

ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
Auditor 4

SHERRIE GILL, CFE
KINSLEY HAYES
JACOB KENNEDY, CISA
State Auditors

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

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

Annual Financial Report
Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF METROPOLITAN MAYOR

- ◆ The office had purchasing deficiencies.
 - ◆ General ledger payroll liability accounts were not reconciled with payroll reports and payments.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Federal Projects fund had a cash overdraft of \$12,242 at June 30, 2015.
-

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ The office had deficiencies in computer system backup procedures.
-

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

- ◆ Duties were not segregated adequately.

METROPOLITAN COUNCIL

- ◆ The metropolitan council's audit committee is not a functioning committee.

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials

June 30, 2015

Officials

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

Metropolitan Council

Coleman March, Chairman	
Amy Cashion	Wayne Rhoton
Parks Norman	Gordon Millsaps
Tommy Brown	Shawn Adams
Wayne Hawkins	Marty Copeland
Patrick Maynard	Glenn Searcy
Arvis Bobo	Denning Harder
David Boyce	Anthony Brandon

Board of Education

Lorrie McKenzie, Chairman	
Jammie Cashion	Richard Riddle
Ed Cashion	Ronnie Smith

Audit Committee

Gordon Millsaps, Chairman	Coleman March
Wayne Hawkins	Tommy Brown
David Boyce	

FINANCIAL SECTION



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

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 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 Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets, net position, and revenues of the business-type activities and is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District, which represent 8.5 percent, 11.5 percent, and 8 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions on the financial statements, insofar as they

relate to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department and the discretely presented Moore County Emergency Communications District, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of June 30, 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., the metropolitan government 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.10. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$166,993

and Moore County School Department's (a discretely presented component unit) net position by \$1,316,936 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 96-103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the metropolitan government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining

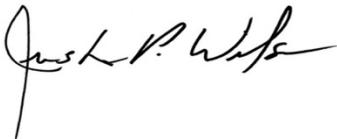
and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the metropolitan government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the metropolitan government's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 23, 2015

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Metropolitan School Department	Emergency Communications District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 475	\$ 558,515	\$ 558,990	\$ 2,087	\$ 618,258
Equity in Pooled Cash and Investments	3,944,430	0	3,944,430	1,537,530	0
Inventories	0	57,386	57,386	5,612	0
Accounts Receivable	175,852	74,842	250,694	0	0
Allowance for Uncollectibles	(8,806)	(1,309)	(10,115)	0	0
Prepaid Items	0	30,973	30,973	0	7,477
Other Receivables	0	500	500	0	300
Due from Other Governments	376,730	0	376,730	232,377	0
Unbilled Charges for Services	0	80,245	80,245	0	0
Net Pension Asset	0	0	0	319,302	0
Property Taxes Receivable	2,765,779	0	2,765,779	2,648,380	0
Allowance for Uncollectible Property Taxes	(64,213)	0	(64,213)	(62,576)	0
Restricted Assets:					
Customer Deposits	0	520	520	0	0
Revenue Bond Future Debt Service Account	0	50,184	50,184	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	393,779	92,459	486,238	39,342	183,314
Construction in Progress	88,639	130,431	219,070	102,245	468,197
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,255,247	0	1,255,247	11,463,496	0
Other Capital Assets	911,750	11,964,647	12,876,397	645,028	294,572
Infrastructure	2,280,246	0	2,280,246	0	0
Total Assets	\$ 12,119,908	\$ 13,039,393	\$ 25,159,301	\$ 16,932,823	\$ 1,572,118
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Pension Changes in Contributions after Measurement Date	\$ 57,406	\$ 0	\$ 57,406	\$ 375,832	\$ 0
Pension Changes in Experience	6,724	0	6,724	38,792	0
Total Deferred Outflows of Resources	\$ 64,130	\$ 0	\$ 64,130	\$ 414,624	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Metropolitan School Department	Emergency Communications District
<u>LIABILITIES</u>					
Accounts Payable	\$ 11,275	\$ 74,923	\$ 86,198	\$ 111,061	\$ 1,393
Accrued Payroll	4,011	21,679	25,690	0	0
Payroll Deductions Payable	16,732	0	16,732	309,903	0
Cash Overdraft	0	0	0	12,242	0
Contracts Payable	16,208	0	16,208	0	0
Accrued Interest Payable	0	6,489	6,489	0	0
Other Current Liabilities	0	27,083	27,083	0	0
Due to State of Tennessee	117	0	117	0	0
Accrued Leave - Current	0	17,916	17,916	0	0
Noncurrent Liabilities:					
Due Within One Year	417,969	117,496	535,465	17,888	0
Due in More Than One Year (net of unamortized loan costs)	8,761,872	5,194,869	13,956,741	627,104	0
Total Liabilities	\$ 9,228,184	\$ 5,460,455	\$ 14,688,639	\$ 1,078,198	\$ 1,393
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 2,655,020	\$ 0	\$ 2,655,020	\$ 2,542,316	\$ 0
Pension Changes in Experience	0	0	0	53,438	0
Pension Changes in Investment Earnings	85,114	0	85,114	1,543,389	0
Pension Other	0	0	0	31,186	0
Total Deferred Inflows of Resources	\$ 2,740,134	\$ 0	\$ 2,740,134	\$ 4,170,329	\$ 0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Metropolitan School Department	Emergency Communications District
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$ 3,452,324	\$ 6,875,172	\$ 10,327,496	\$ 12,250,111	\$ 946,083
Restricted for:					
Finance	4,999	0	4,999	0	0
Administration of Justice	5,388	0	5,388	0	0
Public Safety	61,896	0	61,896	0	0
Public Health and Welfare	270,143	0	270,143	0	0
Debt Service	887,263	50,184	937,447	0	0
Highway/Public Works	834,387	0	834,387	0	0
Other Operations	25,072	0	25,072	0	0
Education	0	0	0	455,374	0
Other Purposes	16,331	0	16,331	0	0
Capital Projects	115,185	0	115,185	0	0
Unrestricted	(5,457,268)	653,582	(4,803,686)	(606,565)	624,642
Total Net Position	\$ 215,720	\$ 7,578,938	\$ 7,794,658	\$ 12,098,920	\$ 1,570,725

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Activities
 For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Metropolitan School Department	Emergency Communications District
					Governmental Activities	Business-type Activities	Total		
Primary Government:									
Governmental Activities:									
General Government	\$ 585,193	\$ 50,596	\$ 15,164	\$ 0	\$ (519,433)	\$ 0	\$ (519,433)	\$ 0	\$ 0
Finance	290,248	215,699	0	0	(74,549)	0	(74,549)	0	0
Administration of Justice	295,994	74,730	9,000	0	(212,264)	0	(212,264)	0	0
Public Safety	1,691,415	111,091	113,487	0	(1,466,837)	0	(1,466,837)	0	0
Public Health and Welfare	973,735	404,806	129,052	0	(439,877)	0	(439,877)	0	0
Social, Cultural, and Recreational Services	271,232	11,945	44,248	0	(215,039)	0	(215,039)	0	0
Agriculture and Natural Resources	89,307	0	0	0	(89,307)	0	(89,307)	0	0
Highways/Public Works	1,208,512	0	1,243,227	20,215	54,930	0	54,930	0	0
Interest on Long-term Debt	29,464	0	0	149,955	120,491	0	120,491	0	0
Education	52,375	0	0	0	(52,375)	0	(52,375)	0	0
Total Governmental Activities	\$ 5,487,475	\$ 868,867	\$ 1,554,178	\$ 170,170	\$ (2,894,260)	\$ 0	\$ (2,894,260)	\$ 0	\$ 0
Business-type Activities:									
Water and Sewer Department	\$ 1,788,225	\$ 1,769,338	\$ 31,516	\$ 0	\$ 0	\$ 12,629	\$ 12,629	\$ 0	\$ 0
Total Business-type Activities	\$ 1,788,225	\$ 1,769,338	\$ 31,516	\$ 0	\$ 0	\$ 12,629	\$ 12,629	\$ 0	\$ 0
Total Primary Government	\$ 7,275,700	\$ 2,638,205	\$ 1,585,694	\$ 170,170	\$ (2,894,260)	\$ 12,629	\$ (2,881,631)	\$ 0	\$ 0
Component Units:									
Metropolitan School Department	\$ 8,745,659	\$ 264,186	\$ 808,069	\$ 55,000	\$ 0	\$ 0	\$ 0	\$ (7,618,404)	\$ 0
Emergency Communications District	147,065	173,113	0	0	0	0	0	0	26,048
Total Component Units	\$ 8,892,724	\$ 437,299	\$ 808,069	\$ 55,000	\$ 0	\$ 0	\$ 0	\$ (7,618,404)	\$ 26,048

(Continued)

Exhibit B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District	
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					\$ 2,481,136	\$ 0	\$ 2,481,136	\$ 2,720,834	\$ 0	
Property Taxes Levied for Debt Service					361,968	0	361,968	0	0	
Local Option Sales Tax					406,203	0	406,203	406,204	0	
Wholesale Beer Tax					80,256	0	80,256	0	0	
Business Tax					27,728	0	27,728	0	0	
Litigation Tax - Jail, Workhouse, & Courthouse					15,504	0	15,504	0	0	
Litigation Tax - General					12,864	0	12,864	0	0	
Other Local Taxes					7,249	0	7,249	554	0	
Grants and Contributions Not Restricted to Specific Programs					519,242	0	519,242	4,901,023	623,100	
Unrestricted Investment Income					22,787	2,415	25,202	77	1,669	
Miscellaneous					25,610	0	25,610	22,090	0	
Pension Income					0	0	0	47,017	0	
Gain on Sale of Capital Assets					12,577	0	12,577	0	450	
Total General Revenues					\$ 3,973,124	\$ 2,415	\$ 3,975,539	\$ 8,097,799	\$ 625,219	
Transfers					\$ 4,648	\$ (4,648)	\$ 0	\$ 0	\$ 0	
Change in Net Position					\$ 1,083,512	\$ 10,396	\$ 1,093,908	\$ 479,395	\$ 651,267	
Net Position, July 1, 2014					(700,799)	7,568,542	6,867,743	12,936,461	919,458	
Restatement - See Note I.D.10					(166,993)	0	(166,993)	(1,316,936)	0	
Net Position, June 30, 2015					\$ 215,720	\$ 7,578,938	\$ 7,794,658	\$ 12,098,920	\$ 1,570,725	

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

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 475	\$ 0	\$ 0	\$ 0	\$ 475
Equity in Pooled Cash and Investments	1,028,103	646,782	1,736,461	533,084	3,944,430
Accounts Receivable	92,744	0	31,098	52,010	175,852
Allowance for Uncollectibles	(8,806)	0	0	0	(8,806)
Due from Other Governments	95,810	242,424	38,496	0	376,730
Due from Other Funds	0	0	0	3,583	3,583
Property Taxes Receivable	1,935,300	33,383	356,085	441,011	2,765,779
Allowance for Uncollectible Property Taxes	(45,569)	(789)	(8,366)	(9,489)	(64,213)
Total Assets	\$ 3,098,057	\$ 921,800	\$ 2,153,774	\$ 1,020,199	\$ 7,193,830
<u>LIABILITIES</u>					
Accounts Payable	\$ 830	\$ 10,445	\$ 0	\$ 0	\$ 11,275
Accrued Payroll	0	4,011	0	0	4,011
Payroll Deductions Payable	5,669	11,063	0	0	16,732
Contracts Payable	16,208	0	0	0	16,208
Due to Other Funds	0	0	3,583	0	3,583
Due to State of Tennessee	0	0	0	117	117
Total Liabilities	\$ 22,707	\$ 25,519	\$ 3,583	\$ 117	\$ 51,926
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,858,668	\$ 32,046	\$ 341,824	\$ 422,482	\$ 2,655,020
Deferred Delinquent Property Taxes	30,217	533	5,877	9,016	45,643
Other Deferred/Unavailable Revenue	86,859	134,608	20,178	25,787	267,432
Total Deferred Inflows of Resources	\$ 1,975,744	\$ 167,187	\$ 367,879	\$ 457,285	\$ 2,968,095

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Finance	\$ 4,999	\$ 0	\$ 0	\$ 0	\$ 4,999
Restricted for Administration of Justice	5,388	0	0	0	5,388
Restricted for Public Safety	3,729	0	0	58,167	61,896
Restricted for Public Health and Welfare	433	0	0	243,475	243,908
Restricted for Other Operations	25,072	0	0	0	25,072
Restricted for Highways/Public Works	0	729,094	0	0	729,094
Restricted for Debt Service	0	0	867,085	0	867,085
Restricted for Capital Projects	0	0	0	109,962	109,962
Restricted for Other Purposes	0	0	0	16,211	16,211
Committed:					
Committed for Public Health and Welfare	0	0	0	134,982	134,982
Committed for Social, Cultural, and Recreational Services	3,071	0	0	0	3,071
Committed for Debt Service	0	0	915,227	0	915,227
Assigned:					
Assigned for Public Safety	23,407	0	0	0	23,407
Assigned for Public Health and Welfare	35,236	0	0	0	35,236
Assigned for Capital Outlay	31	0	0	0	31
Unassigned	998,240	0	0	0	998,240
Total Fund Balances	\$ 1,099,606	\$ 729,094	\$ 1,782,312	\$ 562,797	\$ 4,173,809
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,098,057	\$ 921,800	\$ 2,153,774	\$ 1,020,199	\$ 7,193,830

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 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)		\$	4,173,809
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	393,779	
Add: construction in progress		88,639	
Add: buildings and improvements net of accumulated depreciation		1,255,247	
Add: other capital assets net of accumulated depreciation		911,750	
Add: infrastructure net of accumulated depreciation		<u>2,280,246</u>	4,929,661
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable	\$	(8,973,980)	
Less: compensated absences payable		<u>(102,422)</u>	(9,076,402)
(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	\$	64,130	
Less: deferred inflows of resources related to pensions		<u>(85,114)</u>	(20,984)
(4) Net pension liabilities of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			(103,439)
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>313,075</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>215,720</u></u>

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,380,537	\$ 46,148	\$ 851,574	\$ 504,106	\$ 3,782,365
Licenses and Permits	19,020	0	0	3,118	22,138
Fines, Forfeitures, and Penalties	21,801	0	0	4,863	26,664
Charges for Current Services	166,147	0	0	195,187	361,334
Other Local Revenues	72,219	6,415	0	55,566	134,200
Fees Received From County Officials	289,790	0	0	0	289,790
State of Tennessee	518,361	1,208,010	0	23,927	1,750,298
Federal Government	63,250	27,833	0	0	91,083
Other Governments and Citizens Groups	51,813	0	149,955	0	201,768
Total Revenues	\$ 3,582,938	\$ 1,288,406	\$ 1,001,529	\$ 786,767	\$ 6,659,640
<u>Expenditures</u>					
Current:					
General Government	\$ 517,918	\$ 0	\$ 0	\$ 19,032	\$ 536,950
Finance	220,513	0	0	0	220,513
Administration of Justice	229,836	0	0	0	229,836
Public Safety	1,450,773	0	0	17,564	1,468,337
Public Health and Welfare	480,091	0	0	442,833	922,924
Social, Cultural, and Recreational Services	181,708	0	0	0	181,708
Agriculture and Natural Resources	74,654	0	0	0	74,654
Other Operations	574,826	0	0	0	574,826
Highways	0	1,195,162	0	0	1,195,162
Debt Service:					
Principal on Debt	0	0	504,964	0	504,964
Interest on Debt	0	0	29,464	0	29,464
Other Debt Service	0	0	75,515	0	75,515

