)</u>
Contribution Deficiency (Excess)	<u>\$ (9,521)</u>
Covered Employee Payroll	\$ 634,690
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit F-6

Lincoln County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Lincoln County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,327,053	\$ 1,310,829
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,327,053)</u>	<u>(1,310,829)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 14,944,245	\$ 14,423,779
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%

Note: ten years of data will be presented when available.

Exhibit F-7

Lincoln County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Lincoln County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.380747%
School Department's Proportionate Share of the Net Pension Asset	\$ 61,870
Covered Employee Payroll	\$ 14,944,245
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-8

Lincoln County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Lincoln County School Department
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-10	\$ 0	\$ 497	\$ 497	0 %	\$ 4,975	10 %
"	7-1-11	0	279	279	0	5,191	5
"	7-1-13	0	123	123	0	5,191	2
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	2,659	2,659	0	18,092	15
"	7-1-11	0	2,756	2,756	0	17,429	16
"	7-1-13	0	1,583	1,583	0	17,429	9

LINCOLN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

County Plan and Board of Public Utilities Plan

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	One Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Exhibit G-1

Lincoln County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue Funds		Total
	Solid Waste / Sanitation	Drug Control	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,278,335	\$ 319,893	\$ 1,598,228
Accounts Receivable	3,188	0	3,188
Allowance for Uncollectibles	(3,054)	0	(3,054)
Due from Other Governments	201,006	0	201,006
Due from Other Funds	476	0	476
Total Assets	\$ 1,479,951	\$ 319,893	\$ 1,799,844
<u>LIABILITIES</u>			
Accounts Payable	\$ 79,246	\$ 453	\$ 79,699
Accrued Payroll	3,095	0	3,095
Due to Other Funds	2,170	0	2,170
Due to Cities	17,224	0	17,224
Total Liabilities	\$ 101,735	\$ 453	\$ 102,188
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 106,098	\$ 0	\$ 106,098
Total Deferred Inflows of Resources	\$ 106,098	\$ 0	\$ 106,098
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety	\$ 0	\$ 319,440	\$ 319,440
Restricted for Public Health and Welfare	1,272,118	0	1,272,118
Total Fund Balances	\$ 1,272,118	\$ 319,440	\$ 1,591,558
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,479,951	\$ 319,893	\$ 1,799,844

Exhibit G-2

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 49,658	\$ 0	\$ 49,658
Charges for Current Services	911,616	0	24	911,640
Other Local Revenues	10,544	7,105	0	17,649
State of Tennessee	20,859	0	0	20,859
Total Revenues	<u>\$ 943,019</u>	<u>\$ 56,763</u>	<u>\$ 24</u>	<u>\$ 999,806</u>
<u>Expenditures</u>				
Current:				
Finance	\$ 0	\$ 0	\$ 24	\$ 24
Public Safety	0	40,778	0	40,778
Public Health and Welfare	866,346	0	0	866,346
Total Expenditures	<u>\$ 866,346</u>	<u>\$ 40,778</u>	<u>\$ 24</u>	<u>\$ 907,148</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76,673</u>	<u>\$ 15,985</u>	<u>\$ 0</u>	<u>\$ 92,658</u>
Net Change in Fund Balances	\$ 76,673	\$ 15,985	\$ 0	\$ 92,658
Fund Balance, July 1, 2014	<u>1,195,445</u>	<u>303,455</u>	<u>0</u>	<u>1,498,900</u>
Fund Balance, June 30, 2015	<u>\$ 1,272,118</u>	<u>\$ 319,440</u>	<u>\$ 0</u>	<u>\$ 1,591,558</u>

Exhibit G-3

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 911,616	\$ 0	\$ 911,616	\$ 869,000	\$ 869,000	\$ 42,616
Other Local Revenues	10,544	0	10,544	11,000	11,000	(456)
State of Tennessee	20,859	0	20,859	15,000	15,000	5,859
Total Revenues	<u>\$ 943,019</u>	<u>\$ 0</u>	<u>\$ 943,019</u>	<u>\$ 895,000</u>	<u>\$ 895,000</u>	<u>\$ 48,019</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 28,812	\$ 0	\$ 28,812	\$ 20,000	\$ 28,812	\$ 0
Convenience Centers	148,826	(200)	148,626	376,178	376,178	227,552
Other Waste Disposal	637,895	0	637,895	666,347	666,347	28,452
Postclosure Care Costs	50,813	0	50,813	300,000	300,000	249,187
Total Expenditures	<u>\$ 866,346</u>	<u>\$ (200)</u>	<u>\$ 866,146</u>	<u>\$ 1,362,525</u>	<u>\$ 1,371,337</u>	<u>\$ 505,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 76,673</u>	<u>\$ 200</u>	<u>\$ 76,873</u>	<u>\$ (467,525)</u>	<u>\$ (476,337)</u>	<u>\$ 553,210</u>
Net Change in Fund Balance	\$ 76,673	\$ 200	\$ 76,873	\$ (467,525)	\$ (476,337)	\$ 553,210
Fund Balance, July 1, 2014	<u>1,195,445</u>	<u>(200)</u>	<u>1,195,245</u>	<u>1,163,924</u>	<u>1,195,245</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 1,272,118</u>	<u>\$ 0</u>	<u>\$ 1,272,118</u>	<u>\$ 696,399</u>	<u>\$ 718,908</u>	<u>\$ 553,210</u>

Exhibit G-4

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 49,658	\$ 0	\$ 49,658	\$ 15,200	\$ 15,200	\$ 34,458
Other Local Revenues	7,105	0	7,105	0	0	7,105
Total Revenues	<u>\$ 56,763</u>	<u>\$ 0</u>	<u>\$ 56,763</u>	<u>\$ 15,200</u>	<u>\$ 15,200</u>	<u>\$ 41,563</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 40,778	\$ (4,480)	\$ 36,298	\$ 38,800	\$ 46,800	\$ 10,502
Total Expenditures	<u>\$ 40,778</u>	<u>\$ (4,480)</u>	<u>\$ 36,298</u>	<u>\$ 38,800</u>	<u>\$ 46,800</u>	<u>\$ 10,502</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,985</u>	<u>\$ 4,480</u>	<u>\$ 20,465</u>	<u>\$ (23,600)</u>	<u>\$ (31,600)</u>	<u>\$ 52,065</u>
Net Change in Fund Balance	\$ 15,985	\$ 4,480	\$ 20,465	\$ (23,600)	\$ (31,600)	\$ 52,065
Fund Balance, July 1, 2014	<u>303,455</u>	<u>(4,480)</u>	<u>298,975</u>	<u>254,129</u>	<u>298,975</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 319,440</u>	<u>\$ 0</u>	<u>\$ 319,440</u>	<u>\$ 230,529</u>	<u>\$ 267,375</u>	<u>\$ 52,065</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,792,730	\$ 2,652,897	\$ 2,652,897	\$ 139,833
Total Revenues	\$ 2,792,730	\$ 2,652,897	\$ 2,652,897	\$ 139,833
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 556,900	\$ 328,000	\$ 556,900	\$ 0
Education	1,686,100	1,795,000	1,686,100	0
<u>Interest on Debt</u>				
General Government	236,290	205,692	241,462	5,172
Education	533,693	567,218	533,693	0
<u>Other Debt Service</u>				
General Government	40,051	40,000	50,000	9,949
Education	1,343	5,000	5,000	3,657
Total Expenditures	\$ 3,054,377	\$ 2,940,910	\$ 3,073,155	\$ 18,778
Excess (Deficiency) of Revenues Over Expenditures	\$ (261,647)	\$ (288,013)	\$ (420,258)	\$ 158,611
Net Change in Fund Balance	\$ (261,647)	\$ (288,013)	\$ (420,258)	\$ 158,611
Fund Balance, July 1, 2014	6,211,194	6,227,641	6,211,194	0
Fund Balance, June 30, 2015	\$ 5,949,547	\$ 5,939,628	\$ 5,790,936	\$ 158,611

Fiduciary Funds

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

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

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

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

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

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

Exhibit I-1

Lincoln County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Agency Funds					
	Cities - Sales Tax	City School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency	District Attorney General	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 19	\$ 1,531,096	\$ 0	\$ 1,531,115
Equity in Pooled Cash and Investments	0	97,410	289,885	0	85,880	473,175
Accounts Receivable	0	0	5,135	1,176	0	6,311
Due from Other Governments	436,131	231,246	4,467	0	0	671,844
Property Taxes Receivable	0	1,269,870	0	0	0	1,269,870
Allowance for Uncollectible Property Taxes	0	(15,491)	0	0	0	(15,491)
Total Assets	<u>\$ 436,131</u>	<u>\$ 1,583,035</u>	<u>\$ 299,506</u>	<u>\$ 1,532,272</u>	<u>\$ 85,880</u>	<u>\$ 3,936,824</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 4,995	\$ 0	\$ 0	\$ 4,995
Accrued Payroll	0	0	348	0	0	348
Due to Other Taxing Units	436,131	1,583,035	0	0	0	2,019,166
Due to Litigants, Heirs, and Others	0	0	0	1,532,272	85,880	1,618,152
Due to Joint Ventures	0	0	294,163	0	0	294,163
Total Liabilities	<u>\$ 436,131</u>	<u>\$ 1,583,035</u>	<u>\$ 299,506</u>	<u>\$ 1,532,272</u>	<u>\$ 85,880</u>	<u>\$ 3,936,824</u>

Exhibit I-2

Lincoln County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,396,494	\$ 2,396,494	\$ 0
Due from Other Governments	322,715	436,131	322,715	436,131
Total Assets	\$ 322,715	\$ 2,832,625	\$ 2,719,209	\$ 436,131
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 322,715	\$ 2,832,625	\$ 2,719,209	\$ 436,131
Total Liabilities	\$ 322,715	\$ 2,832,625	\$ 2,719,209	\$ 436,131
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 93,536	\$ 2,283,857	\$ 2,279,983	\$ 97,410
Due from Other Governments	202,535	231,246	202,535	231,246
Property Taxes Receivable	1,197,405	1,269,870	1,197,405	1,269,870
Allowance for Uncollectible Property Taxes	(24,696)	(15,491)	(24,696)	(15,491)
Total Assets	\$ 1,468,780	\$ 3,769,482	\$ 3,655,227	\$ 1,583,035
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,468,780	\$ 3,769,482	\$ 3,655,227	\$ 1,583,035
Total Liabilities	\$ 1,468,780	\$ 3,769,482	\$ 3,655,227	\$ 1,583,035
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 1,883	\$ 19	\$ 1,883	\$ 19
Equity in Pooled Cash and Investments	306,915	289,885	306,915	289,885
Accounts Receivable	7,438	5,135	7,438	5,135
Due from Other Governments	12,370	4,467	12,370	4,467
Total Assets	\$ 328,606	\$ 299,506	\$ 328,606	\$ 299,506
<u>Liabilities</u>				
Accounts Payable	\$ 4,755	\$ 4,995	\$ 4,755	\$ 4,995
Accrued Payroll	1,971	348	1,971	348
Due to Joint Ventures	321,880	294,163	321,880	294,163
Total Liabilities	\$ 328,606	\$ 299,506	\$ 328,606	\$ 299,506