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 185,360	\$ 185,360
Total Expenditures	\$ 3,730,319	\$ 1,195,162	\$ 609,943	\$ 664,789	\$ 6,200,213
Excess (Deficiency) of Revenues Over Expenditures	\$ (147,381)	\$ 93,244	\$ 391,586	\$ 121,978	\$ 459,427
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 4,648	\$ 0	\$ 4,648
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 4,648	\$ 0	\$ 4,648
Net Change in Fund Balances	\$ (147,381)	\$ 93,244	\$ 396,234	\$ 121,978	\$ 464,075
Fund Balance, July 1, 2014	1,246,987	635,850	1,386,078	440,819	3,709,734
Fund Balance, June 30, 2015	\$ 1,099,606	\$ 729,094	\$ 1,782,312	\$ 562,797	\$ 4,173,809

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

Exhibit C-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 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)		\$ 464,075
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 614,728	
Less: current-year depreciation expense	<u>(437,879)</u>	176,849
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: book value of capital assets disposed		(7,586)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 313,075	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(258,826)</u>	54,249
<p>(4) The issuance of long-term debt (e.g., notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: contributions from the School Department for capital lease	\$ (139,964)	
Add: principal payments on other loans	365,000	
Add: principal payments on capital lease	<u>139,964</u>	365,000
<p>(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.</p>		
Change in net pension obligation	\$ 63,554	
Change in deferred outflows of resources related to pensions	64,130	
Change in deferred inflows of resources related to pensions	(85,114)	
Change in compensated absences payable	<u>(11,645)</u>	<u>30,925</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,083,512</u>

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

Exhibit C-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues				
Local Taxes	\$ 2,380,537	\$ 2,156,264	\$ 2,156,264	\$ 224,273
Licenses and Permits	19,020	19,000	19,000	20
Fines, Forfeitures, and Penalties	21,801	27,410	27,410	(5,609)
Charges for Current Services	166,147	141,100	141,100	25,047
Other Local Revenues	72,219	43,500	48,367	23,852
Fees Received From County Officials	289,790	261,000	261,000	28,790
State of Tennessee	518,361	599,467	642,625	(124,264)
Federal Government	63,250	5,000	38,089	25,161
Other Governments and Citizens Groups	51,813	40,894	40,894	10,919
Total Revenues	\$ 3,582,938	\$ 3,293,635	\$ 3,374,749	\$ 208,189
Expenditures				
<u>General Government</u>				
County Commission	\$ 136,045	\$ 146,500	\$ 144,000	\$ 7,955
County Mayor/Executive	123,301	130,213	130,213	6,912
County Attorney	7,061	7,061	7,061	0
Election Commission	82,867	88,159	88,159	5,292
Register of Deeds	67,323	72,678	72,678	5,355
Planning	12,153	16,823	16,823	4,670
County Buildings	80,543	80,318	85,818	5,275
Preservation of Records	8,625	7,141	9,141	516
<u>Finance</u>				
Property Assessor's Office	70,280	72,434	72,434	2,154
County Trustee's Office	71,103	81,421	81,448	10,345
County Clerk's Office	79,130	76,151	79,151	21
<u>Administration of Justice</u>				
Circuit Court	75,260	84,749	84,749	9,489
General Sessions Court	68,764	68,397	68,765	1
Chancery Court	62,574	66,000	66,000	3,426
Juvenile Court	9,039	10,575	10,575	1,536
Judicial Commissioners	14,199	15,149	14,781	582
<u>Public Safety</u>				
Sheriff's Department	895,979	866,316	930,462	34,483
Special Patrols	445	4,000	4,000	3,555
Administration of the Sexual Offender Registry	668	1,192	1,192	524
Jail	395,315	367,575	429,791	34,476
Commissary	1,273	2,550	1,550	277
Fire Prevention and Control	96,101	104,462	104,462	8,361
Other Emergency Management	60,992	35,778	68,867	7,875
<u>Public Health and Welfare</u>				
Local Health Center	129,016	133,524	138,579	9,563
Rabies and Animal Control	4,991	5,000	5,000	9
Ambulance/Emergency Medical Services	341,232	357,986	362,166	20,934
Alcohol and Drug Programs	2,352	2,430	2,430	78
Regional Mental Health Center	2,500	2,500	2,500	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	8,500	8,500	8,500	0
Libraries	115,224	97,751	118,564	3,340

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services (Cont.)</u>				
Parks and Fair Boards	\$ 57,984	\$ 66,938	\$ 66,938	\$ 8,954
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	66,472	71,177	71,177	4,705
Forest Service	350	350	350	0
Soil Conservation	7,832	5,798	8,098	266
<u>Other Operations</u>				
Tourism	4,707	5,600	5,600	893
Veterans' Services	1,773	2,273	2,273	500
Other Charges	6,480	7,500	7,500	1,020
Employee Benefits	561,866	689,700	674,700	112,834
Total Expenditures	\$ 3,730,319	\$ 3,862,669	\$ 4,046,495	\$ 316,176
Excess (Deficiency) of Revenues Over Expenditures	\$ (147,381)	\$ (569,034)	\$ (671,746)	\$ 524,365
Net Change in Fund Balance	\$ (147,381)	\$ (569,034)	\$ (671,746)	\$ 524,365
Fund Balance, July 1, 2014	1,246,987	826,985	826,985	420,002
Fund Balance, June 30, 2015	\$ 1,099,606	\$ 257,951	\$ 155,239	\$ 944,367

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

Exhibit C-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 46,148	\$ 44,570	\$ 44,570	\$ 1,578
Other Local Revenues	6,415	2,500	2,500	3,915
State of Tennessee	1,208,010	1,464,620	1,464,620	(256,610)
Federal Government	27,833	0	0	27,833
Total Revenues	<u>\$ 1,288,406</u>	<u>\$ 1,511,690</u>	<u>\$ 1,511,690</u>	<u>\$ (223,284)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 192,217	\$ 195,503	\$ 197,703	\$ 5,486
Highway and Bridge Maintenance	574,291	663,350	664,350	90,059
Operation and Maintenance of Equipment	133,019	164,880	164,880	31,861
Other Charges	49,130	50,900	50,900	1,770
Employee Benefits	38,176	36,000	38,200	24
Capital Outlay	208,329	495,000	489,600	281,271
Total Expenditures	<u>\$ 1,195,162</u>	<u>\$ 1,605,633</u>	<u>\$ 1,605,633</u>	<u>\$ 410,471</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 93,244</u>	<u>\$ (93,943)</u>	<u>\$ (93,943)</u>	<u>\$ 187,187</u>
Net Change in Fund Balance	\$ 93,244	\$ (93,943)	\$ (93,943)	\$ 187,187
Fund Balance, July 1, 2014	<u>635,850</u>	<u>444,491</u>	<u>444,491</u>	<u>191,359</u>
Fund Balance, June 30, 2015	<u>\$ 729,094</u>	<u>\$ 350,548</u>	<u>\$ 350,548</u>	<u>\$ 378,546</u>

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2015

	Major Enterprise Fund <u>Water and Sewer Department</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 558,515
Inventories	57,386
Accounts Receivable	74,842
Allowance for Uncollectibles	(1,309)
Prepaid Items	30,973
Other Receivables	500
Unbilled Charges for Services	80,245
Total Current Assets	<u>\$ 801,152</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 520
Revenue Bond Future Debt Service Account	50,184
Capital Assets:	
Assets Not Depreciated:	
Land	92,459
Construction in Progress	130,431
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	11,964,647
Total Noncurrent Assets	<u>\$ 12,238,241</u>
Total Assets	<u>\$ 13,039,393</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 74,923
Accrued Payroll	21,679
Accrued Leave	17,916
Accrued Interest Payable	6,489
Current Portion of Long-term Liabilities	117,496
Deferred Fees	3,166
Customer Deposits	23,917
Total Current Liabilities	<u>\$ 265,586</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 5,194,869
Total Noncurrent Liabilities	<u>\$ 5,194,869</u>
Total Liabilities	<u>\$ 5,460,455</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 6,875,172
Restricted for Debt Service	50,184
Unrestricted	<u>653,582</u>
Total Net Position	<u>\$ 7,578,938</u>

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Major Enterprise Fund
	Water and Sewer Department
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,769,338
Total Operating Revenues	<u>\$ 1,769,338</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 1,105,255
Depreciation	494,439
Total Operating Expenses	<u>\$ 1,599,694</u>
Operating Income (Loss)	<u>\$ 169,644</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 2,415
Interest Expense	(187,390)
Loss on Disposal of Capital Assets	(1,141)
Total Nonoperating Revenues (Expenses)	<u>\$ (186,116)</u>
Income (Loss) Before Contributions, Grants, and Transfers	\$ (16,472)
Tap Fees in Excess of Costs	9,167
Contributions from Developers	22,349
Transfers to General Debt Service Fund	<u>(4,648)</u>
Change in Net Position	\$ 10,396
Net Position, July 1, 2014	<u>7,568,542</u>
Net Position, June 30, 2015	<u><u>\$ 7,578,938</u></u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,807,684
Payments to Suppliers	(609,799)
Payments to Employees	(545,739)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 652,146 <hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (251,688)
Capital Contributions	31,516
Principal Payments on Long-term Debt	(269,261)
Interest Payments on Long-term Debt	(188,440)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$ (677,873) <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers to General Debt Service Fund	\$ (4,648)
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ (4,648) <hr/>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 2,415
Net Cash Provided By (Used In) Investing Activities	<hr/> \$ 2,415 <hr/>
Increase (Decrease) in Cash	\$ (27,960)
Cash, July 1, 2014	<hr/> 529,745 <hr/>
Cash, June 30, 2015	<hr/> \$ 501,785 <hr/>

(Continued)

Exhibit D-3

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

	Major Enterprise Fund <hr/> Water and Sewer Department
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 169,644
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	494,439
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	13,100
(Increase) Decrease in Other Assets	(31,483)
(Increase) Decrease in Other Accrued Revenue	(4,921)
(Increase) Decrease in Inventories	(7,018)
Increase (Decrease) in Accounts Payable	9,025
Increase (Decrease) in Accrued Wages and Payroll	17,710
Increase (Decrease) in Accrued Vacation Pay	759
Increase (Decrease) in Customer Deposits and Deferred Fees	<u>(9,109)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 652,146</u>
<u>Reconciliation of Cash With Statement of Net Position</u>	
Cash and Cash Equivalents Per Net Position	\$ 558,515
Revenue Bond Future Debt Service Account Per Net Position	50,184
Certificates of Deposit	<u>(106,914)</u>
Cash, June 30, 2015	<u>\$ 501,785</u>
<u>Schedule of Capital Activities That Did Not Result in Cash Payments</u>	
Purchase of Capital Assets on Account	\$ 24,000

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

Exhibit E

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2015

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 21,839</u>
Total Assets	<u><u>\$ 21,839</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	<u>\$ 21,839</u>
Total Liabilities	<u><u>\$ 21,839</u></u>

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

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

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**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

Moore County Emergency Communications District
1333 Main Street
Lynchburg, TN 37352

B. Government-wide and Fund Financial Statements

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

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

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. There were no debt issues contributed by the metropolitan government to the School Department during the year ended June 30, 2015.

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

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

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

Fund financial statements of the metropolitan government are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The metropolitan government only reports one proprietary fund, the Metropolitan Lynchburg – Moore County Water and Sewer Department Fund, an enterprise fund.

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

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

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

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

The metropolitan government reports the following major governmental funds:

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

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

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund types:

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

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

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

obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with allowances for uncollectibles. Ambulance receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 0.4 percent of total taxes levied.

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

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

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

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

5. Deferred Outflows/Inflows of Resources

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

Primary Government

It is the metropolitan government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the metropolitan government does not have a policy to pay any amounts when employees separate from service with the government. All vacation

pay is accrued when incurred for the metropolitan government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Metropolitan School Department

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

7. Long-term Obligations

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment

benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

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

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

As of June 30, 2015, the metropolitan government had \$7,496,643 in outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the metropolitan government's capital assets.

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

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

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

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

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

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

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

9. Minimum Fund Balance Policy

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

General Fund – five percent of current-year appropriations.

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

10. 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 liability in their Statement of Net Position. Therefore, a restatement decreasing Metropolitan Government of Lynchburg, Moore County and the Metropolitan School Department's beginning net position has been recognized on the Statement of Activities by \$166,993 and \$1,316,936, respectively.

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 the Metropolitan Government of Lynchburg, Moore County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the metropolitan government'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 Metropolitan 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 Metropolitan School Department

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

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

Primary Government

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

Discretely Presented Metropolitan School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The metropolitan government had no pooled and nonpooled investments as of June 30, 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	\$ 393,779	\$ 0	\$ 0	\$ 393,779
Construction in Progress	0	88,639	0	88,639
Total Capital Assets Not Depreciated	<u>\$ 393,779</u>	<u>\$ 88,639</u>	<u>\$ 0</u>	<u>\$ 482,418</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,364,766	\$ 26,080	\$ 0	\$ 2,390,846
Other Capital Assets Infrastructure	4,040,267	317,573	(140,026)	4,217,814
	2,909,360	182,436	0	3,091,796
Total Capital Assets Depreciated	<u>\$ 9,314,393</u>	<u>\$ 526,089</u>	<u>\$ (140,026)</u>	<u>\$ 9,700,456</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,083,964	\$ 51,635	\$ 0	\$ 1,135,599
Other Capital Assets Infrastructure	3,083,516	354,988	(132,440)	3,306,064
	780,294	31,256	0	811,550
Total Accumulated Depreciation	<u>\$ 4,947,774</u>	<u>\$ 437,879</u>	<u>\$ (132,440)</u>	<u>\$ 5,253,213</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,366,619</u>	<u>\$ 88,210</u>	<u>\$ (7,586)</u>	<u>\$ 4,447,243</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,760,398</u>	<u>\$ 176,849</u>	<u>\$ (7,586)</u>	<u>\$ 4,929,661</u>

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

Governmental Activities:

General Government	\$	14,613
Public Safety		102,369
Public Health and Welfare		39,054
Social, Cultural, and Recreational Services		58,142
Highway/Public Works		<u>223,701</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>437,879</u>

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

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Construction in Progress	<u>0</u>	<u>102,245</u>	<u>0</u>	<u>102,245</u>
Total Capital Assets Not Depreciated	<u>\$ 39,342</u>	<u>\$ 102,245</u>	<u>\$ 0</u>	<u>\$ 141,587</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 19,530,241	\$ 119,255	\$ 0	\$ 19,649,496
Other Capital Assets	<u>1,367,227</u>	<u>68,642</u>	<u>0</u>	<u>1,435,869</u>
Total Capital Assets Depreciated	<u>\$ 20,897,468</u>	<u>\$ 187,897</u>	<u>\$ 0</u>	<u>\$ 21,085,365</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,777,580	\$ 408,420	\$ 0	\$ 8,186,000
Other Capital Assets	<u>716,108</u>	<u>74,733</u>	<u>0</u>	<u>790,841</u>
Total Accumulated Depreciation	<u>\$ 8,493,688</u>	<u>\$ 483,153</u>	<u>\$ 0</u>	<u>\$ 8,976,841</u>
Total Capital Assets Depreciated, Net	<u>\$ 12,403,780</u>	<u>\$ (295,256)</u>	<u>\$ 0</u>	<u>\$ 12,108,524</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,443,122</u>	<u>\$ (193,011)</u>	<u>\$ 0</u>	<u>\$ 12,250,111</u>

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

Governmental Activities:

Instruction	\$ 392,334
Support Services	90,299
Operation of Non-instructional Services	<u>520</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 483,153</u></u>

C. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Primary Government:		
Nonmajor governmental	General Debt Service	\$ 3,583

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.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amount:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u>
	General Debt Service Fund
Water and Sewer Fund	\$ 4,648

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

D. Long-term Obligations

Primary Government

Other Loans

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

Other loans are direct obligations and pledge the full faith and credit of the government. Other loans outstanding were issued for original terms of up to 28 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

Other loans 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>
Other Loans	variable %	5-25-35	\$ 11,271,980	\$ 8,973,980

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements the authority loaned \$8,300,000 and \$2,971,980 to the metropolitan government on an as-needed basis for various capital projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2015, the variable interest rate was .22 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2015, the variable interest rate was .21 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent month (remarketing), and \$85 per month (trustee) for the \$3,000,000 loan.