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,028,789	\$ 9,789,166	\$ 10,286,859	\$ 1,531,096
Investments	89,083	0	89,083	0
Accounts Receivable	864	1,176	864	1,176
Total Assets	<u>\$ 2,118,736</u>	<u>\$ 9,790,342</u>	<u>\$ 10,376,806</u>	<u>\$ 1,532,272</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 2,118,736</u>	<u>\$ 9,790,342</u>	<u>\$ 10,376,806</u>	<u>\$ 1,532,272</u>
Total Liabilities	<u>\$ 2,118,736</u>	<u>\$ 9,790,342</u>	<u>\$ 10,376,806</u>	<u>\$ 1,532,272</u>
<u>District Attorney General Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	<u>\$ 88,039</u>	<u>\$ 13,577</u>	<u>\$ 15,736</u>	<u>\$ 85,880</u>
Total Assets	<u>\$ 88,039</u>	<u>\$ 13,577</u>	<u>\$ 15,736</u>	<u>\$ 85,880</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 88,039</u>	<u>\$ 13,577</u>	<u>\$ 15,736</u>	<u>\$ 85,880</u>
Total Liabilities	<u>\$ 88,039</u>	<u>\$ 13,577</u>	<u>\$ 15,736</u>	<u>\$ 85,880</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,030,672	\$ 9,789,185	\$ 10,288,742	\$ 1,531,115
Equity in Pooled Cash and Investments	488,490	4,983,813	4,999,128	473,175
Investments	89,083	0	89,083	0
Account Receivable	8,302	6,311	8,302	6,311
Due from Other Governments	537,620	671,844	537,620	671,844
Property Taxes Receivable	1,197,405	1,269,870	1,197,405	1,269,870
Allowance for Uncollectible Property Taxes	(24,696)	(15,491)	(24,696)	(15,491)
Total Assets	<u>\$ 4,326,876</u>	<u>\$ 16,705,532</u>	<u>\$ 17,095,584</u>	<u>\$ 3,936,824</u>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 4,755	\$ 4,995	\$ 4,755	\$ 4,995
Accrued Payroll	1,971	348	1,971	348
Due to Other Taxing Units	1,791,495	6,602,107	6,374,436	2,019,166
Due to Litigants, Heirs, and Others	2,206,775	9,803,919	10,392,542	1,618,152
Due to Joint Ventures	321,880	294,163	321,880	294,163
Total Liabilities	<u>\$ 4,326,876</u>	<u>\$ 16,705,532</u>	<u>\$ 17,095,584</u>	<u>\$ 3,936,824</u>

Lincoln County School Department

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

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

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

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

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

Exhibit J-1

Lincoln County, Tennessee
Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total
					Governmental Activities
Governmental Activities:					
Instruction	\$ 17,299,444	\$ 0	\$ 2,691,630	\$ 0	\$ (14,607,814)
Support Services	10,080,499	36,760	479,674	153,928	(9,410,137)
Operation of Non-instructional Services	4,665,633	799,939	1,398,176	0	(2,467,518)
Total Governmental Activities	\$ 32,045,576	\$ 836,699	\$ 4,569,480	\$ 153,928	\$ (26,485,469)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,334,734
Local Option Sales Tax					2,632,746
Wholesale Beer Tax					91,347
Other Local Taxes					2,382
Grants and Contributions Not Restricted to Specific Programs					21,012,575
Unrestricted Investment Earnings					592
Miscellaneous					61,446
Pension Income					61,857
Insurance Recovery					809,443
Total General Revenues					\$ 28,007,122
Extraordinary Item - See Note IV.C.					\$ 4,304,811
Change in Net Position					\$ 5,826,464
Net Position, July 1, 2014					29,237,996
Restatement - See Note I.D.9.					(4,614,986)
Net Position, June 30, 2015					\$ 30,449,474

Exhibit J-2

Lincoln County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Purpose</u>	<u>Govern- mental</u>	<u>Governmental</u>
	<u>School</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,021	\$ 1,021
Equity in Pooled Cash and Investments	5,803,471	628,824	6,432,295
Inventories	0	32,061	32,061
Accounts Receivable	966,217	16,368	982,585
Due from Other Governments	1,289,779	103,655	1,393,434
Due from Other Funds	0	25,753	25,753
Due from Primary Government	9,671	0	9,671
Property Taxes Receivable	3,417,940	0	3,417,940
Allowance for Uncollectible Property Taxes	(45,996)	0	(45,996)
Prepaid Items	571,089	0	571,089
Total Assets	<u>\$ 12,012,171</u>	<u>\$ 807,682</u>	<u>\$ 12,819,853</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 233,472	\$ 22,537	\$ 256,009
Accrued Payroll	806,669	105,788	912,457
Contracts Payable	965,237	0	965,237
Due to Other Funds	25,753	0	25,753
Total Liabilities	<u>\$ 2,031,131</u>	<u>\$ 128,325</u>	<u>\$ 2,159,456</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 3,301,507	\$ 0	\$ 3,301,507
Deferred Delinquent Property Taxes	63,561	0	63,561
Other Deferred/Unavailable Revenue	330,876	91,365	422,241
Total Deferred Inflows of Resources	<u>\$ 3,695,944</u>	<u>\$ 91,365</u>	<u>\$ 3,787,309</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 32,061	\$ 32,061
Prepaid Items	571,089	0	571,089
Restricted:			
Restricted for Instruction	106,445	0	106,445
Restricted for Operation of Non-instructional Services	0	415,273	415,273
Committed:			
Committed for Instruction	23,951	140,658	164,609
Assigned:			
Assigned for Instruction	31,619	0	31,619
Assigned for Support Services	468,092	0	468,092

(Continued)

Exhibit J-2

Lincoln County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lincoln County School Department (Cont.)

<u>Major Fund</u>	<u>Nonmajor Funds</u>	
General Purpose School	Other Govern- mental Funds	Total Governmental Funds

FUND BALANCES (CONT.)

Assigned (Cont.):			
Assigned for Operation of Non-instructional Services	\$ 751	\$ 0	\$ 751
Assigned for Capital Outlay	232,378	0	232,378
Unassigned	4,850,771	0	4,850,771
Total Fund Balances	<u>\$ 6,285,096</u>	<u>\$ 587,992</u>	<u>\$ 6,873,088</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,012,171</u>	<u>\$ 807,682</u>	<u>\$ 12,819,853</u>

Exhibit J-3

Lincoln County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Lincoln County School Department
June 30, 2015

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)		\$	6,873,088
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	957,984	
Add: buildings and improvements net of accumulated depreciation		22,257,870	
Add: other capital assets net of accumulated depreciation		<u>3,793,309</u>	27,009,163
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability	\$	(751,301)	
Less: compensated absences payable		<u>(32,289)</u>	(783,590)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	1,685,587	
Less: deferred inflows of resources related to pensions		<u>(6,362,656)</u>	(4,677,069)
(4) Net pension assets of the agent and cost-sharing plans are not current financial resources and therefore are not reported in the governmental funds.			1,542,080
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>485,802</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>30,449,474</u></u>

Exhibit J-4

Lincoln County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 6,090,793	\$ 0	\$ 6,090,793
Licenses and Permits	1,815	0	1,815
Charges for Current Services	47,114	789,585	836,699
Other Local Revenues	62,390	13,243	75,633
State of Tennessee	21,680,561	0	21,680,561
Federal Government	20,711	3,933,144	3,953,855
Other Governments and Citizens Groups	6,990	0	6,990
Total Revenues	<u>\$ 27,910,374</u>	<u>\$ 4,735,972</u>	<u>\$ 32,646,346</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 16,789,646	\$ 1,428,420	\$ 18,218,066
Support Services	8,809,697	1,195,334	10,005,031
Operation of Non-instructional Services	1,173,664	2,057,449	3,231,113
Capital Outlay	5,371,675	0	5,371,675
Total Expenditures	<u>\$ 32,144,682</u>	<u>\$ 4,681,203</u>	<u>\$ 36,825,885</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,234,308)</u>	<u>\$ 54,769</u>	<u>\$ (4,179,539)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 5,091,962	\$ 22,292	\$ 5,114,254
Total Other Financing Sources (Uses)	<u>\$ 5,091,962</u>	<u>\$ 22,292</u>	<u>\$ 5,114,254</u>
Net Change in Fund Balances	\$ 857,654	\$ 77,061	\$ 934,715
Fund Balance, July 1, 2014	<u>5,427,442</u>	<u>510,931</u>	<u>5,938,373</u>
Fund Balance, June 30, 2015	<u>\$ 6,285,096</u>	<u>\$ 587,992</u>	<u>\$ 6,873,088</u>

Exhibit J-5

Lincoln County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

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)		\$	934,715
(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	\$	5,398,777	
Less: current-year depreciation expense		<u>(1,673,172)</u>	3,725,605
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: assets donated and capitalized	\$	153,928	
Less: book value of capital assets disposed		<u>(367,754)</u>	(213,826)
(3) 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, 2015	\$	485,802	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(589,908)</u>	(104,106)
(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 compensated absences payable	\$	2,176	
Change in other postemployment benefits liability		1,903	
Change in net pension asset		6,157,066	
Change in deferred outflows for pensions		1,685,587	
Change in deferred inflows for pensions		<u>(6,362,656)</u>	1,484,076
Change in net position of governmental activities (Exhibit B)			<u>\$ 5,826,464</u>

Exhibit J-6

Lincoln County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,021	\$ 0	\$ 1,021
Equity in Pooled Cash and Investments	91,457	448,443	88,924	628,824
Inventories	0	32,061	0	32,061
Accounts Receivable	789	8,602	6,977	16,368
Due from Other Governments	103,655	0	0	103,655
Due from Other Funds	25,753	0	0	25,753
Total Assets	\$ 221,654	\$ 490,127	\$ 95,901	\$ 807,682
<u>LIABILITIES</u>				
Accounts Payable	\$ 16,377	\$ 5,078	\$ 1,082	\$ 22,537
Accrued Payroll	68,073	37,715	0	105,788
Total Liabilities	\$ 84,450	\$ 42,793	\$ 1,082	\$ 128,325
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Deferred/Unavailable Revenue	\$ 91,365	\$ 0	\$ 0	\$ 91,365
Total Deferred Inflows of Resources	\$ 91,365	\$ 0	\$ 0	\$ 91,365
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 32,061	\$ 0	\$ 32,061
Restricted:				
Restricted for Operation of Non-instructional Services	0	415,273	0	415,273
Committed:				
Committed for Instruction	45,839	0	94,819	140,658
Total Fund Balances	\$ 45,839	\$ 447,334	\$ 94,819	\$ 587,992
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 221,654	\$ 490,127	\$ 95,901	\$ 807,682

Exhibit J-7

Lincoln County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 678,466	\$ 111,119	\$ 789,585
Other Local Revenues	0	13,243	0	13,243
Federal Government	2,569,290	1,363,854	0	3,933,144
Total Revenues	<u>\$ 2,569,290</u>	<u>\$ 2,055,563</u>	<u>\$ 111,119</u>	<u>\$ 4,735,972</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 1,428,420	\$ 0	\$ 0	\$ 1,428,420
Support Services	1,195,334	0	0	1,195,334
Operation of Non-instructional Services	0	1,954,147	103,302	2,057,449
Total Expenditures	<u>\$ 2,623,754</u>	<u>\$ 1,954,147</u>	<u>\$ 103,302</u>	<u>\$ 4,681,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (54,464)</u>	<u>\$ 101,416</u>	<u>\$ 7,817</u>	<u>\$ 54,769</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 22,292	\$ 0	\$ 22,292
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 22,292</u>	<u>\$ 0</u>	<u>\$ 22,292</u>
Net Change in Fund Balances	\$ (54,464)	\$ 123,708	\$ 7,817	\$ 77,061
Fund Balance, July 1, 2014	100,303	323,626	87,002	510,931
Fund Balance, June 30, 2015	<u>\$ 45,839</u>	<u>\$ 447,334</u>	<u>\$ 94,819</u>	<u>\$ 587,992</u>

Exhibit J-8

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
General Purpose School Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,090,793	\$ 0	\$ 0	\$ 6,090,793	\$ 6,013,465	\$ 6,013,465	\$ 77,328
Licenses and Permits	1,815	0	0	1,815	1,900	1,900	(85)
Charges for Current Services	47,114	0	0	47,114	95,338	95,338	(48,224)
Other Local Revenues	62,390	0	0	62,390	26,551	55,342	7,048
State of Tennessee	21,680,561	0	0	21,680,561	20,155,874	21,512,144	168,417
Federal Government	20,711	0	0	20,711	0	20,711	0
Other Governments and Citizens Groups	6,990	0	0	6,990	10,703	10,703	(3,713)
Total Revenues	\$ 27,910,374	\$ 0	\$ 0	\$ 27,910,374	\$ 26,303,831	\$ 27,709,603	\$ 200,771
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 13,436,696	\$ (63,055)	\$ 18,249	\$ 13,391,890	\$ 14,340,911	\$ 14,443,169	\$ 1,051,279
Alternative Instruction Program	185,044	0	0	185,044	221,858	221,858	36,814
Special Education Program	1,944,465	0	11,470	1,955,935	1,971,387	1,985,125	29,190
Vocational Education Program	1,177,337	(1,741)	1,891	1,177,487	1,188,609	1,200,089	22,602
Student Body Education Program	46,104	0	0	46,104	101,338	101,338	55,234
<u>Support Services</u>							
Attendance	166,919	0	0	166,919	168,849	168,849	1,930
Health Services	231,092	0	0	231,092	238,280	238,280	7,188
Other Student Support	790,693	0	0	790,693	740,925	964,133	173,440
Regular Instruction Program	836,783	(3,223)	1,188	834,748	904,108	910,108	75,360
Special Education Program	76,336	0	8,834	85,170	85,194	85,751	581
Vocational Education Program	67,669	0	0	67,669	87,470	75,990	8,321
Other Programs	119,773	0	0	119,773	0	119,773	0
Board of Education	696,454	0	0	696,454	797,819	797,819	101,365
Director of Schools	284,168	0	0	284,168	314,188	318,028	33,860
Office of the Principal	1,378,203	0	0	1,378,203	1,372,432	1,412,173	33,970
Operation of Plant	1,979,343	0	341	1,979,684	2,273,009	2,273,009	293,325
Maintenance of Plant	801,755	(27,342)	21,842	796,255	800,434	823,151	26,896

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 1,380,509	\$ (177,407)	\$ 435,886	\$ 1,638,988	\$ 1,844,428	\$ 1,857,243	\$ 218,255
<u>Operation of Non-instructional Services</u>							
Food Service	54,641	0	0	54,641	55,378	55,378	737
Community Services	350,510	0	0	350,510	10,703	392,603	42,093
Early Childhood Education	768,513	(2,329)	2,051	768,235	157,679	845,330	77,095
<u>Capital Outlay</u>							
Regular Capital Outlay	5,371,675	(42,495)	231,088	5,560,268	970,000	6,026,713	466,445
Total Expenditures	\$ 32,144,682	\$ (317,592)	\$ 732,840	\$ 32,559,930	\$ 28,644,999	\$ 35,315,910	\$ 2,755,980
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,234,308)	\$ 317,592	\$ (732,840)	\$ (4,649,556)	\$ (2,341,168)	\$ (7,606,307)	\$ 2,956,751
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 5,091,962	\$ 0	\$ 0	\$ 5,091,962	\$ 0	\$ 5,076,080	\$ 15,882
Total Other Financing Sources	\$ 5,091,962	\$ 0	\$ 0	\$ 5,091,962	\$ 0	\$ 5,076,080	\$ 15,882
Net Change in Fund Balance	\$ 857,654	\$ 317,592	\$ (732,840)	\$ 442,406	\$ (2,341,168)	\$ (2,530,227)	\$ 2,972,633
Fund Balance, July 1, 2014	5,427,442	(317,592)	0	5,109,850	3,837,036	5,109,850	0
Fund Balance, June 30, 2015	\$ 6,285,096	\$ 0	\$ (732,840)	\$ 5,552,256	\$ 1,495,868	\$ 2,579,623	\$ 2,972,633

Exhibit J-9

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
School Federal Projects Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,569,290	\$ 0	\$ 0	\$ 2,569,290	\$ 2,938,170	\$ 3,077,085	\$ (507,795)
Total Revenues	\$ 2,569,290	\$ 0	\$ 0	\$ 2,569,290	\$ 2,938,170	\$ 3,077,085	\$ (507,795)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 810,462	\$ 0	\$ 0	\$ 810,462	\$ 911,536	\$ 913,253	\$ 102,791
Alternative Instruction Program	0	0	0	0	23,415	23,415	23,415
Special Education Program	573,337	0	0	573,337	635,779	630,659	57,322
Vocational Education Program	44,621	0	0	44,621	44,621	44,621	0
<u>Support Services</u>							
Other Student Support	33,485	0	0	33,485	43,093	43,293	9,808
Regular Instruction Program	921,309	(30,200)	5,909	897,018	1,133,749	1,132,657	235,639
Special Education Program	152,295	0	0	152,295	199,782	207,267	54,972
Vocational Education Program	1,500	0	0	1,500	1,500	1,500	0
Transportation	86,745	0	0	86,745	95,765	96,280	9,535
Total Expenditures	\$ 2,623,754	\$ (30,200)	\$ 5,909	\$ 2,599,463	\$ 3,089,240	\$ 3,092,945	\$ 493,482
Excess (Deficiency) of Revenues Over Expenditures	\$ (54,464)	\$ 30,200	\$ (5,909)	\$ (30,173)	\$ (151,070)	\$ (15,860)	\$ (14,313)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,138	\$ 15,860	\$ (15,860)
Transfers Out	0	0	0	0	(68)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 151,070	\$ 15,860	\$ (15,860)
Net Change in Fund Balance	\$ (54,464)	\$ 30,200	\$ (5,909)	\$ (30,173)	\$ 0	\$ 0	\$ (30,173)
Fund Balance, July 1, 2014	100,303	(30,200)	0	70,103	0	0	70,103
Fund Balance, June 30, 2015	\$ 45,839	\$ 0	\$ (5,909)	\$ 39,930	\$ 0	\$ 0	\$ 39,930

Exhibit J-10

Lincoln County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discretely Presented Lincoln County School Department
 Central Cafeteria Fund
 For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 678,466	\$ 0	\$ 0	\$ 678,466	\$ 740,500	\$ 740,500	\$ (62,034)
Other Local Revenues	13,243	0	0	13,243	1,650	1,650	11,593
Federal Government	1,363,854	0	0	1,363,854	1,240,000	1,383,332	(19,478)
Total Revenues	\$ 2,055,563	\$ 0	\$ 0	\$ 2,055,563	\$ 1,982,150	\$ 2,125,482	\$ (69,919)
<u>Expenditures</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 1,954,147	\$ (28,076)	\$ 36,466	\$ 1,962,537	\$ 2,189,962	\$ 2,351,977	\$ 389,440
Total Expenditures	\$ 1,954,147	\$ (28,076)	\$ 36,466	\$ 1,962,537	\$ 2,189,962	\$ 2,351,977	\$ 389,440
Excess (Deficiency) of Revenues Over Expenditures	\$ 101,416	\$ 28,076	\$ (36,466)	\$ 93,026	\$ (207,812)	\$ (226,495)	\$ 319,521
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 22,292	\$ 0	\$ 0	\$ 22,292	\$ 0	\$ 22,292	\$ 0
Total Other Financing Sources	\$ 22,292	\$ 0	\$ 0	\$ 22,292	\$ 0	\$ 22,292	\$ 0
Net Change in Fund Balance	\$ 123,708	\$ 28,076	\$ (36,466)	\$ 115,318	\$ (207,812)	\$ (204,203)	\$ 319,521
Fund Balance, July 1, 2014	323,626	(28,076)	0	295,550	268,243	295,550	0
Fund Balance, June 30, 2015	\$ 447,334	\$ 0	\$ (36,466)	\$ 410,868	\$ 60,431	\$ 91,347	\$ 319,521

Exhibit J-11

Lincoln County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lincoln County School Department
Extended School Program Fund
For the Year Ended June 30, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 111,119	\$ 0	\$ 111,119	\$ 104,360	\$ 104,360	\$ 6,759
Total Revenues	\$ 111,119	\$ 0	\$ 111,119	\$ 104,360	\$ 104,360	\$ 6,759
<u>Expenditures</u>						
<u>Operation of Non-instructional Services</u>						
Community Services	\$ 103,302	\$ (16,000)	\$ 87,302	\$ 104,360	\$ 116,360	\$ 29,058
Total Expenditures	\$ 103,302	\$ (16,000)	\$ 87,302	\$ 104,360	\$ 116,360	\$ 29,058
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,817	\$ 16,000	\$ 23,817	\$ 0	\$ (12,000)	\$ 35,817
Net Change in Fund Balance	\$ 7,817	\$ 16,000	\$ 23,817	\$ 0	\$ (12,000)	\$ 35,817
Fund Balance, July 1, 2014	87,002	(16,000)	71,002	74,361	71,002	0
Fund Balance, June 30, 2015	\$ 94,819	\$ 0	\$ 94,819	\$ 74,361	\$ 59,002	\$ 35,817

MISCELLANEOUS SCHEDULES

Exhibit K-1

Lincoln County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Courthouse HVAC System	\$ 391,000	2.545 %	10-13-10	9-18-14	\$ 178,000	\$ 0	\$ 178,000	\$ 0
Jail Renovations	1,000,000	2.195	4-14-15	4-1-27	0	1,000,000	0	1,000,000
Total Notes Payable					<u>\$ 178,000</u>	<u>\$ 1,000,000</u>	<u>\$ 178,000</u>	<u>\$ 1,000,000</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation School Refunding	14,765,000	4 to 5.25	8-1-01	4-1-21	\$ 9,045,000	\$ 0	\$ 1,495,000	\$ 7,550,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	2,350,000	0	300,000	2,050,000
General Obligation	7,000,000	3.25	3-6-14	6-1-34	6,750,000	0	270,000	6,480,000
Total Bonds Payable					<u>\$ 18,145,000</u>	<u>\$ 0</u>	<u>\$ 2,065,000</u>	<u>\$ 16,080,000</u>

Exhibit K-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2016	\$ 75,000	\$ 21,157	\$ 96,157
2017	80,000	20,304	100,304
2018	80,000	18,548	98,548
2019	80,000	16,792	96,792
2020	80,000	15,036	95,036
2021	80,000	13,280	93,280
2022	85,000	11,524	96,524
2023	85,000	9,658	94,658
2024	85,000	7,792	92,792
2025	90,000	5,926	95,926
2026	90,000	3,951	93,951
2027	90,000	1,975	91,975
Total	\$ 1,000,000	\$ 145,943	\$ 1,145,943

Year Ending June 30	Bonds		Total
	Principal	Interest	
2016	\$ 2,125,000	\$ 672,420	\$ 2,797,420
2017	2,240,000	573,725	2,813,725
2018	2,050,000	469,286	2,519,286
2019	2,010,000	375,021	2,385,021
2020	1,685,000	283,216	1,968,216
2021	1,170,000	208,768	1,378,768
2022	300,000	158,930	458,930
2023	310,000	149,930	459,930
2024	320,000	140,630	460,630
2025	330,000	131,030	461,030
2026	340,000	121,130	461,130
2027	350,000	110,930	460,930
2028	365,000	99,992	464,992
2029	375,000	88,313	463,313
2030	390,000	76,125	466,125
2031	405,000	62,963	467,963
2032	420,000	48,787	468,787
2033	440,000	33,562	473,562
2034	455,000	17,063	472,063
Total	\$ 16,080,000	\$ 3,821,821	\$ 19,901,821

Exhibit K-3

Lincoln County, Tennessee
Schedule of Notes Receivable
June 30, 2015

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Notes</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-15</u>
<u>Lincoln County Health System Fund</u> Advances to Physicians	Physicians	Varies	Varies	Varies	Varies	\$ 13,809

Exhibit K-4

Lincoln County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Peggy Bevels (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	\$ 13,060	\$ 50,000	RLI Insurance Company
William Newman (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	65,298	50,000	"
Highway Superintendent	Section 8-24-102, <i>TCA</i>	74,638	100,000	"
Director of Schools	State Board of Education and Local Board of Education	118,864 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i>	67,843	1,109,000	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,843	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	67,843	50,000	"
Circuit and General Sessions Courts Clerk:				
Gail Corder (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	11,307	100,000	"
Lisa Simmons (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	56,536	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and Chancery Judge	67,843	50,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	67,843	25,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	74,638 (2)	25,000	"
Director of Finance	County Commission	77,843 (3)	100,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - School Departments			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000 and a travel allowance of \$500 per month.

(2) Does not include law enforcement training supplement of \$600 for fiscal year 2013-14 and \$600 for fiscal year 2014-15.