The annual requirements to amortize all other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 377,000	\$ 19,328	\$ 60,371	\$ 456,699
2017	391,000	18,517	57,921	467,438
2018	405,000	17,675	55,379	478,054
2019	421,000	16,803	52,747	490,550
2020	435,000	15,897	50,010	500,907
2021-2025	2,429,000	64,716	205,465	2,699,181
2026-2030	2,407,980	37,205	120,278	2,565,463
2031-2035	2,108,000	13,916	46,973	2,168,889
Total	<u>\$ 8,973,980</u>	<u>\$ 204,057</u>	<u>\$ 649,144</u>	<u>\$ 9,827,181</u>

There is \$1,782,312 available in the General Debt Service Fund to service long-term debt. Debt per capita, including other loans and the capital lease totaled \$1,411, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Other Loans	Capital Leases
Balance, July 1, 2014	\$ 9,338,980	\$ 139,964
Additions	0	0
Reductions	(365,000)	(139,964)
Balance, June 30, 2015	<u>\$ 8,973,980</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 377,000</u>	<u>\$ 0</u>

Governmental Activities:	Compensated Absences	*Restated Net Pension Liability - Agent Plan
Balance, July 1, 2014	\$ 90,777	\$ 166,993
Additions	122,621	14,836
Reductions	(110,976)	(78,390)
Balance, June 30, 2015	<u>\$ 102,422</u>	<u>\$ 103,439</u>
Balance Due Within One Year	<u>\$ 40,969</u>	<u>\$ 0</u>

*See Note I.D.10 for restatement. The restatement in Note I.D.10 is comprised of (\$221,984) for the beginning net pension liability and \$54,991 for employer contributions made during the year ended June 30, 2014.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 9,179,841
Less: Balance Due Within One Year	<u>(417,969)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,761,872</u>

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

Discretely Presented Metropolitan School Department

Changes in Long-term Obligations

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

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 12,905	\$ 588,069
Additions	19,902	138,606
Reductions	(14,919)	(99,571)
Balance, June 30, 2015	<u>\$ 17,888</u>	<u>\$ 627,104</u>
Balance Due Within One Year	<u>\$ 17,888</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 644,992
Less: Balance Due Within One Year	<u>(17,888)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 627,104</u>

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

E. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$36,174 and \$6,712, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

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

Employee Health Insurance

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 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. Contingent Liabilities

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

D. Change in Administration

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

E. Joint Ventures

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Marshall, Lincoln, Moore, and Bedford counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. The metropolitan government did not contribute to the DTF for the year ended June 30, 2015.

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. The metropolitan government made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2015.

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

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

Administrative Offices:

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

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

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of the metropolitan government 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 at age 55 and vested. 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	6
Inactive Employees Entitled to But Not Yet Receiving Benefits	2
Active Employees	9
Total	<u>17</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 metropolitan government 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 metropolitan government were \$57,406 based on a rate of 10.44 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept the metropolitan government’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)

The metropolitan government’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	6.46 %	33 %
Developed Market		
International Equity	6.26	17
Emerging Market		
International Equity	6.40	5
Private Equity and		
Strategic Lending	4.61	8
U.S. Fixed Income	0.98	29
Real Estate	4.73	7
Short-term Securities	0.00	1
		100
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 metropolitan government 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	\$ 1,387,984	\$ 1,166,000	\$ 221,984
Changes for the year:			
Service Cost	\$ 43,773	\$ 0	\$ 43,773
Interest	104,800	0	104,800
Differences Between Expected and Actual Experience	8,069	0	8,069
Contributions-Employer	0	54,991	(54,991)
Contributions-Employees	0	26,286	(26,286)
Net Investment Income	0	194,294	(194,294)
Benefit Payments, Including Refunds of Employee Contributions	(68,860)	(68,860)	0
Administrative Expense	0	(384)	384
Other Changes	0	0	0
Net Changes	\$ 87,782	\$ 206,327	\$ (118,545)
Balance, June 30, 2014	\$ 1,475,766	\$ 1,372,327	\$ 103,439

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the metropolitan government 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:

Metropolitan Government	1%	Current Discount Rate	1%
	Decrease 6.5%	7.5%	Increase 8.5%
Net Pension Liability	\$ 293,016	\$ 103,439	\$ (55,686)

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 metropolitan government recognized pension expense of \$14,836.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the metropolitan government 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	\$ 6,724	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	85,114
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>57,406</u>	<u>N/A</u>
Total	<u>\$ 64,130</u>	<u>\$ 85,114</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.

Amounts reported as deferred outflows of resources, excluding contributions subsequent to the measurement date of June 30, 2014, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (19,934)
2017	(19,934)
2018	(19,934)
2019	(19,934)
2020	1,345
Thereafter	0

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

Discretely Presented Metropolitan Government School Department

Non-Certified Employees:

General Information About the Pension Plan

Plan Description. Employees of the metropolitan government 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 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 at age 55 and vested. 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	30
Inactive Employees Entitled to But Not Yet Receiving Benefits	50
Active Employees	53
Total	133

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 metropolitan government School Department 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 metropolitan government School Department were \$25,068 based on a rate of 2.23 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept the metropolitan government School Department'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)

The metropolitan government School Department'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
Short-term Securities	0.98	29
	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 metropolitan government 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	\$ 3,187,571	\$ 3,151,491	\$ 36,080
Changes for the year:			
Service Cost	\$ 89,333	\$ 0	\$ 89,333
Interest	240,127	0	240,127
Differences Between Expected and Actual Experience	(66,797)	0	(66,797)
Contributions-Employer	0	30,992	(30,992)
Contributions-Employees	0	55,743	(55,743)
Net Investment Income	0	517,468	(517,468)
Benefit Payments, Including Refunds of Employee Contributions	(150,417)	(150,417)	0
Administrative Expense	0	(2,135)	2,135
Other Changes	0	0	0
Net Changes	\$ 112,246	\$ 451,651	\$ (339,405)
Balance, June 30, 2014	\$ 3,299,817	\$ 3,603,142	\$ (303,325)

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

Metropolitan Government School Department	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 110,176	\$ (303,325)	\$ (649,920)

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

Pension Income. For the year ended June 30, 2015, the metropolitan government recognized pension income of \$28,116.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the metropolitan government 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	\$ 53,438
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	226,859
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>25,068</u>	<u>N/A</u>
Total	<u>\$ 25,068</u>	<u>\$ 280,297</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.

Amounts reported as deferred outflows of resources, excluding contributions subsequent to the measurement date of June 30, 2014, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (70,074)
2017	(70,074)
2018	(70,074)
2019	(70,074)
2020	0
Thereafter	0

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

Certified Employees:

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the metropolitan government 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 \$3,981, 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 metropolitan government 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 metropolitan government School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 3,981	N/A

The metropolitan government School Department's employer contributions of \$3,981 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 ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the metropolitan government 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 metropolitan government School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$346,783, 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 metropolitan government School Department reported an asset of \$15,979 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 metropolitan government School Department's proportion of the net pension asset was based on the metropolitan government 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, the metropolitan government School Department's proportion was .098332 percent. The proportion measured as of June 30, 2013, was .100543 percent.

Pension Income. For the year ended June 30, 2015, the metropolitan government School Department recognized a pension income of \$18,901.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the metropolitan government 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	\$ 38,792	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,316,530
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	31,186
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>346,783</u>	<u>N/A</u>
Total	<u>\$ 385,575</u>	<u>\$ 1,347,716</u>

The metropolitan government School Department's employer contributions of \$346,783 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	\$ (327,865)
2017	(327,865)
2018	(327,865)
2019	(327,865)
2020	1,268
Thereafter	1,268

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 Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
		100 %
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 the metropolitan government School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the metropolitan government 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 \$ 2,694,962 \$ (15,979) \$ (2,260,344)

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

G. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. The School Department recognized expenditures of \$99,571 for postemployment health care during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
	<hr/>
ARC	\$ 138,000
Interest on the NOPEBO	23,523
Adjustment to the ARC	(22,917)
Annual OPEB cost	<hr/> \$ 138,606
Amount of contribution	(99,571)
Increase/decrease in NOPEBO	\$ 39,035
Net OPEB obligation, 7-1-14	<hr/> 588,069
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 627,104

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-13	Local Education Group	\$ 130,672	80%	\$ 566,757
6-30-14	"	134,584	84	588,069
6-30-15	"	138,606	72	627,104

Funded Status and Funding Progress

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

(dollars in thousands)

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate was 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.

H. Purchasing Law

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

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

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

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

A. General

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

B. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Utility Plant Additions and Retirements

Business-type Activities:

	Balance 7-1-14	Additions	Deductions	Balance 6-30-15
Capital Assets Not Depreciated or Amortized:				
Land and Land Rights	\$ 92,459	\$ 0	\$ 0	\$ 92,459
Construction in Progress	83,569	46,862	0	130,431
Total Capital Assets Not Depreciated or Amortized	\$ 176,028	\$ 46,862	\$ 0	\$ 222,890
Other Capital Assets:				
General	\$ 352,255	\$ 1,040	\$ (7,528)	\$ 345,767
Water	13,746,310	227,786	(161,716)	13,812,380
Sewer	2,630,290	0	(2,991)	2,627,299
Maintenance	146,315	0	0	146,315
Acquistion Adjustment	301,099	0	0	301,099
Utility Plant	\$ 17,176,269	\$ 228,826	\$ (172,235)	\$ 17,232,860
Less Accumulated Depreciation/ Amortization for:				
General	\$ 169,585	\$ 18,235	\$ (7,528)	\$ 180,292
Water	3,470,853	378,915	(160,575)	3,689,193
Sewer	1,098,787	72,482	(2,991)	1,168,278
Maintenance	105,789	9,752	0	115,541
Acquistion Adjustment	99,854	15,055	0	114,909
Total Accumulated Depreciation/ Amortization	\$ 4,944,868	\$ 494,439	\$ (171,094)	\$ 5,268,213
Other Capital Assets, Net	\$ 12,231,401	\$ (265,613)	\$ (1,141)	\$ 11,964,647
Business-type Activities Capital Assets, Net	\$ 12,407,429	\$ (218,751)	\$ (1,141)	\$ 12,187,537

D. Cash and Restricted Funds

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

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use	\$ 501,784	\$ 56,731	\$ 558,515
Restricted Funds:			
Bond Reserve Fund	0	50,184	50,184
Total	\$ 501,784	\$ 106,915	\$ 608,699

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated \$417,251 to be used to fund capital asset replacements.

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

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

E. Revenue Bonds

A summary of revenue bond transactions for the year ended June 30, 2015, includes the following:

	<u>Bonds</u>
Balance, July 1, 2014	\$ 4,015,592
Reductions	<u>(72,547)</u>
	3,943,045
Less current maturities	<u>(71,848)</u>
Balance, less current maturities, June 30, 2015	<u><u>\$ 3,871,197</u></u>

Details of water and sewer revenue bonds are as follows:

Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	\$ 223,653
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable \$1,711 per month including principal and interest with final maturity in 2038	284,301
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable \$1,012 per month including principal and interest with final maturity in 2040	175,202
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	936,747
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	1,802,839
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	<u>520,303</u>
Total	<u>\$ 3,943,045</u>

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2015, are as follows:

Year	Principal	Interest
2016	\$ 71,848	\$ 169,749
2017	75,041	166,555
2018	78,378	163,218
2019	81,861	159,735
2020	85,503	156,093
2021-2025	488,072	719,908
2026-2030	606,734	601,246
2031-2035	751,637	456,342
2036-2040	791,635	282,165
2041-2045	820,481	112,903
2046-2047	<u>91,855</u>	<u>5,496</u>
Total	<u>\$ 3,943,045</u>	<u>\$ 2,993,410</u>

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to pay the principal and interest on the bonds as such payments are due. As part of the bond funds, Debt Service Reserve Accounts are also to be funded for \$17,508 for the 1997 series, \$20,532 for the 2000 series, and \$12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2015.

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

	Balance 6-30-14	Balance 6-30-15
Revenue	\$ 584,561	\$ 556,600
Operation and Maintenance	1,915	1,915
Bond	50,184	50,184

Principal and interest payments for these revenue bonds as a percentage of pledged revenue totaled 14 percent for the year.

F. Notes Payable

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

Year	Principal	Interest
2016	\$ 45,648	\$ 13,800
2017	47,013	12,435
2018	48,419	11,029
2019	49,867	9,581
2020	51,368	8,090
2021-2025	<u>246,830</u>	<u>16,727</u>
Total	<u>\$ 489,145</u>	<u>\$ 71,662</u>

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

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

Notes payable activity for the year ended June 30, 2015, is as follows:

Balance 7-1-14	Draws	Repayments	Balance 6-30-15
\$ 1,566,034	\$ 0	\$ (196,714)	\$ 1,369,320

The department incurred \$187,390 in interest costs during the current year, none of which was capitalized.

G. Risk Management

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

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

H. Income Taxes

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

I. Significant Concentrations

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2015, totaled \$74,842. Deposits from these customers, totaling \$23,917 at June 30, 2015, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 21 percent of the department's total water and sewer revenues.

J. Environmental Contingency

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

K. Sewer System Improvements

The department has been approved for funding totaling \$1,615,000 from the State Revolving Loan Fund for sewer system improvements. As of June 30, 2015, the department had used \$1,100,219 of this funding.

The department has been awarded loan/grant funding from the United States Department of Agriculture-Rural Development totaling \$2,200,000. The loan portion of the award is \$1,436,000, with an interest rate of 2.75 percent and a term of 38 years. The remaining amount of \$764,000 will be a grant. No draws of this funding have been made as of June 30, 2015.

In October 2015, the utility board awarded a contract for the project in the amount of \$3,056,000 to J. Cumby Construction, Inc.

L. Transfers

In prior years, the metropolitan government provided funding to the department to complete a water service expansion project. Surcharges to customers benefiting from the expansion were collected by the department and transferred to the metropolitan government until the surcharges were discontinued in fiscal year 2015. The amount transferred during fiscal year 2015 prior to the discontinuance totaled \$4,648.

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

A. Summary of Significant Accounting Policies

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

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

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

<u>Asset</u>	<u>Method</u>	<u>Estimated Useful Life in Years</u>	<u>Depreciation</u>
Furniture and Fixtures	S/L	5, 7, 10	\$ 844
Office Equipment	S/L	5, 7, 10	1,269
Communications Equipment	S/L	5, 10	<u>37,739</u>
Total			<u>\$ 39,852</u>

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

B. Cash and Cash Investments

Tennessee Code Annotated (TCA) requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities

must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

The following is a schedule of bank accounts at June 30, 2015:

Checking - Farmer's Bank	\$ 505,964
Certificates of Deposit - Moore County Bank	<u>112,293</u>
Total	<u>\$ 618,257</u>

At June 30, 2015, the carrying amount of the Moore County Emergency Communications District's cash deposits was \$618,257. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts at Moore County Bank above FDIC coverage are covered by collateral held by the bank in the district's name. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, TCA.

C. Bonding and Insurance

The district has a bond covering certain members of the board at June 30, 2015. There have been no losses or settlements that exceeded coverage during the past three years. All other potential risks such as theft, property damage, and public liability are covered under the county's insurance policy.

D. Capital Assets

The following is a schedule of capital assets and depreciation at June 30, 2015:

Assets	Cost	Accumulated Depreciation	Book Value 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 183,314	\$ 0	\$ 183,314
Construction in Progress	468,197	0	468,197
Total Capital Assets Not Depreciated	<u>\$ 651,511</u>	<u>\$ 0</u>	<u>\$ 651,511</u>
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 43,388	\$ 844	\$ 42,544
Office Equipment	13,592	12,567	1,025
Communications Equipment	475,474	224,471	251,003
Total Capital Assets Depreciated	<u>\$ 532,454</u>	<u>\$ 237,882</u>	<u>\$ 294,572</u>
Total Capital Assets	<u>\$ 1,183,965</u>	<u>\$ 237,882</u>	<u>\$ 946,083</u>

A schedule of changes in capital assets (at cost) for the year ended June 30, 2015, follows:

Assets	Balance 7-1-14	Additions	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 183,314	\$ 0	\$ 183,314
Construction in Progress	148,700	319,497	468,197
Total Capital Assets Not Depreciated	<u>\$ 332,014</u>	<u>\$ 319,497</u>	<u>\$ 651,511</u>
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 0	\$ 43,388	\$ 43,388
Office Equipment	13,592	0	13,592
Communications Equipment	298,348	177,126	475,474
Total Capital Assets Depreciated	<u>\$ 311,940</u>	<u>\$ 220,514</u>	<u>\$ 532,454</u>
Total Capital Assets	<u>\$ 643,954</u>	<u>\$ 540,011</u>	<u>\$ 1,183,965</u>

Cash and Cash Equivalents

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

E. Accounts Receivable/Due From State Emergency Communications Board

As of January 1, 2015, the State of Tennessee Emergency Communications Board (ECB) receives all 911 charges from all telephone providers and distributes the revenue equally to all 911 districts based on the number of customers in their area. All revenue will now be received from the state ECB.

F. Compensated Absences

There were no employees at June 30, 2015.

G. Calculation of Invested in Capital Assets

Net Book Value	\$ 946,083
Current and Noncurrent Debt	<u>0</u>
Invested in Capital Assets	<u>\$ 946,083</u>

H. Restricted and Unrestricted Resources

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

I. Budgetary Information

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore 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
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 43,773
Interest	104,800
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	8,069
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(68,860)
Net Change in Total Pension Liability (Asset)	\$ 87,782
Total Pension Liability (Asset), Beginning	<u>1,387,984</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 1,475,766</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 54,991
Contributions - Employee	26,286
Net Investment Income	194,294
Benefit Payments, Including Refunds of Employee Contributions	(68,860)
Administrative Expense	(384)
Net Change in Plan Fiduciary Net Position	\$ 206,327
Plan Fiduciary Net Position, Beginning	<u>1,166,000</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 1,372,327</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ 103,439</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.99%
Covered Employee Payroll	\$ 525,725
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	19.68%

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

Exhibit F-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Discretely Presented Metropolitan School Department - Non-Certified Employees
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 89,333
Interest	240,127
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(66,797)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(150,417)</u>
Net Change in Total Pension Liability (Asset)	\$ 112,246
Total Pension Liability (Asset), Beginning	<u>3,187,571</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 3,299,817</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 30,992
Contributions - Employee	55,743
Net Investment Income	517,468
Benefit Payments, Including Refunds of Employee Contributions	(150,417)
Administrative Expense	<u>(2,135)</u>
Net Change in Plan Fiduciary Net Position	\$ 451,651
Plan Fiduciary Net Position, Beginning	<u>3,151,491</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 3,603,142</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (303,325)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 109.19%
Covered Employee Payroll	\$ 1,114,845
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	27.21%

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

Exhibit F-3

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

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 54,991	\$ 57,406
Less Contributions in Relation to the Actuarially Determined Contribution	(54,991)	(57,406)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
 Covered Employee Payroll	 \$ 525,725	 \$ 549,269
 Contributions as a Percentage of Covered Employee Payroll	 10.46%	 10.45%

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

Exhibit F-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Discretely Presented Metropolitan School Department - Non-Certified Employees
For the Fiscal Year Ended June 30

	2014	2015
Actuarially Determined Contribution	\$ 30,992	\$ 25,068
Less Contributions in Relation to the Actuarially Determined Contribution	(30,992)	(25,068)
Contribution Deficiency (Excess)	\$ 0	\$ 0
 Covered Employee Payroll	 \$ 1,114,845	 \$ 1,124,070
 Contributions as a Percentage of Covered Employee Payroll	 2.78%	 2.23%

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

Exhibit F-5

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

	<u>2015</u>
Actuarially Determined Contribution	\$ 2,488
Less Contributions in Relation to the Actuarially Determined Contribution	(3,981)
Contribution Deficiency (Excess)	<u>\$ (1,493)</u>
 Covered Employee Payroll	 \$ 99,521
 Contributions as a Percentage of Covered Employee Payroll	 2.50%

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

Exhibit F-6

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

	2014	2015
Actuarially Determined Contribution	\$ 342,727	\$ 346,783
Less Contributions in Relation to the Actuarially Determined Contribution	(342,727)	(346,783)
Contribution Deficiency (Excess)	\$ 0	\$ 0
Covered Employee Payroll	\$ 3,859,537	\$ 3,836,068
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

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

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.098332%
School Department's Proportionate Share of the Net Pension Asset	\$ 15,979
Covered Employee Payroll	\$ 3,859,537
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

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Funding Progress – Other Postemployment Benefits Plan
 Discretely Presented Metropolitan School Department
 June 30, 2015

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-10	\$ 0	\$ 1,554	\$ 1,554	0 %	\$ 4,721	33 %
"	7-1-11	0	1,137	1,137	0	4,809	24
"	7-1-13	0	1,352	1,352	0	4,814	28

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG,
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

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:

Metropolitan Government:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	7 Years
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, Averging 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%

Metropolitan School Department:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	1 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 Adjustments	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.

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

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

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

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

Capital Projects Fund

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue Funds</u>				<u>Capital</u>	<u>Total</u>	
	<u>Urban</u>	<u>Solid</u>	<u>Drug</u>	<u>Total</u>	<u>Projects Fund</u>		
	<u>Services</u>	<u>Waste /</u>	<u>Control</u>		<u>General</u>	<u>Nonmajor</u>	
		<u>Sanitation</u>			<u>Capital</u>	<u>Governmental</u>	
					<u>Projects</u>	<u>Funds</u>	
<u>ASSETS</u>							
Equity in Pooled Cash and Investments	\$ 16,211	\$ 352,530	\$ 57,977	\$ 426,718	\$ 106,366	\$ 533,084	
Accounts Receivable	0	51,820	190	52,010	0	52,010	
Due from Other Funds	0	0	0	0	3,583	3,583	
Property Taxes Receivable	6,122	222,553	0	228,675	212,336	441,011	
Allowance for Uncollectible Property Taxes	(118)	(5,229)	0	(5,347)	(4,142)	(9,489)	
Total Assets	\$ 22,215	\$ 621,674	\$ 58,167	\$ 702,056	\$ 318,143	\$ 1,020,199	
<u>LIABILITIES</u>							
Due to State of Tennessee	\$ 0	\$ 117	\$ 0	\$ 117	\$ 0	\$ 117	
Total Liabilities	\$ 0	\$ 117	\$ 0	\$ 117	\$ 0	\$ 117	
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred Current Property Taxes	\$ 5,884	\$ 213,640	\$ 0	\$ 219,524	\$ 202,958	\$ 422,482	
Deferred Delinquent Property Taxes	120	3,673	0	3,793	5,223	9,016	
Other Deferred/Unavailable Revenue	0	25,787	0	25,787	0	25,787	
Total Deferred Inflows of Resources	\$ 6,004	\$ 243,100	\$ 0	\$ 249,104	\$ 208,181	\$ 457,285	
<u>FUND BALANCES</u>							
Restricted:							
Restricted for Public Safety	\$ 0	\$ 0	\$ 58,167	\$ 58,167	\$ 0	\$ 58,167	

(Continued)

Exhibit G-1

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

	Special Revenue Funds				Capital	Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	Projects Fund General Capital Projects	
<u>FUND BALANCES (Cont.)</u>						
Restricted (Cont.):						
Restricted for Public Health and Welfare	\$ 0	\$ 243,475	\$ 0	\$ 243,475	\$ 0	\$ 243,475
Restricted for Capital Projects	0	0	0	0	109,962	109,962
Restricted for Other Purposes	16,211	0	0	16,211	0	16,211
Committed:						
Committed for Public Health and Welfare	0	134,982	0	134,982	0	134,982
Total Fund Balances	<u>\$ 16,211</u>	<u>\$ 378,457</u>	<u>\$ 58,167</u>	<u>\$ 452,835</u>	<u>\$ 109,962</u>	<u>\$ 562,797</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 22,215</u>	<u>\$ 621,674</u>	<u>\$ 58,167</u>	<u>\$ 702,056</u>	<u>\$ 318,143</u>	<u>\$ 1,020,199</u>

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds				Total
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 12,468	\$ 228,507	\$ 0	\$ 0	\$ 240,975
Licenses and Permits	3,118	0	0	0	3,118
Fines, Forfeitures, and Penalties	0	0	4,863	0	4,863
Charges for Current Services	0	195,124	0	63	195,187
Other Local Revenues	0	42,086	13,480	0	55,566
State of Tennessee	0	23,927	0	0	23,927
Total Revenues	\$ 15,586	\$ 489,644	\$ 18,343	\$ 63	\$ 523,636
<u>Expenditures</u>					
Current:					
General Government	\$ 19,032	\$ 0	\$ 0	\$ 0	\$ 19,032
Public Safety	0	0	17,501	63	17,564
Public Health and Welfare	0	442,833	0	0	442,833
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 19,032	\$ 442,833	\$ 17,501	\$ 63	\$ 479,429
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,446)	\$ 46,811	\$ 842	\$ 0	\$ 44,207
Net Change in Fund Balances	\$ (3,446)	\$ 46,811	\$ 842	\$ 0	\$ 44,207
Fund Balance, July 1, 2014	19,657	331,646	57,325	0	408,628
Fund Balance, June 30, 2015	\$ 16,211	\$ 378,457	\$ 58,167	\$ 0	\$ 452,835

(Continued)

Exhibit G-2

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

	<u>Capital Projects Fund</u>	Total Nonmajor Governmental Funds
<hr/>		
<u>Revenues</u>		
Local Taxes	\$ 263,131	\$ 504,106
Licenses and Permits	0	3,118
Fines, Forfeitures, and Penalties	0	4,863
Charges for Current Services	0	195,187
Other Local Revenues	0	55,566
State of Tennessee	0	23,927
Total Revenues	<u>\$ 263,131</u>	<u>\$ 786,767</u>
<u>Expenditures</u>		
Current:		
General Government	\$ 0	\$ 19,032
Public Safety	0	17,564
Public Health and Welfare	0	442,833
Capital Projects	185,360	185,360
Total Expenditures	<u>\$ 185,360</u>	<u>\$ 664,789</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 77,771</u>	<u>\$ 121,978</u>
Net Change in Fund Balances	\$ 77,771	\$ 121,978
Fund Balance, July 1, 2014	<u>32,191</u>	<u>440,819</u>
Fund Balance, June 30, 2015	<u>\$ 109,962</u>	<u>\$ 562,797</u>

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,468	\$ 14,250	\$ 14,250	\$ (1,782)
Licenses and Permits	3,118	2,200	2,200	918
Other Local Revenues	0	85	85	(85)
Total Revenues	<u>\$ 15,586</u>	<u>\$ 16,535</u>	<u>\$ 16,535</u>	<u>\$ (949)</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 19,026	\$ 20,000	\$ 20,000	\$ 974
Preservation of Records	6	0	0	(6)
Total Expenditures	<u>\$ 19,032</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,446)</u>	<u>\$ (3,465)</u>	<u>\$ (3,465)</u>	<u>\$ 19</u>
Net Change in Fund Balance	\$ (3,446)	\$ (3,465)	\$ (3,465)	\$ 19
Fund Balance, July 1, 2014	<u>19,657</u>	<u>25,630</u>	<u>25,630</u>	<u>(5,973)</u>
Fund Balance, June 30, 2015	<u>\$ 16,211</u>	<u>\$ 22,165</u>	<u>\$ 22,165</u>	<u>\$ (5,954)</u>

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 228,507	\$ 217,300	\$ 217,300	\$ 11,207
Charges for Current Services	195,124	180,000	180,000	15,124
Other Local Revenues	42,086	25,000	25,000	17,086
State of Tennessee	23,927	33,700	33,700	(9,773)
Total Revenues	<u>\$ 489,644</u>	<u>\$ 456,000</u>	<u>\$ 456,000</u>	<u>\$ 33,644</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 24,029	\$ 33,700	\$ 33,700	\$ 9,671
Recycling Center	418,804	412,136	496,194	77,390
Total Expenditures	<u>\$ 442,833</u>	<u>\$ 445,836</u>	<u>\$ 529,894</u>	<u>\$ 87,061</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 46,811</u>	<u>\$ 10,164</u>	<u>\$ (73,894)</u>	<u>\$ 120,705</u>
Net Change in Fund Balance	\$ 46,811	\$ 10,164	\$ (73,894)	\$ 120,705
Fund Balance, July 1, 2014	<u>331,646</u>	<u>259,336</u>	<u>259,336</u>	<u>72,310</u>
Fund Balance, June 30, 2015	<u>\$ 378,457</u>	<u>\$ 269,500</u>	<u>\$ 185,442</u>	<u>\$ 193,015</u>