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

Exhibit K-5

Lincoln County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2015

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,494,806	\$ 0	\$ 0	\$ 0	\$ 956,082	\$ 1,084,905
Trustee's Collections - Prior Year	116,164	0	0	0	24,625	30,057
Trustee's Collections - Bankruptcy	23,514	0	0	0	4,969	3,295
Circuit Clerk/Clerk and Master Collections - Prior Years	37,763	0	0	0	8,032	9,115
Interest and Penalty	22,778	0	0	0	5,091	1,543
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	224,406	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	505,696	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	348,383	0	0	0	0	807,425
Hotel/Motel Tax	129,183	0	0	0	0	0
Wheel Tax	189,308	0	0	0	1,223,219	771,793
Litigation Tax - General	86,405	0	0	0	0	0
Litigation Tax - Special Purpose	99,056	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	82,004
Litigation Tax - Courthouse Security	82,697	0	0	0	0	0
Business Tax	259,865	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	29,019	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	69,912	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	2,593
Total Local Taxes	\$ 6,692,669	\$ 0	\$ 0	\$ 0	\$ 2,251,037	\$ 2,792,730

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 94,927	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Other Permits	1,575	0	0	0	0	0
Total Licenses and Permits	\$ 96,502	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	7,567	0	0	0	0	0
Drug Control Fines	1,069	0	4,536	0	0	0
Jail Fees	1,850	0	0	0	0	0
DUI Treatment Fines	296	0	0	0	0	0
Data Entry Fee - Circuit Court	2,523	0	0	0	0	0
Courtroom Security Fee	12,498	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	23,039	0	0	0	0	0
Officers Costs	37,304	0	0	0	0	0
Game and Fish Fines	2,140	0	0	0	0	0
Drug Control Fines	7,770	0	16,332	0	0	0
Drug Court Fees	14,223	0	0	0	0	0
Jail Fees	36,693	0	0	0	0	0
Judicial Commissioner Fees	3,261	0	0	0	0	0
DUI Treatment Fines	10,843	0	0	0	0	0
Data Entry Fee - General Sessions Court	12,016	0	0	0	0	0
Courtroom Security Fee	7,148	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Officers Costs	\$ 220	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Chancery Court</u>						
Officers Costs	3,399	0	0	0	0	0
Data Entry Fee - Chancery Court	2,536	0	0	0	0	0
Courtroom Security Fee	21	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	17,619	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	28,443	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	347	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 205,172	\$ 0	\$ 49,658	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 60,101	\$ 0	\$ 0	\$ 0	\$ 0
Residential Waste Collection Charge	0	851,515	0	0	0	0
Patient Charges	6,079	0	0	0	0	0
<u>Fees</u>						
Copy Fees	3,268	0	0	0	0	0
Archives and Records Management Fee	1,970	0	0	0	0	0
Greenbelt Late Application Fee	50	0	0	0	0	0
Telephone Commissions	72,164	0	0	0	0	0
Vending Machine Collections	25,506	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	24	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Data Processing Fee - Register	\$ 10,230	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - Sheriff	3,446	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	6,400	0	0	0	0	0
Data Processing Fee - County Clerk	4,482	0	0	0	0	0
<u>Education Charges</u>						
Other Charges for Services	1,960	0	0	0	0	0
Total Charges for Current Services	\$ 135,555	\$ 911,616	\$ 0	\$ 24	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 29,612	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	95,413	0	0	0	0	0
Sale of Materials and Supplies	0	4,662	0	0	28,287	0
Commissary Sales	3,602	0	0	0	0	0
Miscellaneous Refunds	26,824	5,882	7,105	0	3,463	0
<u>Nonrecurring Items</u>						
Sale of Equipment	17,980	0	0	0	0	0
Total Other Local Revenues	\$ 173,431	\$ 10,544	\$ 7,105	\$ 0	\$ 31,750	\$ 0
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 455,378	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	121,273	0	0	0	0	0
General Sessions Court Clerk	227,337	0	0	0	0	0
Clerk and Master	112,984	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received From County Officials (Cont.)</u>						
<u>Fees In-Lieu-of Salary (Cont.)</u>						
Register	\$ 122,364	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sheriff	8,101	0	0	0	0	0
Trustee	366,974	0	0	0	0	0
Total Fees Received From County Officials	\$ 1,414,411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	18,600	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	335,997	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	305,724	0
Litter Program	42,267	0	0	0	0	0
<u>Other State Revenues</u>						
Vehicle Certificate of Title Fees	8,777	0	0	0	0	0
Alcoholic Beverage Tax	72,122	0	0	0	0	0
Contracted Prisoner Boarding	677,026	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,888,266	0
Petroleum Special Tax	0	0	0	0	24,071	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
State Shared Sales Tax - Cities	5,257	0	0	0	0	0
Other State Grants	186,274	20,859	0	0	0	0
Other State Revenues	38,194	0	0	0	0	0
Total State of Tennessee	\$ 1,408,678	\$ 20,859	\$ 0	\$ 0	\$ 2,218,061	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 56,944	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	20,763	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	9,530	0	0	0	0	0
Total Federal Government	<u>\$ 87,237</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Citizens Groups</u>						
Donations	\$ 1,065	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	<u>\$ 1,065</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 10,214,720</u>	<u>\$ 943,019</u>	<u>\$ 56,763</u>	<u>\$ 24</u>	<u>\$ 4,500,848</u>	<u>\$ 2,792,730</u>

(Continued)

Exhibit K-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 6,535,793
Trustee's Collections - Prior Year	0	170,846
Trustee's Collections - Bankruptcy	0	31,778
Circuit Clerk/Clerk and Master Collections - Prior Years	0	54,910
Interest and Penalty	0	29,412
Payments in-Lieu-of Taxes - T.V.A.	0	2,733
Payments in-Lieu-of Taxes - Local Utilities	0	224,406
Payments in-Lieu-of Taxes - Other	0	505,696
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	1,155,808
Hotel/Motel Tax	0	129,183
Wheel Tax	0	2,184,320
Litigation Tax - General	0	86,405
Litigation Tax - Special Purpose	0	99,056
Litigation Tax - Jail, Workhouse, or Courthouse	0	82,004
Litigation Tax - Courthouse Security	0	82,697
Business Tax	0	259,865
Mineral Severance Tax	0	29,019
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	69,912
Interstate Telecommunications Tax	0	2,593
Total Local Taxes	<u>\$ 0</u>	<u>\$ 11,736,436</u>

(Continued)

Exhibit K-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Cable TV Franchise	\$ 0	\$ 94,927
<u>Permits</u>		
Other Permits	0	1,575
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 96,502</u>
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 1,137
Officers Costs	0	7,567
Drug Control Fines	0	5,605
Jail Fees	0	1,850
DUI Treatment Fines	0	296
Data Entry Fee - Circuit Court	0	2,523
Courtroom Security Fee	0	12,498
<u>General Sessions Court</u>		
Fines	0	23,039
Officers Costs	0	37,304
Game and Fish Fines	0	2,140
Drug Control Fines	0	24,102
Drug Court Fees	0	14,223
Jail Fees	0	36,693
Judicial Commissioner Fees	0	3,261
DUI Treatment Fines	0	10,843
Data Entry Fee - General Sessions Court	0	12,016
Courtroom Security Fee	0	7,148

(Continued)

Exhibit K-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Juvenile Court</u>		
Officers Costs	\$ 0	\$ 220
<u>Chancery Court</u>		
Officers Costs	0	3,399
Data Entry Fee - Chancery Court	0	2,536
Courtroom Security Fee	0	21
<u>Other Courts - In-county</u>		
Fines	0	17,619
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	0	28,443
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0	347
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 254,830</u>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 60,101
Residential Waste Collection Charge	0	851,515
Patient Charges	0	6,079
<u>Fees</u>		
Copy Fees	0	3,268
Archives and Records Management Fee	0	1,970
Greenbelt Late Application Fee	0	50
Telephone Commissions	0	72,164
Vending Machine Collections	0	25,506
Constitutional Officers' Fees and Commissions	0	24

(Continued)

Exhibit K-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>		
<u>Fees (Cont.)</u>		
Data Processing Fee - Register	\$ 0	\$ 10,230
Data Processing Fee - Sheriff	0	3,446
Sexual Offender Registration Fee - Sheriff	0	6,400
Data Processing Fee - County Clerk	0	4,482
<u>Education Charges</u>		
Other Charges for Services	0	1,960
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 1,047,195</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 5,883	\$ 35,495
Lease/Rentals	0	95,413
Sale of Materials and Supplies	0	32,949
Commissary Sales	0	3,602
Miscellaneous Refunds	0	43,274
<u>Nonrecurring Items</u>		
Sale of Equipment	0	17,980
Total Other Local Revenues	<u>\$ 5,883</u>	<u>\$ 228,713</u>
<u>Fees Received From County Officials</u>		
<u>Fees In-Lieu-of Salary</u>		
County Clerk	\$ 0	\$ 455,378
Circuit Court Clerk	0	121,273
General Sessions Court Clerk	0	227,337
Clerk and Master	0	112,984

(Continued)

Exhibit K-5

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

	<u>Capital</u> <u>Projects Fund</u>	
	General Capital Projects	Total
<hr/>		
<u>Fees Received From County Officials (Cont.)</u>		
<u>Fees In-Lieu-of Salary (Cont.)</u>		
Register	\$ 0	\$ 122,364
Sheriff	0	8,101
Trustee	0	366,974
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 1,414,411</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 9,000
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	18,600
<u>Health and Welfare Grants</u>		
Health Department Programs	0	335,997
<u>Public Works Grants</u>		
State Aid Program	0	305,724
Litter Program	0	42,267
<u>Other State Revenues</u>		
Vehicle Certificate of Title Fees	0	8,777
Alcoholic Beverage Tax	0	72,122
Contracted Prisoner Boarding	0	677,026
Gasoline and Motor Fuel Tax	0	1,888,266
Petroleum Special Tax	0	24,071
Registrar's Salary Supplement	0	15,164
State Shared Sales Tax - Cities	0	5,257
Other State Grants	0	207,133
Other State Revenues	0	38,194
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 3,647,598</u>

(Continued)

Exhibit K-5

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

	<u>Capital Projects Fund</u>	
	General Capital Projects	Total
<hr/>		
<u>Federal Government</u>		
<u>Federal Through State</u>		
Homeland Security Grants	\$ 0	\$ 56,944
Other Federal through State	0	20,763
<u>Direct Federal Revenue</u>		
Other Direct Federal Revenue	0	9,530
Total Federal Government	<u>\$ 0</u>	<u>\$ 87,237</u>
<u>Other Governments and Citizens Groups</u>		
<u>Citizens Groups</u>		
Donations	\$ 0	\$ 1,065
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 1,065</u>
Total	<u>\$ 5,883</u>	<u>\$ 18,513,987</u>

Exhibit K-6

Lincoln County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	Extended School Program	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,205,892	\$ 0	\$ 0	\$ 0	\$ 3,205,892
Trustee's Collections - Prior Year	80,822	0	0	0	80,822
Trustee's Collections - Bankruptcy	20,341	0	0	0	20,341
Circuit Clerk/Clerk and Master Collections - Prior Years	26,862	0	0	0	26,862
Interest and Penalty	19,346	0	0	0	19,346
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,643,767	0	0	0	2,643,767
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	91,347	0	0	0	91,347
Interstate Telecommunications Tax	2,416	0	0	0	2,416
Total Local Taxes	\$ 6,090,793	\$ 0	\$ 0	\$ 0	\$ 6,090,793
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,815	\$ 0	\$ 0	\$ 0	\$ 1,815
Total Licenses and Permits	\$ 1,815	\$ 0	\$ 0	\$ 0	\$ 1,815
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 441,047	\$ 0	\$ 441,047
Lunch Payments - Adults	0	0	38,820	0	38,820
Income from Breakfast	0	0	140,767	0	140,767
Special Milk Sales	0	0	1,783	0	1,783
A la Carte Sales	0	0	56,049	0	56,049
Receipts from Individual Schools	36,760	0	0	0	36,760
Community Service Fees - Children	0	0	0	111,119	111,119
Other Charges for Services	10,354	0	0	0	10,354
Total Charges for Current Services	\$ 47,114	\$ 0	\$ 678,466	\$ 111,119	\$ 836,699