Exhibit G-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 4,863	\$ 6,750	\$ 6,750	\$ (1,887)
Other Local Revenues	13,480	0	0	13,480
Total Revenues	<u>\$ 18,343</u>	<u>\$ 6,750</u>	<u>\$ 6,750</u>	<u>\$ 11,593</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,501	\$ 16,250	\$ 17,750	\$ 249
Total Expenditures	<u>\$ 17,501</u>	<u>\$ 16,250</u>	<u>\$ 17,750</u>	<u>\$ 249</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 842	\$ (9,500)	\$ (11,000)	\$ 11,842
Net Change in Fund Balance	\$ 842	\$ (9,500)	\$ (11,000)	\$ 11,842
Fund Balance, July 1, 2014	57,325	46,424	46,424	10,901
Fund Balance, June 30, 2015	<u>\$ 58,167</u>	<u>\$ 36,924</u>	<u>\$ 35,424</u>	<u>\$ 22,743</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

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 851,574	\$ 749,600	\$ 749,600	\$ 101,974
Other Governments and Citizens Groups	149,955	22,500	149,955	0
Total Revenues	\$ 1,001,529	\$ 772,100	\$ 899,555	\$ 101,974
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 83,750	\$ 83,750	\$ 83,750	\$ 0
Education	421,214	281,250	421,214	0
<u>Interest on Debt</u>				
General Government	3,250	62,491	62,491	59,241
Education	26,214	310,300	317,916	291,702
<u>Other Debt Service</u>				
General Government	23,140	26,500	27,410	4,270
Education	52,375	50,000	52,375	0
Total Expenditures	\$ 609,943	\$ 814,291	\$ 965,156	\$ 355,213
Excess (Deficiency) of Revenues Over Expenditures	\$ 391,586	\$ (42,191)	\$ (65,601)	\$ 457,187
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 4,648	\$ 0	\$ 22,500	\$ (17,852)
Total Other Financing Sources	\$ 4,648	\$ 0	\$ 22,500	\$ (17,852)
Net Change in Fund Balance	\$ 396,234	\$ (42,191)	\$ (43,101)	\$ 439,335
Fund Balance, July 1, 2014	1,386,078	1,158,828	1,158,828	227,250
Fund Balance, June 30, 2015	\$ 1,782,312	\$ 1,116,637	\$ 1,115,727	\$ 666,585

Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 17,507	\$ 1,145,642	\$ 1,141,310	\$ 21,839
Accounts Receivable	12	0	12	0
Total Assets	<u>\$ 17,519</u>	<u>\$ 1,145,642</u>	<u>\$ 1,141,322</u>	<u>\$ 21,839</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 17,519	\$ 1,145,642	\$ 1,141,322	\$ 21,839
Total Liabilities	<u>\$ 17,519</u>	<u>\$ 1,145,642</u>	<u>\$ 1,141,322</u>	<u>\$ 21,839</u>

Metropolitan School Department

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

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

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

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

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

Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Activities
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 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	\$ 4,826,758	\$ 16,800	\$ 357,574	\$ 0	\$ (4,452,384)
Support Services	3,312,766	23,586	1,614	55,000	(3,232,566)
Operation of Non-instructional Services	596,144	223,800	448,881	0	76,537
Interest on Long-term Debt	9,991	0	0	0	(9,991)
Total Governmental Activities	<u>\$ 8,745,659</u>	<u>\$ 264,186</u>	<u>\$ 808,069</u>	<u>\$ 55,000</u>	<u>\$ (7,618,404)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,720,834
Local Option Sales Tax					406,204
Other Local Taxes					554
Grants and Contributions Not Restricted to Specific Programs					4,901,023
Unrestricted Investment Income					77
Miscellaneous					22,090
Pension Income					47,017
Total General Revenues					<u>\$ 8,097,799</u>
Change in Net Position					\$ 479,395
Net Position, July 1, 2014					12,936,461
Restatement - See Note I.D.10					<u>(1,316,936)</u>
Net Position, June 30, 2015					<u>\$ 12,098,920</u>

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,087	\$ 2,087
Equity in Pooled Cash and Investments	1,425,784	111,746	1,537,530
Inventories	0	5,612	5,612
Due from Other Governments	131,578	100,799	232,377
Property Taxes Receivable	2,648,380	0	2,648,380
Allowance for Uncollectible Property Taxes	(62,576)	0	(62,576)
Total Assets	<u>\$ 4,143,166</u>	<u>\$ 220,244</u>	<u>\$ 4,363,410</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 85,956	\$ 25,105	\$ 111,061
Payroll Deductions Payable	278,060	31,843	309,903
Cash Overdraft	0	12,242	12,242
Total Liabilities	<u>\$ 364,016</u>	<u>\$ 69,190</u>	<u>\$ 433,206</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,542,316	\$ 0	\$ 2,542,316
Deferred Delinquent Property Taxes	42,303	0	42,303
Other Deferred/Unavailable Revenue	40,356	0	40,356
Total Deferred Inflows of Resources	<u>\$ 2,624,975</u>	<u>\$ 0</u>	<u>\$ 2,624,975</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 5,612	\$ 5,612
Restricted:			
Restricted for Education	3,611	126,849	130,460
Committed:			
Committed for Education	30,964	18,593	49,557
Committed for Capital Projects	27,492	0	27,492
Unassigned	1,092,108	0	1,092,108
Total Fund Balances	<u>\$ 1,154,175</u>	<u>\$ 151,054</u>	<u>\$ 1,305,229</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,143,166</u>	<u>\$ 220,244</u>	<u>\$ 4,363,410</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Metropolitan School Department
June 30, 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)		\$	1,305,229
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: construction in progress		102,245	
Add: buildings and improvements net of accumulated depreciation		11,463,496	
Add: other capital assets net of accumulated depreciation		<u>645,028</u>	12,250,111
(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	\$	(627,104)	
Less: compensated absences payable		<u>(17,888)</u>	(644,992)
(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	\$	414,624	
Less: deferred inflows of resources related to pensions		<u>(1,628,013)</u>	(1,213,389)
(4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.			319,302
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>82,659</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>12,098,920</u></u>

Exhibit J-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 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	\$ 3,128,790	\$ 0	\$ 3,128,790
Licenses and Permits	551	0	551
Charges for Current Services	37,469	197,932	235,401
Other Local Revenues	38,693	152	38,845
State of Tennessee	5,054,424	5,379	5,059,803
Federal Government	0	756,372	756,372
Other Governments and Citizens Groups	55,000	0	55,000
Total Revenues	<u>\$ 8,314,927</u>	<u>\$ 959,835</u>	<u>\$ 9,274,762</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,322,139	\$ 407,264	\$ 4,729,403
Support Services	3,161,517	68,352	3,229,869
Operation of Non-Instructional Services	119,587	477,803	597,390
Capital Outlay	309,669	0	309,669
Debt Service:			
Other Debt Service	134,546	15,409	149,955
Capital Projects	0	8,140	8,140
Total Expenditures	<u>\$ 8,047,458</u>	<u>\$ 976,968</u>	<u>\$ 9,024,426</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 267,469</u>	<u>\$ (17,133)</u>	<u>\$ 250,336</u>
Net Change in Fund Balances	\$ 267,469	\$ (17,133)	\$ 250,336
Fund Balance, July 1, 2014	<u>886,706</u>	<u>168,187</u>	<u>1,054,893</u>
Fund Balance, June 30, 2015	<u>\$ 1,154,175</u>	<u>\$ 151,054</u>	<u>\$ 1,305,229</u>

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 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)		\$ 250,336
(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	\$ 290,142	
Less: current-year depreciation expense	<u>(483,153)</u>	(193,011)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 82,659	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(179,384)</u>	(96,725)
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contributions on capital lease to primary government		139,964
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (39,035)	
Change in net pension obligation	1,636,238	
Change in deferred outflows of resources related to pensions	414,624	
Change in deferred inflows of resources related to pensions	(1,628,013)	
Change in compensated absences payable	<u>(4,983)</u>	<u>378,831</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 479,395</u>

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2015

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Cash	\$ 0	\$ 2,087	\$ 2,087
Equity in Pooled Cash and Investments	0	111,746	111,746
Inventories	0	5,612	5,612
Due from Other Governments	75,164	25,635	100,799
Total Assets	<u>\$ 75,164</u>	<u>\$ 145,080</u>	<u>\$ 220,244</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 24,664	\$ 441	\$ 25,105
Payroll Deductions Payable	19,665	12,178	31,843
Cash Overdraft	12,242	0	12,242
Total Liabilities	<u>\$ 56,571</u>	<u>\$ 12,619</u>	<u>\$ 69,190</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 5,612	\$ 5,612
Restricted:			
Restricted for Education	0	126,849	126,849
Committed:			
Committed for Education	18,593	0	18,593
Total Fund Balances	<u>\$ 18,593</u>	<u>\$ 132,461</u>	<u>\$ 151,054</u>
Total Liabilities and Fund Balances	<u>\$ 75,164</u>	<u>\$ 145,080</u>	<u>\$ 220,244</u>

Exhibit J-7

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

	Special Revenue Funds			Capital	Total
	School Federal Projects	Central Cafeteria	Total	Projects Fund Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 197,932	\$ 197,932	\$ 0	\$ 197,932
Other Local Revenues	0	152	152	0	152
State of Tennessee	0	5,379	5,379	0	5,379
Federal Government	473,058	283,314	756,372	0	756,372
Total Revenues	<u>\$ 473,058</u>	<u>\$ 486,777</u>	<u>\$ 959,835</u>	<u>\$ 0</u>	<u>\$ 959,835</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 407,264	\$ 0	\$ 407,264	\$ 0	\$ 407,264
Support Services	68,352	0	68,352	0	68,352
Operation of Non-Instructional Services	0	477,803	477,803	0	477,803
Debt Service:					
Other Debt Service	0	0	0	15,409	15,409
Capital Projects	0	0	0	8,140	8,140
Total Expenditures	<u>\$ 475,616</u>	<u>\$ 477,803</u>	<u>\$ 953,419</u>	<u>\$ 23,549</u>	<u>\$ 976,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,558)</u>	<u>\$ 8,974</u>	<u>\$ 6,416</u>	<u>\$ (23,549)</u>	<u>\$ (17,133)</u>
Net Change in Fund Balances	\$ (2,558)	\$ 8,974	\$ 6,416	\$ (23,549)	\$ (17,133)
Fund Balance, July 1, 2014	<u>21,151</u>	<u>123,487</u>	<u>144,638</u>	<u>23,549</u>	<u>168,187</u>
Fund Balance, June 30, 2015	<u>\$ 18,593</u>	<u>\$ 132,461</u>	<u>\$ 151,054</u>	<u>\$ 0</u>	<u>\$ 151,054</u>

Exhibit J-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
General Purpose School Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,128,790	\$ 2,945,175	\$ 3,113,870	\$ 14,920
Licenses and Permits	551	600	550	1
Charges for Current Services	37,469	56,316	37,300	169
Other Local Revenues	38,693	21,185	49,072	(10,379)
State of Tennessee	5,054,424	4,898,020	4,963,122	91,302
Other Governments and Citizens Groups	55,000	0	55,000	0
Total Revenues	\$ 8,314,927	\$ 7,921,296	\$ 8,218,914	\$ 96,013
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,488,920	\$ 3,691,261	\$ 3,501,660	\$ 12,740
Alternative Instruction Program	90,735	86,338	90,911	176
Special Education Program	416,360	487,286	426,714	10,354
Vocational Education Program	326,124	318,066	328,413	2,289
<u>Support Services</u>				
Attendance	8,462	7,574	8,926	464
Health Services	57,056	79,074	61,950	4,894
Other Student Support	314,807	298,117	318,900	4,093
Regular Instruction Program	424,990	473,087	437,184	12,194
Special Education Program	3,951	3,561	4,108	157
Vocational Education Program	33,324	31,117	33,780	456
Other Programs	42,886	0	42,886	0
Board of Education	224,376	231,584	228,558	4,182
Director of Schools	177,994	184,095	180,040	2,046
Office of the Principal	581,441	595,615	585,905	4,464
Fiscal Services	100,762	101,524	100,826	64
Operation of Plant	663,789	696,857	673,129	9,340
Maintenance of Plant	143,609	172,909	149,900	6,291
Transportation	384,070	390,285	387,708	3,638
<u>Operation of Non-Instructional Services</u>				
Community Services	21,465	33,316	24,100	2,635
Early Childhood Education	98,122	103,154	98,868	746
<u>Capital Outlay</u>				
Regular Capital Outlay	309,669	50,000	400,000	90,331
<u>Principal on Debt</u>				
Education	0	120,000	0	0
<u>Interest on Debt</u>				
Education	0	20,000	0	0
<u>Other Debt Service</u>				
Education	134,546	0	135,000	454
Total Expenditures	\$ 8,047,458	\$ 8,174,820	\$ 8,219,466	\$ 172,008
Excess (Deficiency) of Revenues Over Expenditures	\$ 267,469	\$ (253,524)	\$ (552)	\$ 268,021
Net Change in Fund Balance	\$ 267,469	\$ (253,524)	\$ (552)	\$ 268,021
Fund Balance, July 1, 2014	886,706	520,356	520,356	366,350
Fund Balance, June 30, 2015	\$ 1,154,175	\$ 266,832	\$ 519,804	\$ 634,371

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
School Federal Projects Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 473,058	\$ 520,869	\$ 520,064	\$ (47,006)
Total Revenues	\$ 473,058	\$ 520,869	\$ 520,064	\$ (47,006)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 163,991	\$ 175,383	\$ 175,372	\$ 11,381
Special Education Program	188,136	191,285	192,457	4,321
Vocational Education Program	55,137	56,644	55,322	185
<u>Support Services</u>				
Health Services	15,384	18,921	15,384	0
Other Student Support	13,585	9,704	14,077	492
Regular Instruction Program	36,805	66,123	64,532	27,727
Special Education Program	2,198	2,209	2,198	0
Vocational Education Program	141	600	141	0
Transportation	239	0	581	342
Total Expenditures	\$ 475,616	\$ 520,869	\$ 520,064	\$ 44,448
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,558)	\$ 0	\$ 0	\$ (2,558)
Net Change in Fund Balance	\$ (2,558)	\$ 0	\$ 0	\$ (2,558)
Fund Balance, July 1, 2014	21,151	0	0	21,151
Fund Balance, June 30, 2015	\$ 18,593	\$ 0	\$ 0	\$ 18,593

Exhibit J-10

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
Central Cafeteria Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 197,932	\$ 265,000	\$ 265,000	\$ (67,068)
Other Local Revenues	152	500	500	(348)
State of Tennessee	5,379	5,600	5,600	(221)
Federal Government	283,314	237,000	250,221	33,093
Total Revenues	<u>\$ 486,777</u>	<u>\$ 508,100</u>	<u>\$ 521,321</u>	<u>\$ (34,544)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 477,803	\$ 518,208	\$ 531,429	\$ 53,626
Total Expenditures	<u>\$ 477,803</u>	<u>\$ 518,208</u>	<u>\$ 531,429</u>	<u>\$ 53,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,974</u>	<u>\$ (10,108)</u>	<u>\$ (10,108)</u>	<u>\$ 19,082</u>
Net Change in Fund Balance	\$ 8,974	\$ (10,108)	\$ (10,108)	\$ 19,082
Fund Balance, July 1, 2014	123,487	54,189	54,189	69,298
Fund Balance, June 30, 2015	<u>\$ 132,461</u>	<u>\$ 44,081</u>	<u>\$ 44,081</u>	<u>\$ 88,380</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Long-term Other Loans and Capital Lease
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	Paid and/or Matured During Period	Outstanding 6-30-15
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
School Construction	\$ 8,300,000	Variable %	7-17-07	5-25-35	\$ 7,009,000	\$ 240,000	\$ 6,769,000
School Construction/Public Water	2,971,980	Variable	6-9-08	5-25-28	2,329,980	125,000	2,204,980
Total Other Loans Payable					<u>\$ 9,338,980</u>	<u>\$ 365,000</u>	<u>\$ 8,973,980</u>
<u>CAPITAL LEASE PAYABLE</u>							
<u>Contributions Due by the School Department</u> <u>from the General Purpose School Fund to</u> <u>the General Debt Service Fund</u>							
TAC Energy Management System	244,766	4.79	9-17-08	5-28-15	\$ 139,964	\$ 139,964	\$ 0
Total Capital Lease Payable					<u>\$ 139,964</u>	<u>\$ 139,964</u>	<u>\$ 0</u>

Exhibit K-2

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

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2016	\$ 377,000	\$ 19,328	\$ 60,371	\$ 456,699
2017	391,000	18,517	57,921	467,438
2018	405,000	17,675	55,379	478,054
2019	421,000	16,803	52,747	490,550
2020	435,000	15,897	50,010	500,907
2021	451,000	14,960	47,182	513,142
2022	469,000	13,989	44,251	527,240
2023	485,000	12,979	41,202	539,181
2024	503,000	11,935	38,050	552,985
2025	521,000	10,852	34,780	566,632
2026	540,000	9,731	31,394	581,125
2027	560,000	8,568	27,884	596,452
2028	552,980	7,363	24,159	584,502
2029	372,000	6,172	19,630	397,802
2030	383,000	5,370	17,212	405,582
2031	396,000	4,545	14,722	415,267
2032	408,000	3,691	12,148	423,839
2033	421,000	2,811	9,496	433,307
2034	435,000	1,904	6,760	443,664
2035	448,000	967	3,846	452,813
Total	\$ 8,973,980	\$ 204,057	\$ 649,144	\$ 9,827,181

Exhibit K-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Water and Sewer Department	General Debt Service	Surcharges to help retire debt	<u>\$ 4,648</u>
Total Transfers			<u><u>\$ 4,648</u></u>

Exhibit K-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Mayor	Section 8-24-102, <i>TCA</i> , and Metropolitan Council	\$ 67,386	\$ 100,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <i>TCA</i>	67,386	100,000	"
Director of Schools	State Board of Education and Metropolitan Board of Education	82,427 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, <i>TCA</i>	58,343	358,933	Auto-Owners (Mutual) Insurance
Assessor of Property	Section 8-24-102, <i>TCA</i>	58,343	50,000	RLI Insurance Company
Metropolitan Clerk	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk:				
Heather Smith (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	9,724	25,000	"
Christy Millsaps (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	48,619	50,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	58,343	25,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	64,178 (2)	100,000	"
<u>Employee Bonds</u>				
Metropolitan Employees			150,000	Tennessee Risk Management Trust
School Department Employees			150,000	"

- (1) Includes a chief executive officer training supplement of \$1,000.
(2) Does not include a law enforcement training supplement of \$600.

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2015

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,903,864	\$ 6,386	\$ 223,591	\$ 0	\$ 0
Trustee's Collections - Prior Year	24,653	208	2,900	0	0
Circuit Clerk/Clerk and Master Collections - Prior Years	11,279	303	1,327	0	0
Interest and Penalty	5,854	30	689	0	0
Payments in-Lieu-of Taxes - T.V.A.	51,644	5,541	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	202,163	0	0	0	0
Hotel/Motel Tax	5,604	0	0	0	0
Litigation Tax - General	12,864	0	0	0	0
Litigation Tax - Special Purpose	71	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	15,504	0	0	0	0
Business Tax	16,728	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	49,292	0	0	0	0
Wholesale Beer Tax	80,256	0	0	0	0
Interstate Telecommunications Tax	761	0	0	0	0
Other Statutory Local Taxes	0	0	0	0	0
Total Local Taxes	\$ 2,380,537	\$ 12,468	\$ 228,507	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 10,844	\$ 3,118	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Building Permits	8,176	0	0	0	0
Total Licenses and Permits	\$ 19,020	\$ 3,118	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 2,013	\$ 0	\$ 0	\$ 0	0
Officers Costs	1,120	0	0	0	0
Drug Control Fines	71	0	0	3,679	0
Drug Court Fees	226	0	0	0	0
Jail Fees	190	0	0	0	0
Data Entry Fee - Circuit Court	195	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	190	0	0	0	0
Courtroom Security Fee	27	0	0	0	0
<u>General Sessions Court</u>					
Fines	4,863	0	0	0	0
Officers Costs	5,326	0	0	0	0
Game and Fish Fines	459	0	0	0	0
Drug Control Fines	0	0	0	142	0
Drug Court Fees	590	0	0	0	0
Jail Fees	3,126	0	0	0	0
DUI Treatment Fines	1,615	0	0	0	0
Data Entry Fee - General Sessions Court	967	0	0	0	0
Courtroom Security Fee	70	0	0	0	0
<u>Juvenile Court</u>					
Drug Control Fines	0	0	0	642	0
<u>Chancery Court</u>					
Officers Costs	477	0	0	0	0
Data Entry Fee - Chancery Court	276	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	\$ 0	\$ 0	\$ 0	\$ 400	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 21,801	\$ 0	\$ 0	\$ 4,863	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 195,124	\$ 0	\$ 0
Patient Charges	148,824	0	0	0	0
<u>Fees</u>					
Recreation Fees	9,926	0	0	0	0
Copy Fees	121	0	0	0	0
Library Fees	2,019	0	0	0	0
Greenbelt Late Application Fee	150	0	0	0	0
Vending Machine Collections	46	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	63
Data Processing Fee - Register	2,000	0	0	0	0
Probation Fees	18	0	0	0	0
Data Processing Fee - Sheriff	541	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,650	0	0	0	0
Data Processing Fee - County Clerk	852	0	0	0	0
Total Charges for Current Services	\$ 166,147	\$ 0	\$ 195,124	\$ 0	\$ 63
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 22,787	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	10,908	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Commissary Sales	\$ 4,275	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Recycled Materials	0	0	30,229	0	0
E-Rate Funding	1,806	0	0	0	0
Miscellaneous Refunds	15,708	0	3,058	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	8,799	0	0
Sale of Property	2,023	0	0	13,480	0
Contributions and Gifts	12,425	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	2,287	0	0	0	0
Total Other Local Revenues	<u>\$ 72,219</u>	<u>\$ 0</u>	<u>\$ 42,086</u>	<u>\$ 13,480</u>	<u>\$ 0</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 59,436	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	10,572	0	0	0	0
General Sessions Court Clerk	17,301	0	0	0	0
Clerk and Master	17,986	0	0	0	0
Juvenile Court Clerk	2,189	0	0	0	0
Register	24,381	0	0	0	0
Sheriff	2,577	0	0	0	0
Trustee	155,348	0	0	0	0
Total Fees Received From County Officials	<u>\$ 289,790</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit K-5

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

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	\$ 7,800	\$ 0	\$ 0	\$ 0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	103,376	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	0	0	23,220	0	0
<u>Other State Revenues</u>					
Income Tax	29,373	0	0	0	0
Beer Tax	13,177	0	0	0	0
Vehicle Certificate of Title Fees	5,729	0	0	0	0
Alcoholic Beverage Tax	19,826	0	0	0	0
State Revenue Sharing - T.V.A.	158,283	0	0	0	0
Contracted Prisoner Boarding	99,715	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0
State Shared Sales Tax - Cities	44,178	0	0	0	0
Other State Grants	2,000	0	0	0	0
Other State Revenues	19,740	0	707	0	0
Total State of Tennessee	\$ 518,361	\$ 0	\$ 23,927	\$ 0	0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	22,898	0	0	0	0
Other Federal through State	40,352	0	0	0	0
Total Federal Government	\$ 63,250	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds				
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 30,000	\$ 0	\$ 0	\$ 0	0
<u>Citizens Groups</u>					
Donations	21,813	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 51,813</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 3,582,938</u>	<u>\$ 15,586</u>	<u>\$ 489,644</u>	<u>\$ 18,343</u>	<u>\$ 63</u>

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 33,598	\$ 356,979	\$ 257,480	\$ 2,781,898
Trustee's Collections - Prior Year	435	2,747	3,333	34,276
Circuit Clerk/Clerk and Master Collections - Prior Years	199	2,123	1,526	16,757
Interest and Penalty	103	1,102	792	8,570
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	57,185
<u>County Local Option Taxes</u>				
Local Option Sales Tax	0	202,163	0	404,326
Hotel/Motel Tax	0	0	0	5,604
Litigation Tax - General	0	0	0	12,864
Litigation Tax - Special Purpose	0	0	0	71
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	15,504
Business Tax	11,000	0	0	27,728
Mineral Severance Tax	813	0	0	813
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	0	49,292
Wholesale Beer Tax	0	0	0	80,256
Interstate Telecommunications Tax	0	0	0	761
Other Statutory Local Taxes	0	286,460	0	286,460
Total Local Taxes	<u>\$ 46,148</u>	<u>\$ 851,574</u>	<u>\$ 263,131</u>	<u>\$ 3,782,365</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 13,962
<u>Permits</u>				
Building Permits	0	0	0	8,176
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,138</u>

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0	\$ 0	\$ 0	2,013
Officers Costs	0	0	0	1,120
Drug Control Fines	0	0	0	3,750
Drug Court Fees	0	0	0	226
Jail Fees	0	0	0	190
Data Entry Fee - Circuit Court	0	0	0	195
<u>Criminal Court</u>				
DUI Treatment Fines	0	0	0	190
Courtroom Security Fee	0	0	0	27
<u>General Sessions Court</u>				
Fines	0	0	0	4,863
Officers Costs	0	0	0	5,326
Game and Fish Fines	0	0	0	459
Drug Control Fines	0	0	0	142
Drug Court Fees	0	0	0	590
Jail Fees	0	0	0	3,126
DUI Treatment Fines	0	0	0	1,615
Data Entry Fee - General Sessions Court	0	0	0	967
Courtroom Security Fee	0	0	0	70
<u>Juvenile Court</u>				
Drug Control Fines	0	0	0	642
<u>Chancery Court</u>				
Officers Costs	0	0	0	477
Data Entry Fee - Chancery Court	0	0	0	276

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>				
<u>Judicial District Drug Program</u>				
Drug Task Force Forfeitures and Seizures	\$ 0	\$ 0	\$ 0	\$ 400
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,664</u>
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 0	195,124
Patient Charges	0	0	0	148,824
<u>Fees</u>				
Recreation Fees	0	0	0	9,926
Copy Fees	0	0	0	121
Library Fees	0	0	0	2,019
Greenbelt Late Application Fee	0	0	0	150
Vending Machine Collections	0	0	0	46
Constitutional Officers' Fees and Commissions	0	0	0	63
Data Processing Fee - Register	0	0	0	2,000
Probation Fees	0	0	0	18
Data Processing Fee - Sheriff	0	0	0	541
Sexual Offender Registration Fee - Sheriff	0	0	0	1,650
Data Processing Fee - County Clerk	0	0	0	852
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 361,334</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 0	22,787
Lease/Rentals	0	0	0	10,908

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Local Revenues (Cont.)</u>				
<u>Recurring Items (Cont.)</u>				
Commissary Sales	\$ 0	\$ 0	\$ 0	\$ 4,275
Sale of Recycled Materials	1,811	0	0	32,040
E-Rate Funding	0	0	0	1,806
Miscellaneous Refunds	4,604	0	0	23,370
<u>Nonrecurring Items</u>				
Sale of Equipment	0	0	0	8,799
Sale of Property	0	0	0	15,503
Contributions and Gifts	0	0	0	12,425
<u>Other Local Revenues</u>				
Other Local Revenues	0	0	0	2,287
Total Other Local Revenues	<u>\$ 6,415</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 134,200</u>
<u>Fees Received From County Officials</u>				
<u>Fees In-Lieu-of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	\$ 59,436
Circuit Court Clerk	0	0	0	10,572
General Sessions Court Clerk	0	0	0	17,301
Clerk and Master	0	0	0	17,986
Juvenile Court Clerk	0	0	0	2,189
Register	0	0	0	24,381
Sheriff	0	0	0	2,577
Trustee	0	0	0	155,348
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 289,790</u>

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
	Highway / Public Works	General Debt Service	General Capital Projects	
<u>State of Tennessee</u>				
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	\$ 0	\$ 0	\$ 0	\$ 7,800
<u>Health and Welfare Grants</u>				
Health Department Programs	0	0	0	103,376
<u>Public Works Grants</u>				
Litter Program	0	0	0	23,220
<u>Other State Revenues</u>				
Income Tax	0	0	0	29,373
Beer Tax	0	0	0	13,177
Vehicle Certificate of Title Fees	0	0	0	5,729
Alcoholic Beverage Tax	0	0	0	19,826
State Revenue Sharing - T.V.A.	0	0	0	158,283
Contracted Prisoner Boarding	0	0	0	99,715
Gasoline and Motor Fuel Tax	1,200,088	0	0	1,200,088
Petroleum Special Tax	5,466	0	0	5,466
Registrar's Salary Supplement	0	0	0	15,164
State Shared Sales Tax - Cities	0	0	0	44,178
Other State Grants	2,456	0	0	4,456
Other State Revenues	0	0	0	20,447
Total State of Tennessee	\$ 1,208,010	\$ 0	\$ 0	\$ 1,750,298
<u>Federal Government</u>				
<u>Federal Through State</u>				
Disaster Relief	\$ 27,833	\$ 0	\$ 0	\$ 27,833
Homeland Security Grants	0	0	0	22,898
Other Federal through State	0	0	0	40,352
Total Federal Government	\$ 27,833	\$ 0	\$ 0	\$ 91,083

(Continued)

Exhibit K-5

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

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
	Highway / Public Works	General Debt Service	General Capital Projects	Total
<hr/>				
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 0	\$ 149,955	\$ 0	\$ 179,955
<u>Citizens Groups</u>				
Donations	0	0	0	21,813
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 149,955</u>	<u>\$ 0</u>	<u>\$ 201,768</u>
Total	<u>\$ 1,288,406</u>	<u>\$ 1,001,529</u>	<u>\$ 263,131</u>	<u>\$ 6,659,640</u>

Exhibit K-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,665,411	\$ 0	\$ 0	\$ 2,665,411
Trustee's Collections - Prior Year	34,601	0	0	34,601
Circuit Clerk/Clerk and Master Collections - Prior Years	15,704	0	0	15,704
Interest and Penalty	8,193	0	0	8,193
<u>County Local Option Taxes</u>				
Local Option Sales Tax	404,327	0	0	404,327
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	554	0	0	554
Total Local Taxes	<u>\$ 3,128,790</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,128,790</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 551	\$ 0	\$ 0	\$ 551
Total Licenses and Permits	<u>\$ 551</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 551</u>
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Other General Service Charges	\$ 180	\$ 0	\$ 0	\$ 180
<u>Education Charges</u>				
Tuition - Regular Day Students	16,800	0	0	16,800
Lunch Payments - Children	0	0	122,086	122,086
Lunch Payments - Adults	0	0	2,357	2,357
Income from Breakfast	0	0	63,471	63,471
A la Carte Sales	0	0	10,018	10,018