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	Extended School Program	
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 592	\$ 0	\$ 592
Sale of Materials and Supplies	645	0	0	0	645
Sale of Recycled Materials	291	0	0	0	291
E-Rate Funding	26,478	0	0	0	26,478
Miscellaneous Refunds	34,576	0	12,651	0	47,227
<u>Nonrecurring Items</u>					
Sale of Equipment	400	0	0	0	400
Total Other Local Revenues	\$ 62,390	\$ 0	\$ 13,243	\$ 0	\$ 75,633
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 119,773	\$ 0	\$ 0	\$ 0	\$ 119,773
<u>State Education Funds</u>					
Basic Education Program	19,062,142	0	0	0	19,062,142
Early Childhood Education	901,552	0	0	0	901,552
School Food Service	19,516	0	0	0	19,516
Driver Education	20,492	0	0	0	20,492
Other State Education Funds	477,583	0	0	0	477,583
Career Ladder Program	115,393	0	0	0	115,393
Career Ladder - Extended Contract	33,520	0	0	0	33,520
<u>Other State Revenues</u>					
Income Tax	115,566	0	0	0	115,566
Beer Tax	13,326	0	0	0	13,326
Alcoholic Beverage Tax	170	0	0	0	170
State Revenue Sharing - T.V.A.	801,528	0	0	0	801,528
Total State of Tennessee	\$ 21,680,561	\$ 0	\$ 0	\$ 0	\$ 21,680,561

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria	Extended School Program	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 921,058	\$ 0	\$ 921,058
USDA - Commodities Breakfast	0	0	143,332	0	143,332
	0	0	299,464	0	299,464
Vocational Education - Basic Grants to States	0	58,121	0	0	58,121
Title I Grants to Local Education Agencies	0	833,482	0	0	833,482
Special Education - Grants to States	0	809,434	0	0	809,434
Special Education Preschool Grants	0	43,593	0	0	43,593
English Language Acquisition Grants	0	28,531	0	0	28,531
Rural Education	0	30,150	0	0	30,150
Eisenhower Professional Development State Grants	0	120,926	0	0	120,926
Race-to-the-Top - ARRA	0	35,712	0	0	35,712
Other Federal through State	20,711	609,341	0	0	630,052
Total Federal Government	\$ 20,711	\$ 2,569,290	\$ 1,363,854	\$ 0	\$ 3,953,855
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 6,990	\$ 0	\$ 0	\$ 0	\$ 6,990
Total Other Governments and Citizens Groups	\$ 6,990	\$ 0	\$ 0	\$ 0	\$ 6,990
Total	\$ 27,910,374	\$ 2,569,290	\$ 2,055,563	\$ 111,119	\$ 32,646,346

Exhibit K-7

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	102,491	
Social Security		6,200	
Employer Medicare		1,486	
Contributions		9,670	
Dues and Memberships		2,367	
Legal Notices, Recording, and Court Costs		4,193	
Postal Charges		1,202	
Travel		8,485	
Other Charges		1,158	
Total County Commission			\$ 137,252

County Mayor/Executive

County Official/Administrative Officer	\$	78,358	
Secretary(ies)		20,305	
Clerical Personnel		27,324	
Other Salaries and Wages		3,271	
Social Security		7,593	
State Retirement		3,403	
Medical Insurance		7,164	
Employer Medicare		1,781	
Communication		1,990	
Dues and Memberships		2,398	
Legal Notices, Recording, and Court Costs		671	
Maintenance and Repair Services - Office Equipment		410	
Postal Charges		605	
Travel		3,854	
Duplicating Supplies		1,508	
Office Supplies		3,155	
Periodicals		832	
In Service/Staff Development		1,095	
Total County Mayor/Executive			165,717

County Attorney

County Official/Administrative Officer	\$	26,103	
Social Security		1,618	
Employer Medicare		378	
Other Contracted Services		10,361	
Other Charges		1,500	
Total County Attorney			39,960

Election Commission

County Official/Administrative Officer	\$	61,059	
Deputy(ies)		51,973	
Election Commission		12,879	
Election Workers		68,988	
Social Security		7,858	
State Retirement		3,697	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Medical Insurance	\$	7,164	
Employer Medicare		1,838	
Communication		5,080	
Data Processing Services		4,752	
Legal Notices, Recording, and Court Costs		11,738	
Maintenance Agreements		7,785	
Maintenance and Repair Services - Office Equipment		130	
Postal Charges		3,468	
Printing, Stationery, and Forms		10,085	
Other Contracted Services		22,068	
Duplicating Supplies		1,008	
Office Supplies		1,994	
Other Supplies and Materials		3,869	
In Service/Staff Development		9,231	
Total Election Commission			\$ 296,664

Register of Deeds

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		53,819	
Social Security		7,393	
State Retirement		3,861	
Medical Insurance		18,805	
Employer Medicare		1,729	
Communication		1,630	
Data Processing Services		10,722	
Dues and Memberships		653	
Postal Charges		552	
Duplicating Supplies		1,260	
Office Supplies		4,708	
In Service/Staff Development		1,889	
Total Register of Deeds			174,864

Planning

Board and Committee Members Fees	\$	5,461	
Contracts with Government Agencies		19,913	
Total Planning			25,374

County Buildings

Custodial Personnel	\$	11,849	
Social Security		735	
Employer Medicare		172	
Communication		6,122	
Consultants		1,500	
Janitorial Services		85,526	
Maintenance and Repair Services - Buildings		37,466	
Maintenance and Repair Services - Equipment		36,360	
Pest Control		864	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Disposal Fees	\$	1,200	
Custodial Supplies		10,198	
Electricity		83,122	
Natural Gas		13,313	
Water and Sewer		3,360	
Building and Contents Insurance		330,476	
Land		1,789	
Other Construction		41,454	
Other Capital Outlay		92	
Total County Buildings			\$ 665,598

Preservation of Records

Board and Committee Members Fees	\$	4,500	
Social Security		279	
Employer Medicare		65	
Other Contracted Services		8,650	
Office Supplies		82	
Other Supplies and Materials		4,400	
Office Equipment		1,067	
Total Preservation of Records			19,043

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	67,843	
Accountants/Bookkeepers		156,176	
Social Security		12,596	
State Retirement		7,213	
Medical Insurance		37,609	
Employer Medicare		2,946	
Communication		3,966	
Contracts with Government Agencies		10,008	
Data Processing Services		11,900	
Dues and Memberships		1,115	
Legal Notices, Recording, and Court Costs		2,276	
Maintenance Agreements		1,878	
Maintenance and Repair Services - Office Equipment		60	
Postal Charges		5,137	
Printing, Stationery, and Forms		3,658	
Travel		653	
Duplicating Supplies		1,695	
Office Supplies		4,456	
Other Supplies and Materials		1,424	
In Service/Staff Development		778	
Total Accounting and Budgeting			333,387

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
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(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Deputy(ies)	\$	43,046	
Other Salaries and Wages		23,373	
Board and Committee Members Fees		3,438	
Social Security		8,174	
State Retirement		4,018	
Medical Insurance		19,103	
Employer Medicare		1,912	
Communication		1,244	
Contracts with Government Agencies		6,275	
Contracts with Private Agencies		2,100	
Data Processing Services		3,000	
Dues and Memberships		1,750	
Legal Notices, Recording, and Court Costs		472	
Maintenance Agreements		100	
Postal Charges		1,808	
Travel		1,650	
Duplicating Supplies		2,830	
Gasoline		1,234	
Office Supplies		1,115	
In Service/Staff Development		1,927	
Total Property Assessor's Office			\$ 196,412

Reappraisal Program

Secretary(ies)	\$	29,265	
Other Salaries and Wages		31,799	
Social Security		3,636	
State Retirement		1,966	
Medical Insurance		14,328	
Employer Medicare		850	
Contracts with Government Agencies		3,253	
Total Reappraisal Program			85,097

County Trustee's Office

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		53,073	
Other Salaries and Wages		16,377	
Social Security		7,245	
State Retirement		3,893	
Medical Insurance		14,327	
Employer Medicare		1,908	
Communication		1,811	
Contracts with Government Agencies		8,390	
Data Processing Services		9,000	
Dues and Memberships		773	
Legal Notices, Recording, and Court Costs		90	
Maintenance Agreements		2,735	
Maintenance and Repair Services - Office Equipment		500	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Postal Charges	\$	7,220	
Duplicating Supplies		934	
Office Supplies		5,243	
In Service/Staff Development		2,735	
Office Equipment		485	
Total County Trustee's Office			\$ 204,582

County Clerk's Office

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		98,053	
Social Security		10,103	
State Retirement		5,342	
Medical Insurance		21,491	
Employer Medicare		2,363	
Communication		1,133	
Data Processing Services		7,183	
Dues and Memberships		678	
Maintenance Agreements		5,529	
Postal Charges		5,516	
Printing, Stationery, and Forms		337	
Duplicating Supplies		753	
Office Supplies		825	
In Service/Staff Development		1,755	
Other Charges		2,264	
Office Equipment		5,263	
Total County Clerk's Office			236,431

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	67,843	
Clerical Personnel		249,107	
Other Salaries and Wages		1,913	
Jury and Witness Expense		2,758	
Social Security		19,439	
State Retirement		8,808	
Medical Insurance		40,296	
Employer Medicare		4,546	
Communication		4,520	
Contracts with Private Agencies		1,750	
Data Processing Services		12,975	
Dues and Memberships		370	
Legal Notices, Recording, and Court Costs		674	
Maintenance Agreements		15,002	
Maintenance and Repair Services - Office Equipment		575	
Postal Charges		3,479	
Printing, Stationery, and Forms		4,876	
Duplicating Supplies		2,194	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$	8,455	
In Service/Staff Development		4,038	
Office Equipment		734	
Total Circuit Court			\$ 454,352

General Sessions Court

Judge(s)	\$	135,203	
Social Security		7,316	
State Retirement		4,353	
Medical Insurance		7,164	
Employer Medicare		1,862	
Communication		1,650	
Travel		2,360	
Office Supplies		690	
Total General Sessions Court			160,598

Chancery Court

County Official/Administrative Officer	\$	67,843	
Deputy(ies)		111,199	
Other Salaries and Wages		3,788	
Jury and Witness Expense		1,726	
Social Security		11,024	
State Retirement		5,816	
Medical Insurance		28,655	
Employer Medicare		2,596	
Communication		1,814	
Data Processing Services		7,725	
Dues and Memberships		718	
Legal Notices, Recording, and Court Costs		2,162	
Maintenance Agreements		357	
Postal Charges		1,707	
Printing, Stationery, and Forms		1,318	
Duplicating Supplies		1,419	
Office Supplies		3,784	
In Service/Staff Development		3,879	
Total Chancery Court			257,530

Juvenile Court

Assistant(s)	\$	38,786	
Youth Service Officer(s)		36,653	
Guidance Personnel		1,296	
Salary Supplements		10,000	
Other Salaries and Wages		18,599	
Social Security		6,432	
State Retirement		3,350	
Medical Insurance		7,164	
Employer Medicare		1,504	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication	\$	2,396	
Postal Charges		115	
Travel		3,248	
Other Contracted Services		16,124	
Office Supplies		2,598	
Other Charges		3,153	
Total Juvenile Court			\$ 151,418

Judicial Commissioners

Other Salaries and Wages	\$	30,134	
Social Security		1,868	
Employer Medicare		437	
Communication		142	
In Service/Staff Development		571	
Total Judicial Commissioners			33,152

Courtroom Security

Deputy(ies)	\$	35,833	
Overtime Pay		3,048	
Social Security		2,317	
State Retirement		1,252	
Medical Insurance		7,164	
Employer Medicare		542	
Maintenance and Repair Services - Buildings		2,353	
Other Contracted Services		3,603	
Communication Equipment		23,292	
Total Courtroom Security			79,404