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Charges for Current Services (Cont.)</u>				
<u>Education Charges (Cont.)</u>				
Community Service Fees - Children	\$ 20,489	\$ 0	\$ 0	\$ 20,489
Total Charges for Current Services	<u>\$ 37,469</u>	<u>\$ 0</u>	<u>\$ 197,932</u>	<u>\$ 235,401</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 77	\$ 77
E-Rate Funding	16,678	0	0	16,678
Miscellaneous Refunds	21,451	0	75	21,526
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	378	0	0	378
<u>Other Local Revenues</u>				
Other Local Revenues	186	0	0	186
Total Other Local Revenues	<u>\$ 38,693</u>	<u>\$ 0</u>	<u>\$ 152</u>	<u>\$ 38,845</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 42,886	\$ 0	\$ 0	\$ 42,886
<u>State Education Funds</u>				
Basic Education Program	4,624,495	0	0	4,624,495
Early Childhood Education	165,567	0	0	165,567
Driver Education	3,666	0	0	3,666
Other State Education Funds	6,728	0	5,379	12,107
Coordinated School Health	110,538	0	0	110,538
Career Ladder Program	27,994	0	0	27,994
Career Ladder - Extended Contract	4,420	0	0	4,420

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Beer Tax	\$ 58,878	\$ 0	\$ 0	\$ 58,878
Alcoholic Beverage Tax	6,252	0	0	6,252
Other State Grants	3,000	0	0	3,000
Total State of Tennessee	<u>\$ 5,054,424</u>	<u>\$ 0</u>	<u>\$ 5,379</u>	<u>\$ 5,059,803</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 204,066	\$ 204,066
USDA - Commodities	0	0	13,221	13,221
Breakfast	0	0	66,027	66,027
Vocational Education - Basic Grants to States	0	60,534	0	60,534
Title I Grants to Local Education Agencies	0	167,961	0	167,961
Special Education - Grants to States	0	193,035	0	193,035
Special Education Preschool Grants	0	20,845	0	20,845
Eisenhower Professional Development State Grants	0	24,211	0	24,211
Race to the Top - ARRA	0	6,472	0	6,472
Total Federal Government	<u>\$ 0</u>	<u>\$ 473,058</u>	<u>\$ 283,314</u>	<u>\$ 756,372</u>
<u>Other Governments and Citizens Groups</u>				
<u>Citizens Groups</u>				
Donations	\$ 55,000	\$ 0	\$ 0	\$ 55,000
Total Other Governments and Citizens Groups	<u>\$ 55,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,000</u>
Total	<u>\$ 8,314,927</u>	<u>\$ 473,058</u>	<u>\$ 486,777</u>	<u>\$ 9,274,762</u>

Exhibit K-7

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

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	9,050	
Audit Services		1,909	
Dues and Memberships		1,000	
Liability Insurance		49,043	
Trustee's Commission		48,796	
Workers' Compensation Insurance		26,247	
Total County Commission			\$ 136,045

County Mayor/Executive

County Official/Administrative Officer	\$	67,386	
Accountants/Bookkeepers		36,071	
Longevity Pay		2,000	
Communication		1,499	
Contributions		750	
Data Processing Services		5,741	
Dues and Memberships		4,695	
Legal Notices, Recording, and Court Costs		930	
Printing, Stationery, and Forms		776	
Premiums on Corporate Surety Bonds		766	
Other Charges		130	
Data Processing Equipment		294	
Office Equipment		2,263	
Total County Mayor/Executive			123,301

County Attorney

County Official/Administrative Officer	\$	7,061	
Total County Attorney			7,061

Election Commission

County Official/Administrative Officer	\$	52,509	
Other Salaries and Wages		3,512	
Election Commission		1,000	
Election Workers		4,600	
In-service Training		610	
Communication		935	
Dues and Memberships		125	
Legal Notices, Recording, and Court Costs		3,115	
Maintenance and Repair Services - Office Equipment		3,395	
Postal Charges		329	
Printing, Stationery, and Forms		1,046	
Travel		3,118	
Other Contracted Services		8,283	
Office Supplies		290	
Total Election Commission			82,867

Register of Deeds

County Official/Administrative Officer	\$	58,343	
--	----	--------	--

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Part-time Personnel	\$	595	
In-service Training		100	
Communication		453	
Dues and Memberships		302	
Maintenance Agreements		1,728	
Printing, Stationery, and Forms		211	
Other Contracted Services		5,000	
Premiums on Corporate Surety Bonds		366	
Office Equipment		225	
Total Register of Deeds			\$ 67,323

Planning

County Official/Administrative Officer	\$	5,073	
Communication		557	
Consultants		2,276	
Contracts with Government Agencies		3,707	
Office Supplies		540	
Total Planning			12,153

County Buildings

Custodial Personnel	\$	21,070	
Maintenance Agreements		250	
Maintenance and Repair Services - Buildings		24,046	
Pest Control		351	
Postal Charges		5,800	
Custodial Supplies		2,917	
Electricity		13,018	
Natural Gas		4,410	
Office Supplies		4,823	
Water and Sewer		3,858	
Total County Buildings			80,543

Preservation of Records

Part-time Personnel	\$	3,913	
Communication		679	
Data Processing Services		401	
Maintenance Agreements		351	
Postal Charges		49	
Office Supplies		3,232	
Total Preservation of Records			8,625

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Part-time Personnel		5,234	
In-service Training		125	
Other Per Diem and Fees		470	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	565	
Data Processing Services		2,612	
Travel		1,631	
Other Contracted Services		670	
Office Equipment		630	
Total Property Assessor's Office			\$ 70,280

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Part-time Personnel		1,984	
In-service Training		881	
Communication		476	
Data Processing Services		5,583	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		279	
Printing, Stationery, and Forms		125	
Premiums on Corporate Surety Bonds		2,310	
Office Equipment		1,022	
Total County Trustee's Office			71,103

County Clerk's Office

County Official/Administrative Officer	\$	58,343	
Part-time Personnel		11,056	
In-service Training		100	
Communication		502	
Data Processing Services		7,800	
Maintenance and Repair Services - Office Equipment		400	
Printing, Stationery, and Forms		63	
Premiums on Corporate Surety Bonds		366	
Office Equipment		500	
Total County Clerk's Office			79,130

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Part-time Personnel		5,132	
Jury and Witness Expense		1,585	
Communication		493	
Data Processing Services		5,028	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		333	
Maintenance Agreements		2,236	
Postal Charges		5	
Printing, Stationery, and Forms		377	
Travel		421	
Premiums on Corporate Surety Bonds		366	
Office Equipment		544	
Total Circuit Court			75,260

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	67,647	
Travel		1,117	
Total General Sessions Court			\$ 68,764

Chancery Court

County Official/Administrative Officer	\$	58,343	
Part-time Personnel		1,860	
In-service Training		97	
Communication		453	
Dues and Memberships		397	
Printing, Stationery, and Forms		177	
Travel		98	
Periodicals		640	
Office Equipment		509	
Total Chancery Court			62,574

Juvenile Court

Supervisor/Director	\$	9,000	
Office Supplies		39	
Total Juvenile Court			9,039

Judicial Commissioners

County Official/Administrative Officer	\$	13,915	
Communication		134	
Dues and Memberships		150	
Total Judicial Commissioners			14,199

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,178	
Assistant(s)		41,085	
Supervisor/Director		39,804	
Deputy(ies)		167,812	
Investigator(s)		72,101	
Sergeant(s)		68,474	
Dispatchers/Radio Operators		152,756	
Longevity Pay		38,000	
Overtime Pay		10,976	
Other Salaries and Wages		17,377	
In-service Training		9,890	
Communication		9,379	
Contracts with Private Agencies		4,670	
Dues and Memberships		1,045	
Maintenance and Repair Services - Equipment		1,992	
Maintenance and Repair Services - Vehicles		22,794	
Medical and Dental Services		353	
Postal Charges		992	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Printing, Stationery, and Forms	\$	2,516	
Travel		2,162	
Other Contracted Services		2,420	
Drugs and Medical Supplies		179	
Gasoline		35,152	
Office Supplies		2,996	
Uniforms		1,934	
Other Supplies and Materials		25,639	
Premiums on Corporate Surety Bonds		1,015	
Other Charges		1,532	
Data Processing Equipment		2,871	
Law Enforcement Equipment		40,432	
Motor Vehicles		53,453	
Total Sheriff's Department			\$ 895,979

Special Patrols

Uniforms	\$	121	
Law Enforcement Equipment		324	
Total Special Patrols			445

Administration of the Sexual Offender Registry

Other Contracted Services	\$	500	
Office Supplies		168	
Total Administration of the Sexual Offender Registry			668

Jail

Instructional Computer Personnel	\$	8,681	
Foremen		30,445	
Guards		109,935	
Secretary(ies)		26,144	
Longevity Pay		6,000	
Other Salaries and Wages		6,879	
In-service Training		1,061	
Maintenance and Repair Services - Buildings		77,856	
Maintenance and Repair Services - Equipment		20,026	
Medical and Dental Services		33,734	
Pest Control		138	
Other Contracted Services		2	
Custodial Supplies		3,634	
Drugs and Medical Supplies		195	
Electricity		17,936	
Food Preparation Supplies		484	
Food Supplies		31,106	
Natural Gas		2,894	
Prisoners Clothing		3,212	
Uniforms		1,984	
Water and Sewer		12,912	
Other Charges		57	
Total Jail			395,315

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Commissary

Postal Charges	\$	245	
Printing, Stationery, and Forms		253	
Office Supplies		35	
Other Supplies and Materials		740	
Total Commissary			\$ 1,273

Fire Prevention and Control

Part-time Personnel	\$	13,712	
In-service Training		4,500	
Communication		2,807	
Maintenance Agreements		20,571	
Maintenance and Repair Services - Buildings		10,214	
Maintenance and Repair Services - Vehicles		16,981	
Pest Control		322	
Electricity		3,747	
Gasoline		2,755	
Natural Gas		3,404	
Office Supplies		204	
Water and Sewer		695	
Excess Risk Insurance		3,044	
Motor Vehicles		18	
Other Equipment		13,127	
Total Fire Prevention and Control			96,101

Other Emergency Management

Supervisor/Director	\$	12,978	
In-service Training		288	
Communication		13,511	
Dues and Memberships		55	
Maintenance and Repair Services - Equipment		1,151	
Maintenance and Repair Services - Vehicles		1,453	
Postal Charges		2	
Gasoline		1,658	
Office Supplies		123	
Uniforms		127	
Other Supplies and Materials		29,606	
Other Equipment		40	
Total Other Emergency Management			60,992

Public Health and Welfare

Local Health Center

Medical Personnel	\$	73,999	
Communication		2,578	
Contracts with Government Agencies		14,000	
Contracts with Private Agencies		15,197	
Maintenance and Repair Services - Buildings		2,970	
Pest Control		138	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Travel	\$	1,096	
Drugs and Medical Supplies		36	
Office Supplies		214	
Utilities		5,904	
Other Supplies and Materials		242	
Other Charges		12,642	
Total Local Health Center	\$		129,016

Rabies and Animal Control

Other Supplies and Materials	\$	4,991	
Total Rabies and Animal Control			4,991

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,934	
Paraprofessionals		141,113	
Part-time Personnel		47,286	
Longevity Pay		10,000	
Overtime Pay		29,137	
Other Salaries and Wages		3,414	
In-service Training		420	
Communication		2,778	
Data Processing Services		11,993	
Dues and Memberships		1,460	
Maintenance and Repair Services - Buildings		2,562	
Maintenance and Repair Services - Equipment		3,422	
Maintenance and Repair Services - Vehicles		6,007	
Medical and Dental Services		1,500	
Pest Control		138	
Postal Charges		49	
Drugs and Medical Supplies		15,360	
Electricity		3,523	
Equipment and Machinery Parts		13,328	
Gasoline		4,035	
Natural Gas		1,231	
Office Supplies		243	
Uniforms		1,393	
Water and Sewer		1,048	
Refunds		858	
Total Ambulance/Emergency Medical Services			341,232

Alcohol and Drug Programs

Drug Treatment	\$	1,246	
Other Supplies and Materials		1,106	
Total Alcohol and Drug Programs			2,352

Regional Mental Health Center

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Assistant(s)	\$ 19,605	
Supervisor/Director	30,000	
Part-time Personnel	14,753	
Longevity Pay	3,000	
In-service Training	283	
Communication	2,626	
Data Processing Services	1,874	
Dues and Memberships	225	
Maintenance and Repair Services - Buildings	848	
Pest Control	138	
Postal Charges	222	
Printing, Stationery, and Forms	14	
Travel	469	
Custodial Supplies	511	
Electricity	3,965	
Instructional Supplies and Materials	1,717	
Library Books/Media	4,510	
Natural Gas	1,868	
Office Supplies	1,919	
Periodicals	676	
Water and Sewer	696	
Other Supplies and Materials	13,610	
Other Charges	8,943	
Office Equipment	2,752	
Total Libraries		115,224

Parks and Fair Boards

Assistant(s)	\$ 618	
Supervisor/Director	5,408	
Attendants	7,783	
Communication	1,515	
Dues and Memberships	340	
Maintenance and Repair Services - Buildings	5,036	
Maintenance and Repair Services - Equipment	4,286	
Electricity	16,467	
Gasoline	2,656	
Natural Gas	942	
Water and Sewer	11,022	
Chemicals	1,911	
Total Parks and Fair Boards		57,984

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	41,179	
Part-time Personnel		11,242	
Longevity Pay		2,700	
Employee and Dependent Insurance		3,231	
Communication		1,016	
Travel		4,572	
Office Supplies		532	
Office Equipment		2,000	
Total Agricultural Extension Service			\$ 66,472

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

Soil Conservation

Part-time Personnel	\$	7,298	
Communication		534	
Total Soil Conservation			7,832

Other Operations

Tourism

Dues and Memberships	\$	3,000	
Maintenance and Repair Services - Buildings		200	
Custodial Supplies		200	
Electricity		717	
Natural Gas		411	
Water and Sewer		179	
Total Tourism			4,707

Veterans' Services

County Official/Administrative Officer	\$	1,773	
Total Veterans' Services			1,773

Other Charges

Other Charges	\$	6,480	
Total Other Charges			6,480

Employee Benefits

Social Security	\$	148,249	
State Retirement		50,371	
Employee and Dependent Insurance		343,499	
Unemployment Compensation		4,199	
Local Retirement		15,548	
Total Employee Benefits			561,866

Total General Fund \$ 3,730,319

(Continued)

Exhibit K-7

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

Urban Services Fund

General Government

Other General Administration

Electricity	\$	18,804	
Trustee's Commission		222	
Total Other General Administration			\$ 19,026

Preservation of Records

Trustee's Commission	\$	6	
Total Preservation of Records			6

Total Urban Services Fund \$ 19,032

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,928	
Laborers		12,649	
Social Security		1,192	
Unemployment Compensation		72	
Maintenance and Repair Services - Vehicles		74	
Gasoline		1,460	
Instructional Supplies and Materials		5,308	
Other Supplies and Materials		346	
Total Waste Pickup			\$ 24,029