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,638	
Assistant(s)		47,483	
Deputy(ies)		471,975	
Investigator(s)		165,079	
Captain(s)		46,869	
Lieutenant(s)		46,575	
Sergeant(s)		190,097	
Accountants/Bookkeepers		30,915	
Salary Supplements		18,600	
Part-time Personnel		29,397	
School Resource Officer		26,712	
Overtime Pay		57,421	
Other Salaries and Wages		6,200	
Social Security		78,088	
State Retirement		38,711	
Medical Insurance		156,448	
Employer Medicare		18,262	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication	\$	32,901	
Contracts with Government Agencies		307,720	
Dues and Memberships		3,031	
Maintenance and Repair Services - Equipment		1,186	
Maintenance and Repair Services - Office Equipment		1,525	
Maintenance and Repair Services - Vehicles		41,793	
Medical and Dental Services		27,846	
Postal Charges		2,771	
Towing Services		865	
Travel		2,092	
Duplicating Supplies		1,647	
Gasoline		113,007	
Law Enforcement Supplies		13,885	
Office Supplies		5,628	
Uniforms		12,774	
Other Supplies and Materials		1,284	
In Service/Staff Development		5,784	
Other Charges		3,026	
Communication Equipment		1,454	
Motor Vehicles		157,426	
Office Equipment		698	
Total Sheriff's Department			\$ 2,241,813

Special Patrols

Overtime Pay	\$	15,974	
Social Security		969	
State Retirement		500	
Employer Medicare		227	
Total Special Patrols			17,670

Jail

Supervisor/Director	\$	45,315	
Lieutenant(s)		34,157	
Sergeant(s)		135,434	
Guards		619,563	
Cafeteria Personnel		59,566	
Maintenance Personnel		41,721	
Overtime Pay		49,112	
Social Security		59,105	
State Retirement		27,477	
Medical Insurance		157,177	
Employer Medicare		13,823	
Communication		5,234	
Data Processing Services		11,073	
Legal Services		1,137	
Maintenance and Repair Services - Buildings		20,983	
Maintenance and Repair Services - Equipment		20,734	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Vehicles	\$	9,149	
Medical and Dental Services		181,448	
Pest Control		960	
Postal Charges		1,997	
Transportation - Other than Students		2,728	
Disposal Fees		1,920	
Custodial Supplies		48,802	
Drugs and Medical Supplies		28,966	
Duplicating Supplies		1,129	
Electricity		58,611	
Food Supplies		226,438	
Gasoline		15,267	
Natural Gas		15,263	
Office Supplies		6,561	
Prisoners Clothing		7,094	
Uniforms		13,570	
Water and Sewer		57,894	
Other Supplies and Materials		5,771	
In Service/Staff Development		4,230	
Other Charges		410	
Communication Equipment		1,296	
Maintenance Equipment		709	
Office Equipment		1,820	
Total Jail			\$ 1,993,644

Fire Prevention and Control

Contributions	\$	80,789	
Dues and Memberships		315	
Maintenance and Repair Services - Buildings		11,370	
Maintenance and Repair Services - Equipment		9,558	
Maintenance and Repair Services - Vehicles		22,586	
Postal Charges		98	
Electricity		19,536	
Gasoline		17,828	
Natural Gas		14,785	
Office Supplies		958	
Uniforms		25,032	
Water and Sewer		3,521	
Other Supplies and Materials		6,672	
Liability Insurance		4,005	
In Service/Staff Development		5,088	
Other Capital Outlay		33,583	
Total Fire Prevention and Control			255,724

Civil Defense

Supervisor/Director	\$	44,862	
Deputy(ies)		35,741	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Part-time Personnel	\$	23,319	
Social Security		6,368	
State Retirement		2,595	
Medical Insurance		7,164	
Employer Medicare		1,489	
Communication		3,234	
Data Processing Services		13,180	
Dues and Memberships		185	
Maintenance and Repair Services - Buildings		423	
Maintenance and Repair Services - Equipment		871	
Maintenance and Repair Services - Office Equipment		775	
Maintenance and Repair Services - Vehicles		6,361	
Pest Control		168	
Postal Charges		187	
Travel		3,275	
Custodial Supplies		244	
Duplicating Supplies		1,381	
Electricity		4,468	
Gasoline		4,404	
Natural Gas		2,585	
Office Supplies		966	
Road Signs		450	
Uniforms		360	
Water and Sewer		1,294	
Other Supplies and Materials		1,080	
In Service/Staff Development		1,605	
Other Charges		454	
Office Equipment		2,932	
Other Capital Outlay		12,751	
Total Civil Defense			\$ 185,171

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	271,723
Social Security		16,603
State Retirement		6,187
Medical Insurance		27,163
Employer Medicare		3,883
Communication		3,730
Contracts with Government Agencies		40,000
Janitorial Services		45,949
Maintenance and Repair Services - Equipment		6,738
Pest Control		216
Travel		9,300
Disposal Fees		480
Electricity		7,978
Natural Gas		1,545

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$	901	
Water and Sewer		2,992	
Other Supplies and Materials		1,842	
In Service/Staff Development		200	
Other Charges		21,295	
Total Local Health Center			\$ 468,725

Maternal and Child Health Services

Contracts with Other Public Agencies	\$	22,875	
Total Maternal and Child Health Services			22,875

Other Local Welfare Services

Contracts with Other Public Agencies	\$	9,158	
Other Charges		169,827	
Total Other Local Welfare Services			178,985

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries and Wages		28,027	
Social Security		1,773	
State Retirement		941	
Medical Insurance		5,074	
Employer Medicare		415	
Contracts with Private Agencies		66,088	
Instructional Supplies and Materials		4,356	
Other Charges		7,580	
Total Sanitation Management			115,454

Social, Cultural, and Recreational Services

Adult Activities

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

Libraries

Contracts with Other Public Agencies	\$	30,000	
Contributions		91,096	
Total Libraries			121,096

Parks and Fair Boards

Contributions	\$	16,000	
Total Parks and Fair Boards			16,000

Agriculture and Natural Resources

Agricultural Extension Service

Board and Committee Members Fees	\$	800	
Communication		1,130	
Contracts with Other Public Agencies		77,905	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Travel	\$	2,000	
Duplicating Supplies		1,392	
Office Supplies		487	
Office Equipment		2,000	
Total Agricultural Extension Service			\$ 85,714

Forest Service

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

Soil Conservation

Secretary(ies)	\$	20,919	
Other Salaries and Wages		24,922	
Social Security		2,723	
State Retirement		1,212	
Medical Insurance		14,626	
Employer Medicare		637	
Other Charges		2,113	
Total Soil Conservation			67,152

Other Operations

Industrial Development

Contracts with Government Agencies	\$	44,167	
Contracts with Other Public Agencies		55,231	
Contributions		90,000	
Total Industrial Development			189,398

Other Economic and Community Development

Contracts with Government Agencies	\$	45,217	
Contracts with Other Public Agencies		43,307	
Contributions		278,248	
Total Other Economic and Community Development			366,772

Airport

Airport Improvement	\$	10,000	
Total Airport			10,000

Veterans' Services

Clerical Personnel	\$	12,405	
Part-time Personnel		1,365	
Social Security		854	
Employer Medicare		200	
Communication		824	
Postal Charges		49	
Travel		216	
Gasoline		3,595	
Office Supplies		37	
Total Veterans' Services			19,545

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

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

Miscellaneous

Unemployment Compensation	\$ 13,087	
Communication	784	
Dues and Memberships	6,278	
Medical and Dental Services	9,325	
Premiums on Corporate Surety Bonds	16,590	
Trustee's Commission	121,538	
Workers' Compensation Insurance	181,261	
Other Charges	12,821	
Total Miscellaneous		<u>361,684</u>

Total General Fund \$ 10,455,507

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$ 28,812	
Total Sanitation Management		\$ 28,812

Convenience Centers

Part-time Personnel	\$ 48,703	
Social Security	3,020	
Employer Medicare	706	
Communication	4,876	
Contracts with Other Public Agencies	73,085	
Maintenance and Repair Services - Equipment	5,329	
Electricity	3,925	
Water and Sewer	665	
Other Supplies and Materials	657	
Other Capital Outlay	7,860	
Total Convenience Centers		148,826

Other Waste Disposal

County Official/Administrative Officer	\$ 10,000
Clerical Personnel	28,801
Social Security	2,346
State Retirement	1,249
Medical Insurance	7,164
Employer Medicare	549
Contracts with Government Agencies	103,922
Contracts with Other Public Agencies	416,340
Legal Services	1,082
Travel	105
Disposal Fees	50,270

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Trustee's Commission	\$	7,847	
Other Charges		2,365	
Administration Equipment		5,855	
Total Other Waste Disposal			\$ 637,895

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$	50,813	
Total Postclosure Care Costs			50,813

Total Solid Waste/Sanitation Fund \$ 866,346

Drug Control Fund

Public Safety

Drug Enforcement

Contributions	\$	8,000	
Confidential Drug Enforcement Payments		10,000	
Towing Services		1,375	
Other Contracted Services		2,400	
Animal Food and Supplies		949	
Law Enforcement Supplies		14,200	
Trustee's Commission		889	
In Service/Staff Development		2,661	
Other Charges		304	
Total Drug Enforcement			\$ 40,778

Total Drug Control Fund 40,778

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Bank Charges	\$	24	
Total County Clerk's Office			\$ 24

Total Constitutional Officers - Fees Fund 24

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	74,638	
Assistant(s)		44,904	
Accountants/Bookkeepers		39,919	
Longevity Pay		1,000	
Overtime Pay		498	
Social Security		10,055	
State Retirement		5,183	
Medical Insurance		7,164	
Employer Medicare		2,352	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	2,783	
Dues and Memberships		4,192	
Janitorial Services		2,400	
Legal Services		542	
Legal Notices, Recording, and Court Costs		459	
Maintenance and Repair Services - Office Equipment		700	
Postal Charges		507	
Travel		2,681	
Electricity		4,675	
Office Supplies		522	
Water and Sewer		265	
Total Administration			\$ 205,439

Highway and Bridge Maintenance

Foremen	\$	105,273	
Equipment Operators		177,152	
Truck Drivers		173,092	
Laborers		77,741	
Longevity Pay		7,500	
Overtime Pay		1,074	
Social Security		32,750	
State Retirement		15,432	
Medical Insurance		93,332	
Employer Medicare		7,659	
Other Contracted Services		56,647	
Asphalt - Hot Mix		937,718	
Crushed Stone		90,640	
General Construction Materials		919	
Pipe - Metal		58,300	
Road Signs		20,221	
Total Highway and Bridge Maintenance			1,855,450

Operation and Maintenance of Equipment

Mechanic(s)	\$	71,745	
Longevity Pay		1,000	
Overtime Pay		688	
Social Security		4,511	
State Retirement		2,365	
Medical Insurance		8,620	
Employer Medicare		1,055	
Laundry Service		1,310	
Maintenance and Repair Services - Equipment		46,879	
Diesel Fuel		176,178	
Equipment and Machinery Parts		143,086	
Garage Supplies		7,896	
Gasoline		32,689	
Lubricants		12,104	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Propane Gas	\$	2,075	
Tires and Tubes		62,883	
Other Supplies and Materials		1,611	
Total Operation and Maintenance of Equipment			\$ 576,695

Quarry Operations

Foremen	\$	37,432	
Equipment Operators		55,456	
Truck Drivers		27,943	
Longevity Pay		2,000	
Overtime Pay		7	
Social Security		7,499	
State Retirement		3,466	
Medical Insurance		11,661	
Employer Medicare		1,754	
Explosive and Drilling Services		26,304	
Maintenance and Repair Services - Equipment		10,722	
Electricity		31,183	
Water and Sewer		1,624	
In Service/Staff Development		1,069	
Total Quarry Operations			218,120

Other Charges

Electricity	\$	537	
Trustee's Commission		51,567	
Vehicle and Equipment Insurance		68,723	
Total Other Charges			120,827

Employee Benefits

Unemployment Compensation	\$	2,431	
Workers' Compensation Insurance		87,016	
Total Employee Benefits			89,447

Capital Outlay

Engineering Services	\$	45,245	
Bridge Construction		253,461	
Highway Equipment		286,770	
Total Capital Outlay			585,476

Total Highway/Public Works Fund \$ 3,651,454

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	378,900	
Principal on Notes		178,000	
Total General Government			\$ 556,900

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Bonds	\$ 1,686,100	
Total Education		\$ 1,686,100

Interest on Debt

General Government

Interest on Bonds	\$ 234,405	
Interest on Notes	1,885	
Total General Government		236,290

Education

Interest on Bonds	\$ 533,693	
Total Education		533,693

Other Debt Service

General Government

Trustee's Commission	\$ 40,051	
Total General Government		40,051

Education

Other Debt Issuance Charges	\$ 1,343	
Total Education		1,343

Total General Debt Service Fund		\$ 3,054,377
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General Capital Projects Fund

Capital Projects

Public Safety Projects

Electricity	\$ 12,504	
Trustee's Commission	57	
Other Debt Issuance Charges	16,415	
Other Construction	4,029,389	
Total Public Safety Projects		\$ 4,058,365

Total General Capital Projects Fund		<u>4,058,365</u>
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Total Governmental Funds - Primary Government		<u>\$ 22,126,851</u>
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Exhibit K-8

Lincoln County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lincoln County School Department
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,053,613	
Career Ladder Program	65,875	
Career Ladder Extended Contracts	30,000	
Educational Assistants	329,978	
Other Salaries and Wages	1,316	
Certified Substitute Teachers	18,505	
Non-certified Substitute Teachers	88,443	
Social Security	565,022	
State Retirement	835,502	
Employee and Dependent Insurance	47,047	
Medical Insurance	1,096,997	
Unemployment Compensation	9,918	
Employer Medicare	132,542	
Data Processing Services	179,121	
Operating Lease Payments	248,215	
Maintenance and Repair Services - Equipment	51,917	
Other Contracted Services	8,848	
Instructional Supplies and Materials	86,497	
Textbooks	233,460	
Other Supplies and Materials	73,699	
Fee Waivers	45,995	
Other Charges	30,612	
Furniture and Fixtures	25,000	
Regular Instruction Equipment	178,574	
Total Regular Instruction Program		\$ 13,436,696

Alternative Instruction Program

Teachers	\$ 148,714	
Career Ladder Program	1,500	
Social Security	7,656	
State Retirement	11,529	
Medical Insurance	13,526	
Employer Medicare	2,119	
Total Alternative Instruction Program		185,044

Special Education Program

Teachers	\$ 839,635	
Career Ladder Program	7,000	
Educational Assistants	423,584	
Speech Pathologist	125,066	
Other Salaries and Wages	2,455	
Certified Substitute Teachers	2,008	
Non-certified Substitute Teachers	32,721	
Social Security	83,559	
State Retirement	98,953	
Employee and Dependent Insurance	62,863	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$ 146,665	
Employer Medicare	19,544	
Contracts with Other Public Agencies	61,067	
Contracts with Private Agencies	14,200	
Instructional Supplies and Materials	18,593	
Other Supplies and Materials	3,899	
Special Education Equipment	2,653	
Total Special Education Program		\$ 1,944,465

Vocational Education Program

Teachers	\$ 791,095	
Career Ladder Program	4,000	
Certified Substitute Teachers	962	
Non-certified Substitute Teachers	2,061	
Social Security	47,234	
State Retirement	71,863	
Medical Insurance	92,444	
Employer Medicare	11,047	
Maintenance and Repair Services - Equipment	9,754	
Instructional Supplies and Materials	50,523	
Other Charges	29,934	
Vocational Instruction Equipment	66,420	
Total Vocational Education Program		1,177,337

Student Body Education Program

Other Salaries and Wages	\$ 36,922	
Social Security	2,115	
State Retirement	1,350	
Employer Medicare	525	
Other Charges	5,192	
Total Student Body Education Program		46,104

Support Services

Attendance

Supervisor/Director	\$ 73,220	
Career Ladder Program	1,000	
Other Salaries and Wages	40,245	
Social Security	7,043	
State Retirement	8,005	
Medical Insurance	5,622	
Employer Medicare	1,647	
Travel	4,282	
Other Contracted Services	25,855	
Total Attendance		166,919

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	197,132	
Social Security		12,083	
State Retirement		6,129	
Employee and Dependent Insurance		10,939	
Employer Medicare		2,826	
Drugs and Medical Supplies		1,983	
Total Health Services	\$		231,092

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		407,054	
Social Workers		17,000	
Clerical Personnel		18,673	
School Resource Officer		57,069	
Other Salaries and Wages		63,323	
In-service Training		950	
Social Security		29,931	
State Retirement		44,184	
Employee and Dependent Insurance		5,469	
Medical Insurance		65,879	
Employer Medicare		7,000	
Evaluation and Testing		27,192	
Postal Charges		500	
Travel		10,145	
Other Supplies and Materials		19,987	
Other Charges		5,450	
Other Equipment		6,887	
Total Other Student Support			790,693

Regular Instruction Program

Supervisor/Director	\$	133,693	
Career Ladder Program		2,917	
Librarians		316,087	
Instructional Computer Personnel		85,516	
Other Salaries and Wages		44,899	
In-service Training		2,858	
Social Security		35,240	
State Retirement		50,347	
Employee and Dependent Insurance		5,469	
Medical Insurance		55,812	
Employer Medicare		8,242	
Travel		10,240	
Instructional Supplies and Materials		3,700	
Library Books/Media		12,888	
In Service/Staff Development		30,212	
Other Charges		38,663	
Total Regular Instruction Program			836,783

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	55,249	
Clerical Personnel		5,096	
Social Security		3,632	
State Retirement		5,159	
Employer Medicare		849	
Travel		3,978	
Other Supplies and Materials		796	
In Service/Staff Development		1,577	
Total Special Education Program			\$ 76,336

Vocational Education Program

Supervisor/Director	\$	26,202	
Career Ladder Program		1,000	
Clerical Personnel		15,658	
Social Security		971	
State Retirement		504	
Employer Medicare		621	
Travel		15,968	
In Service/Staff Development		1,518	
Other Charges		5,227	
Total Vocational Education Program			67,669

Other Programs

On-behalf Payments to OPEB	\$	119,773	
Total Other Programs			119,773

Board of Education

Secretary to Board	\$	1,000	
Board and Committee Members Fees		34,164	
Social Security		1,959	
State Retirement		32	
Employer Medicare		510	
Audit Services		10,800	
Dues and Memberships		8,112	
Legal Services		9,251	
Travel		608	
Liability Insurance		275,687	
Trustee's Commission		116,893	
Workers' Compensation Insurance		213,824	
Criminal Investigation of Applicants - TBI		4,288	
Other Charges		19,326	
Total Board of Education			696,454

Director of Schools

County Official/Administrative Officer	\$	118,864	
Secretary(ies)		83,611	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Other Salaries and Wages	\$	4,476	
Social Security		12,820	
State Retirement		14,385	
Employee and Dependent Insurance		5,469	
Medical Insurance		5,878	
Employer Medicare		3,060	
Communication		23,086	
Postal Charges		221	
Travel		6,175	
Office Supplies		4,236	
Administration Equipment		1,887	
Total Director of Schools			\$ 284,168

Office of the Principal

Assistant(s)	\$	197,245	
Principals		535,566	
Career Ladder Program		8,000	
Clerical Personnel		255,478	
Social Security		59,439	
State Retirement		74,406	
Employee and Dependent Insurance		33,728	
Medical Insurance		60,666	
Employer Medicare		13,901	
Communication		16,018	
Contributions		46,500	
Travel		4,826	
Duplicating Supplies		72,430	
Total Office of the Principal			1,378,203

Operation of Plant

Custodial Personnel	\$	441,114	
Social Security		26,273	
State Retirement		12,436	
Employee and Dependent Insurance		80,894	
Employer Medicare		6,145	
Other Contracted Services		11,386	
Custodial Supplies		82,082	
Electricity		1,024,780	
Natural Gas		178,657	
Water and Sewer		81,245	
Other Charges		34,331	
Total Operation of Plant			1,979,343

Maintenance of Plant

Supervisor/Director	\$	68,824	
Maintenance Personnel		161,753	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Salaries and Wages	\$	169,769	
Social Security		23,945	
State Retirement		16,458	
Employee and Dependent Insurance		34,084	
Medical Insurance		15,916	
Employer Medicare		5,600	
Maintenance and Repair Services - Buildings		100,715	
Maintenance and Repair Services - Equipment		110,546	
General Construction Materials		23,621	
Other Supplies and Materials		28,416	
Other Charges		19,411	
Heating and Air Conditioning Equipment		22,697	
Total Maintenance of Plant			\$ 801,755

Transportation

Supervisor/Director	\$	71,592	
Mechanic(s)		56,281	
Bus Drivers		506,366	
Secretary(ies)		26,991	
Other Salaries and Wages		26,448	
Social Security		38,568	
State Retirement		23,219	
Employee and Dependent Insurance		55,606	
Medical Insurance		624	
Employer Medicare		9,848	
Communication		2,202	
Medical and Dental Services		7,955	
Gasoline		236,228	
Lubricants		6,964	
Tires and Tubes		23,109	
Vehicle Parts		73,034	
Other Supplies and Materials		12,454	
Other Charges		9,780	
Motor Vehicles		12,000	
Transportation Equipment		181,240	
Total Transportation			1,380,509

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	35,445	
Social Security		2,166	
State Retirement		3,204	
Medical Insurance		2,867	
Employer Medicare		507	
Maintenance and Repair Services - Equipment		880	
Travel		3,845	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Other Contracted Services	\$	1,500	
Other Supplies and Materials		1,756	
In Service/Staff Development		650	
Other Charges		1,821	
Total Food Service			\$ 54,641

Community Services

Teachers	\$	186,656	
Educational Assistants		40,436	
Other Salaries and Wages		37,083	
Social Security		16,020	
State Retirement		18,053	
Employer Medicare		3,828	
Maintenance and Repair Services - Equipment		226	
Travel		2,598	
Other Supplies and Materials		33,846	
In Service/Staff Development		6,673	
Other Charges		1,659	
Other Equipment		3,432	
Total Community Services			350,510

Early Childhood Education

Supervisor/Director	\$	57,762	
Teachers		360,446	
Medical Personnel		6,809	
Educational Assistants		142,730	
Certified Substitute Teachers		798	
Non-certified Substitute Teachers		8,280	
Social Security		34,485	
State Retirement		42,027	
Employee and Dependent Insurance		21,878	
Medical Insurance		47,838	
Employer Medicare		8,073	
Travel		6,720	
Instructional Supplies and Materials		19,316	
Textbooks		1,205	
Other Supplies and Materials		72	
Other Equipment		10,074	
Total Early Childhood Education			768,513

Capital Outlay

Regular Capital Outlay

Regular Instruction Equipment	\$	232,175	
Transportation Equipment		90,417	
Other Construction		4,994,900	
Other Capital Outlay		54,183	
Total Regular Capital Outlay			5,371,675

Total General Purpose School Fund \$ 32,144,682

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	485,513	
Educational Assistants		50,789	
Other Salaries and Wages		1,100	
Certified Substitute Teachers		275	
Non-certified Substitute Teachers		3,681	
Social Security		31,199	
State Retirement		45,349	
Medical Insurance		90,439	
Employer Medicare		7,299	
Other Contracted Services		13,300	
Instructional Supplies and Materials		15,607	
Other Supplies and Materials		1,567	
Other Charges		311	
Regular Instruction Equipment		64,033	
Total Regular Instruction Program			\$ 810,462

Special Education Program

Educational Assistants	\$	318,996	
Speech Pathologist		94,033	
Social Security		23,818	
State Retirement		18,102	
Medical Insurance		48,231	
Employer Medicare		5,697	
Contracts with Private Agencies		48,600	
Instructional Supplies and Materials		3,730	
Special Education Equipment		12,130	
Total Special Education Program			573,337

Vocational Education Program

Maintenance and Repair Services - Equipment	\$	2,000	
Other Supplies and Materials		8,000	
Vocational Instruction Equipment		34,621	
Total Vocational Education Program			44,621

Support Services

Other Student Support

Evaluation and Testing	\$	8,462	
Travel		8,000	
Other Supplies and Materials		4,514	
In Service/Staff Development		4,079	
Other Charges		8,430	
Total Other Student Support			33,485

Regular Instruction Program

Supervisor/Director	\$	146,708	
Other Salaries and Wages		528,001	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Social Security	\$	40,348	
State Retirement		60,601	
Medical Insurance		14,392	
Employer Medicare		9,502	
Travel		10,453	
Other Contracted Services		26,881	
Other Supplies and Materials		3,218	
In Service/Staff Development		79,889	
Other Equipment		1,316	
Total Regular Instruction Program			\$ 921,309

Special Education Program

Supervisor/Director	\$	11,050	
Clerical Personnel		20,384	
Social Security		1,511	
State Retirement		1,655	
Medical Insurance		5,469	
Employer Medicare		353	
Travel		1,782	
Other Contracted Services		104,584	
In Service/Staff Development		5,507	
Total Special Education Program			152,295

Vocational Education Program

Travel	\$	1,000	
Other Charges		500	
Total Vocational Education Program			1,500

Transportation

Bus Drivers	\$	52,760	
Other Salaries and Wages		18,390	
Social Security		4,332	
State Retirement		1,702	
Medical Insurance		5,469	
Employer Medicare		1,013	
Contracts with Parents		3,079	
Total Transportation			86,745

Total School Federal Projects Fund \$ 2,623,754

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	35,445	
Cafeteria Personnel		615,739	
Other Salaries and Wages		10,046	

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$	37,650	
State Retirement		20,344	
Employee and Dependent Insurance		108,022	
Medical Insurance		2,811	
Employer Medicare		9,045	
Communication		1,414	
Contracts with Private Agencies		78,077	
Dues and Memberships		4,861	
Maintenance and Repair Services - Equipment		32,707	
Other Contracted Services		19,029	
Custodial Supplies		28,520	
Food Preparation Supplies		37,542	
Food Supplies		695,709	
Office Supplies		2,268	
Uniforms		1,012	
USDA - Commodities		143,332	
Refunds		976	
Trustee's Commission		6	
Workers' Compensation Insurance		18,100	
In Service/Staff Development		3,987	
Other Charges		17,480	
Food Service Equipment		30,025	
Total Food Service			\$ 1,954,147

Total Central Cafeteria Fund \$ 1,954,147

Extended School Program Fund

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	4,620	
Other Salaries and Wages		64,230	
Social Security		4,221	
State Retirement		3,976	
Employer Medicare		998	
Trustee's Commission		1,129	
Other Charges		7,621	
Other Equipment		16,507	
Total Community Services			\$ 103,302

Total Extended School Program Fund 103,302

Total Governmental Funds - Lincoln County School Department \$ 36,825,885

Exhibit K-9

Lincoln County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,190,842	\$ 1,190,842
Trustee's Collections - Prior Years	0	29,300	29,300
Trustee's Collections - Bankruptcy	0	6,270	6,270
Circuit/Clerk and Master Collections - Prior Years	0	10,080	10,080
Interest and Penalty	0	7,188	7,188
Local Option Sales Tax	2,396,494	973,861	3,370,355
Wholesale Beer Tax	0	33,939	33,939
Interstate Telecommunications Tax	0	857	857
Marriage Licenses	0	674	674
Income Tax	0	25,996	25,996
Beer Tax	0	4,729	4,729
Mixed Drink Tax	0	121	121
Total Cash Receipts	<u>\$ 2,396,494</u>	<u>\$ 2,283,857</u>	<u>\$ 4,680,351</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,396,494	\$ 2,254,817	\$ 4,651,311
Trustee's Commission	0	25,166	25,166
Total Cash Disbursements	<u>\$ 2,396,494</u>	<u>\$ 2,279,983</u>	<u>\$ 4,676,477</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 3,874	\$ 3,874
Cash Balance, July 1, 2014	0	93,536	93,536
Cash Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 97,410</u>	<u>\$ 97,410</u>

Exhibit K-10

Lincoln County, Tennessee
Schedule of Utility Rates and Number of Customers
Lincoln County Board of Public Utilities
June 30, 2015

Meter Type	Number of Customers	Gallons	Rate
Residential and Commercial	8,968	First 1,000	\$ 24.99 minimum
		Next 4,000	4.14 per 1,000 gallons
		Over 5,000	4.17 per 1,000 gallons
Multi-User (Total 431 units. Rates are based on usage per each unit.)	431	First 1,000	21.44 minimum
		Next 4,000	4.14 per 1,000 gallons
		Over 5,000	4.17 per 1,000 gallons

Other Charges

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

Lincoln County, Tennessee
 Schedule of Water Reporting
 Lincoln County Board of Public Utilities
 For the Year Ended June 30, 2015

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
 American Water Works Association
 Copyright © 2014, All Rights Reserved.

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Lincoln County Board of Public Utilities (TN0000884 & TN0000764)**

Reporting Year: 2015

7/2014 - 6/2015

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

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

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

<----- Enter grading in column 'E' and 'J' ----->

WATER SUPPLIED

Volume from own sources:	+	?	9	732.613	MG/Yr
Water imported:	+	?	9	134.985	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

WATER SUPPLIED: 867.598 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	6	446.684	MG/Yr
Billed unmetered:	+	?	n/a	0.000	MG/Yr
Unbilled metered:	+	?	10	2.768	MG/Yr
Unbilled unmetered:	+	?	?	10.845	MG/Yr

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

AUTHORIZED CONSUMPTION: 460.297 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

407.300

 MG/Yr

Master Meter and Supply Error Adjustments

+	?	2	0.00%	●	○		MG/Yr
+	?	3	0.00%	●	○		MG/Yr
+	?	?		●	○		MG/Yr

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

Click here: ? for help using option buttons below

Use buttons to select percentage of water supplied OR value

Pcnt:	1.25%	●	○		MG/Yr
Pcnt:	0.25%	●	○		MG/Yr
Pcnt:	9.00%	●	○		MG/Yr
Pcnt:	0.25%	●	○		MG/Yr

Apparent Losses

Unauthorized consumption:	+	?	?	2.169	MG/Yr
---------------------------	---	---	---	-------	-------

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

Customer metering inaccuracies:	+	?	3	44.451	MG/Yr
Systematic data handling errors:	+	?	?	1.117	MG/Yr

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

Apparent Losses: 47.737 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?	?	?	359.563	MG/Yr
---	---	---	---	---------	-------

WATER LOSSES: 407.300 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?	?	?	420.913	MG/Yr
--------------------	---	---	---	---------	-------

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+	?	7	736.0	miles
Number of <u>active AND inactive</u> service connections:	+	?	8	8,887	
Service connection density:	?	?	?	12	conn./mile main

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

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

Average operating pressure:	+	?	2	75.0	psi
-----------------------------	---	---	---	------	-----

COST DATA

Total annual cost of operating water system:	+	?	10	\$4,407,167	\$/Year
Customer retail unit cost (applied to Apparent Losses):	+	?	8	\$4.28	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	+	?	6	\$1,700.00	\$/Million gallons <input type="checkbox"/> Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 75 out of 100 ***

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

PRIORITY AREAS FOR ATTENTION:

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

1: Customer metering inaccuracies

2: Billed metered

3: Variable production cost (applied to Real Losses)

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Lincoln County, Tennessee
 Schedule of Water Reporting
 Lincoln County Board of Public Utilities (Cont.)

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved.
Water Audit Report for: Lincoln County Board of Public Utilities (TN0000884 & TN0000764)		
Reporting Year: 2015 7/2014 - 6/2015		
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 75 out of 100 ***		
System Attributes:		
	Apparent Losses:	47.737 MG/Yr
	+ Real Losses:	359.563 MG/Yr
	= Water Losses:	407.300 MG/Yr
?	Unavoidable Annual Real Losses (UARL):	145.49 MG/Yr
	Annual cost of Apparent Losses:	\$204,315
	Annual cost of Real Losses:	\$611,258 Valued at Variable Production Cost Return to Reporting Worksheet to change this assumption
Performance Indicators:		
Financial:	Non-revenue water as percent by volume of Water Supplied:	48.5%
	Non-revenue water as percent by cost of operating system:	19.0% Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	14.72 gallons/connection/day
	Real Losses per service connection per day:	N/A gallons/connection/day
	Real Losses per length of main per day*:	1,338.46 gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	359.56 million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.47
* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline		

SINGLE AUDIT SECTION



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

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated January 27, 2016. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County Health System (Business-type activity), the Lincoln County Board of Public Utilities (Business-type activity), and the discretely presented Lincoln County Emergency Communications District, as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2015-001.

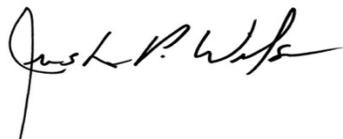
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 27, 2016

JPW/sb



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

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Lincoln County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lincoln County's major federal programs for the year ended June 30, 2015, except as follows. Other auditors have audited the compliance of the county with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities, ARRA (CFDA No. 10.781) for the year ended June 30, 2015. Lincoln County's major federal programs, including the grant audited by other auditors of \$1,066,467, are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards

generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

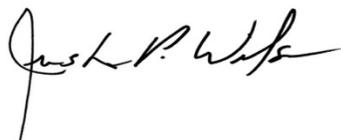
deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements. We issued our report thereon dated January 27, 2016, 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

January 27, 2016

JPW/sb

Lincoln County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities, Recovery Act	10.781	N/A	\$ 1,066,467
Environmental Quality Incentives Program	10.912	N/A	8,910
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	299,464
National School Lunch Program	10.555	(2)	921,058 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	143,332 (3)
Total U.S. Department of Agriculture			<u>\$ 2,439,231</u>
U.S. Department of Justice:			
Direct Program:			
State Criminal Alien Assistance Program	16.606	N/A	\$ 578
Total U.S. Department of Justice			<u>\$ 578</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 13,769
Total U.S. Department of Transportation			<u>\$ 13,769</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 833,320
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	774,854
Special Education - Preschool Grants	84.173	N/A	43,592
Career and Technical Education - Basic Grants to States	84.048	N/A	58,121
Safe and Drug-free Schools and Communities National Programs	84.184	(2)	14,307
Rural Education	84.358	(2)	30,150
Improving Teacher Quality State Grants	84.367	N/A	120,926
Teacher Incentive Fund	84.374	(2)	700,706
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	33,554
Passed-through City of Tullahoma School Department:			
English Language Acquisition State Grants	84.365	N/A	28,531
Total U.S. Department of Education			<u>\$ 2,638,061</u>
National Archives and Records Administration:			
Passed-through State Department of State:			
National Historical Publications and Records Grant	89.003	30504-01115-13	\$ 1,400
Total National Archives and Records Administration			<u>\$ 1,400</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101-07815	\$ 49,850
Homeland Security Grant Program	97.067	34101-21915	7,094
Total U.S. Department of Homeland Security			<u>\$ 56,944</u>
Total Expenditures of Federal Awards			<u>\$ 5,149,983</u>

(Continued)

Lincoln County, Tennessee

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Health Department Programs - State Department of Health	N/A	(2)	\$ 339,444
Early Childhood Education - State Department of Education	N/A	(2)	677,588
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	299,799
ConnectTN - State Department of Education	N/A	(2)	11,281
Coordinated School Health - State Department of Education	N/A	(2)	103,874
Family Resource Center - State Department of Education	N/A	(2)	29,612
Teacher Leader District Grant - State Department of Education	N/A	(2)	6,000
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	23,071
2013 Rebuild and Recover Disaster Program - State Housing and Development Agency	N/A	(2)	169,827
Class 1 Old Closed Landfill Grant - State Department of Environment and Conservation	N/A	(2)	24,693
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	4,155
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	1,440
FastTrack Economic Development Grant - State Economic and Community Development	N/A	(2)	113,965
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	13,500
Litter Program - State Department of Transportation	N/A	(2)	40,432
Litter Removal Grant - State Department of Transportation	N/A	(2)	24,671
Archives Development Grant - Tennessee Secretary of State	N/A	(2)	<u>3,000</u>
Total State Grants			<u>\$ 1,886,352</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$1,064,390.

Lincoln County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is a finding from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2014, which has not been corrected.

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-004	197	Duties were not segregated adequately

LINCOLN COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Lincoln County is unmodified.
2. The audit of the financial statements of Lincoln County disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Water and Waste Disposal Systems for Rural Communities, Recovery Act (CFDA No. 10.781), and the Teacher Incentive Fund (CFDA No. 84.374) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lincoln County did not qualify as a low-risk auditee.

PART II, A FINDING RELATED TO THE FINANCIAL STATEMENTS

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

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

FINDING 2015-001

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the official and employees in the Offices of Circuit and General Sessions Courts Clerk, Register of Deeds, and Sheriff. Employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists due to management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal awards.

LINCOLN COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015

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