Recycling Center

Assistant(s)	\$	2,995	
Laborers		91,852	
Part-time Personnel		10,508	
Longevity Pay		4,000	
Overtime Pay		22	
Other Salaries and Wages		5,804	
Social Security		7,753	
Medical Insurance		22,073	
Unemployment Compensation		341	
Communication		593	
Contracts with Private Agencies		107,644	
Maintenance and Repair Services - Buildings		623	
Maintenance and Repair Services - Vehicles		20,049	
Postal Charges		84	
Other Contracted Services		11,785	
Diesel Fuel		21,209	
Office Supplies		59	
Tires and Tubes		4,145	
Utilities		1,334	
Trustee's Commission		6,514	
Vehicle and Equipment Insurance		8,378	
Workers' Compensation Insurance		6,363	
Motor Vehicles		67,000	
Solid Waste Equipment		17,676	
Total Recycling Center			418,804

Total Solid Waste/Sanitation Fund 442,833

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,950	
Maintenance and Repair Services - Vehicles		8,583	
Law Enforcement Supplies		952	
Uniforms		50	
Other Charges		88	
Other Equipment		5,878	
Total Drug Enforcement			\$ 17,501

Total Drug Control Fund \$ 17,501

Constitutional Officers - Fees Fund

Public Safety

Sheriff's Department

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

Total Constitutional Officers - Fees Fund 63

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,386	
Assistant(s)		44,497	
Secretary(ies)		40,236	
Longevity Pay		4,000	
Social Security		9,595	
State Retirement		9,043	
Employee and Dependent Insurance		5,439	
Life Insurance		250	
Unemployment Compensation		540	
Employer Medicare		2,244	
Data Processing Services		6,117	
Postal Charges		196	
Printing, Stationery, and Forms		433	
Travel		1,050	
Office Supplies		324	
Other Charges		867	
Total Administration			\$ 192,217

Highway and Bridge Maintenance

Equipment Operators	\$	122,946	
Truck Drivers		106,816	
Laborers		93,422	
Temporary Personnel		2,203	
Longevity Pay		26,000	
Social Security		20,518	
State Retirement		3,836	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employee and Dependent Insurance	\$	72,879	
Life Insurance		816	
Unemployment Compensation		2,504	
Employer Medicare		4,799	
Contracts with Private Agencies		16,357	
Dues and Memberships		1,930	
Asphalt		65,804	
Crushed Stone		16,970	
Riprap		6,707	
Pipe		3,129	
Road Signs		1,303	
Other Charges		3,892	
Communication Equipment		350	
Maintenance Equipment		1,110	
Total Highway and Bridge Maintenance			\$ 574,291

Operation and Maintenance of Equipment

Mechanic(s)	\$	41,856	
Longevity Pay		3,000	
Social Security		2,446	
State Retirement		992	
Employee and Dependent Insurance		16,507	
Life Insurance		94	
Unemployment Compensation		270	
Employer Medicare		572	
Custodial Supplies		260	
Diesel Fuel		31,245	
Equipment and Machinery Parts		4,487	
Garage Supplies		2,656	
Gasoline		8,965	
Lubricants		3,708	
Small Tools		43	
Tires and Tubes		3,110	
Vehicle Parts		12,250	
Other Charges		558	
Total Operation and Maintenance of Equipment			133,019

Other Charges

Advertising	\$	475	
Communication		2,804	
Electricity		2,998	
Propane Gas		3,492	
Water and Sewer		424	
Liability Insurance		13,032	
Trustee's Commission		12,873	
Vehicle and Equipment Insurance		13,032	
Total Other Charges			49,130

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Workers' Compensation Insurance	\$ 38,176	
Total Employee Benefits		\$ 38,176

Capital Outlay

Bridge Construction	\$ 15,532	
Highway Equipment	5,678	
State Aid Projects	4,683	
Other Capital Outlay	182,436	
Total Capital Outlay		<u>208,329</u>

Total Highway/Public Works Fund \$ 1,195,162

General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$ 83,750	
Total General Government		\$ 83,750

Education

Principal on Capital Leases	\$ 139,964	
Principal on Other Loans	281,250	
Total Education		421,214

Interest on Debt

General Government

Interest on Other Loans	\$ 3,250	
Total General Government		3,250

Education

Interest on Capital Leases	\$ 9,991	
Interest on Other Loans	16,223	
Total Education		26,214

Other Debt Service

General Government

Trustee's Commission	\$ 12,231	
Other Debt Service	10,909	
Total General Government		23,140

Education

Other Debt Service	\$ 52,375	
Total Education		<u>52,375</u>

Total General Debt Service Fund 609,943

(Continued)

Exhibit K-7

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

<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Trustee's Commission	\$	5,219
Building Improvements		15,862
Motor Vehicles		164,279
Total Social, Cultural, and Recreation Projects		<u>\$ 185,360</u>
Total General Capital Projects Fund		<u>\$ 185,360</u>
Total Governmental Funds - Primary Government		<u><u>\$ 6,200,213</u></u>

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,302,124	
Career Ladder Program		18,661	
Career Ladder Extended Contracts		4,152	
Educational Assistants		67,797	
Other Salaries and Wages		5,629	
Certified Substitute Teachers		5,710	
Non-certified Substitute Teachers		50,666	
Social Security		142,259	
State Retirement		210,161	
Medical Insurance		455,444	
Employer Medicare		33,271	
Maintenance and Repair Services - Equipment		451	
Instructional Supplies and Materials		64,616	
Textbooks		74,868	
Other Supplies and Materials		7,331	
Other Charges		2,325	
Regular Instruction Equipment		43,455	
Total Regular Instruction Program			\$ 3,488,920

Alternative Instruction Program

Teachers	\$	50,931	
Educational Assistants		17,661	
Social Security		3,966	
State Retirement		4,998	
Medical Insurance		12,251	
Employer Medicare		928	
Total Alternative Instruction Program			90,735

Special Education Program

Teachers	\$	261,994	
Homebound Teachers		6,110	
Educational Assistants		50,840	
Social Security		18,597	
State Retirement		25,205	
Medical Insurance		49,265	
Employer Medicare		4,349	
Total Special Education Program			416,360

Vocational Education Program

Teachers	\$	240,403	
Career Ladder Program		1,340	
Social Security		14,203	
State Retirement		21,011	
Medical Insurance		39,555	
Employer Medicare		3,321	
Instructional Supplies and Materials		3,200	
Other Charges		3,091	
Total Vocational Education Program			326,124

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	6,305	
Career Ladder Program		100	
Social Security		378	
State Retirement		579	
Medical Insurance		1,012	
Employer Medicare		88	
Total Attendance			\$ 8,462

Health Services

Medical Personnel	\$	45,897	
Social Security		2,718	
State Retirement		4,093	
Medical Insurance		3,304	
Employer Medicare		636	
Other Supplies and Materials		150	
Other Charges		258	
Total Health Services			57,056

Other Student Support

Guidance Personnel	\$	91,850	
Clerical Personnel		17,353	
Other Salaries and Wages		32,719	
Social Security		8,482	
State Retirement		11,648	
Medical Insurance		22,153	
Employer Medicare		1,984	
Contracts with Government Agencies		49,385	
Evaluation and Testing		30,309	
Other Contracted Services		16,000	
Other Supplies and Materials		15,093	
In Service/Staff Development		2,115	
Other Charges		15,716	
Total Other Student Support			314,807

Regular Instruction Program

Supervisor/Director	\$	167,918	
Career Ladder Program		900	
Librarians		91,825	
Educational Assistants		15,141	
Other Salaries and Wages		35,732	
Social Security		18,266	
State Retirement		24,697	
Medical Insurance		52,301	
Employer Medicare		4,272	
Travel		1,994	
Library Books/Media		9,802	
In Service/Staff Development		2,142	
Total Regular Instruction Program			424,990

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		115	
State Retirement		45	
Medical Insurance		420	
Employer Medicare		27	
Travel		1,344	
Total Special Education Program			\$ 3,951

Vocational Education Program

Supervisor/Director	\$	25,220	
Social Security		1,490	
State Retirement		2,280	
Medical Insurance		3,986	
Employer Medicare		348	
Total Vocational Education Program			33,324

Other Programs

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

Board of Education

Board and Committee Members Fees	\$	1,930	
Social Security		120	
Medical Insurance		27,073	
Unemployment Compensation		2,399	
Employer Medicare		28	
Audit Services		3,900	
Dues and Memberships		5,226	
Travel		48	
Liability Insurance		18,508	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		69,487	
Workers' Compensation Insurance		83,774	
In Service/Staff Development		4,382	
Other Charges		7,326	
Total Board of Education			224,376

Director of Schools

County Official/Administrative Officer	\$	82,427	
Social Security		4,958	
State Retirement		7,451	
Medical Insurance		15,483	
Dental Insurance		468	
Employer Medicare		1,159	
Communication		43,657	
Travel		1,962	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Office Supplies	\$	6,691	
Other Charges		9,258	
Administration Equipment		4,480	
Total Director of Schools			\$ 177,994

Office of the Principal

Principals	\$	139,278	
Career Ladder Program		2,000	
Assistant Principals		168,384	
Secretary(ies)		64,622	
Clerical Personnel		73,688	
Social Security		26,309	
State Retirement		31,253	
Medical Insurance		66,276	
Employer Medicare		6,153	
Communication		478	
Other Charges		3,000	
Total Office of the Principal			581,441

Fiscal Services

Accountants/Bookkeepers	\$	79,711	
Social Security		4,682	
State Retirement		1,778	
Medical Insurance		13,496	
Employer Medicare		1,095	
Total Fiscal Services			100,762

Operation of Plant

Custodial Personnel	\$	154,161	
Social Security		8,558	
State Retirement		3,438	
Medical Insurance		52,265	
Employer Medicare		2,001	
Custodial Supplies		35,772	
Electricity		263,275	
Natural Gas		36,991	
Water and Sewer		58,855	
Other Supplies and Materials		2,944	
Building and Contents Insurance		45,529	
Total Operation of Plant			663,789

Maintenance of Plant

Maintenance Personnel	\$	69,525	
Social Security		4,122	
State Retirement		1,550	
Medical Insurance		5,291	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Employer Medicare	\$	964	
Maintenance and Repair Services - Buildings		7,639	
Maintenance and Repair Services - Equipment		29,547	
Pest Control		2,246	
Other Supplies and Materials		18,525	
Other Charges		4,200	
Total Maintenance of Plant			\$ 143,609

Transportation

Mechanic(s)	\$	31,421	
Bus Drivers		195,735	
Social Security		13,882	
State Retirement		5,713	
Medical Insurance		8,216	
Employer Medicare		3,246	
Medical and Dental Services		3,025	
Diesel Fuel		63,612	
Tires and Tubes		8,564	
Vehicle Parts		24,936	
Other Supplies and Materials		6,306	
Vehicle and Equipment Insurance		14,057	
Other Charges		5,357	
Total Transportation			384,070

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	15,545	
Social Security		931	
State Retirement		398	
Medical Insurance		1,400	
Employer Medicare		218	
Other Supplies and Materials		2,973	
Total Community Services			21,465

Early Childhood Education

Supervisor/Director	\$	6,427	
Teachers		42,500	
Educational Assistants		16,080	
Social Security		3,507	
State Retirement		4,781	
Medical Insurance		23,926	
Employer Medicare		820	
Other Charges		81	
Total Early Childhood Education			98,122

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 309,669	
Total Regular Capital Outlay		\$ 309,669

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 134,546	
Total Education		<u>134,546</u>

Total General Purpose School Fund		\$ 8,047,458
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 93,064	
Non-certified Substitute Teachers	588	
Social Security	5,551	
State Retirement	8,413	
Medical Insurance	15,608	
Employer Medicare	1,298	
Instructional Supplies and Materials	29,401	
Regular Instruction Equipment	<u>10,068</u>	
Total Regular Instruction Program		\$ 163,991

Special Education Program

Teachers	\$ 37,772	
Educational Assistants	81,605	
Social Security	6,661	
State Retirement	5,006	
Medical Insurance	44,944	
Employer Medicare	1,558	
Other Contracted Services	327	
Instructional Supplies and Materials	4,845	
Special Education Equipment	<u>5,418</u>	
Total Special Education Program		188,136

Vocational Education Program

Instructional Supplies and Materials	\$ 2,620	
Other Supplies and Materials	7,998	
Vocational Instruction Equipment	<u>44,519</u>	
Total Vocational Education Program		55,137

Support Services

Health Services

Medical Personnel	\$ 10,349	
Social Security	582	
State Retirement	954	

(Continued)

Exhibit K-8

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Health Services (Cont.)</u>		
Medical Insurance	\$ 3,363	
Employer Medicare	136	
Total Health Services		\$ 15,384
<u>Other Student Support</u>		
Other Salaries and Wages	\$ 727	
Social Security	45	
State Retirement	66	
Employer Medicare	11	
Evaluation and Testing	7,923	
Travel	4,405	
Other Supplies and Materials	408	
Total Other Student Support		13,585
<u>Regular Instruction Program</u>		
Supervisor/Director	\$ 16,063	
Social Security	963	
State Retirement	1,452	
Medical Insurance	2,141	
Employer Medicare	225	
Travel	93	
In Service/Staff Development	15,868	
Total Regular Instruction Program		36,805
<u>Special Education Program</u>		
Clerical Personnel	\$ 2,000	
Social Security	124	
State Retirement	45	
Employer Medicare	29	
Total Special Education Program		2,198
<u>Vocational Education Program</u>		
Travel	\$ 141	
Total Vocational Education Program		141
<u>Transportation</u>		
Travel	\$ 239	
Total Transportation		239
Total School Federal Projects Fund		\$ 475,616
<u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Cafeteria Personnel	\$ 191,072	
Social Security	10,787	

(Continued)

Exhibit K-8

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
State Retirement	\$	3,812
Medical Insurance		52,019
Employer Medicare		2,523
Maintenance and Repair Services - Equipment		5,823
Transportation - Other than Students		843
Travel		394
Food Supplies		179,283
Office Supplies		938
USDA - Commodities		13,221
Other Supplies and Materials		11,808
Other Charges		2,780
Food Service Equipment		2,500
Total Food Service		<u>\$ 477,803</u>
Total Central Cafeteria Fund		\$ 477,803
<u>Education Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$	15,409
Total Education		\$ 15,409
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Building Improvements	\$	8,140
Total Education Capital Projects		<u>8,140</u>
Total Education Capital Projects Fund		<u>23,549</u>
Total Governmental Funds - Metropolitan School Department		<u>\$ 9,024,426</u>

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

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements, and have issued our report thereon dated November 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan Lynchburg Moore County Water and Sewer Department and the discretely presented Metropolitan Moore County Emergency Communications District, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-002, 2015-003, and 2015-005.

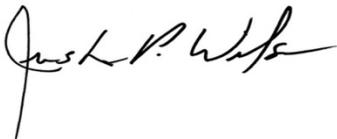
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-004, and 2015-006.

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 23, 2015

JPW/kp



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

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

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Government of Lynchburg, Moore County, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the metropolitan government's major federal programs for the year ended June 30, 2015. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the metropolitan government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local*

Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the metropolitan government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Metropolitan Government of Lynchburg, Moore County, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the metropolitan government is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the metropolitan government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the metropolitan government's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

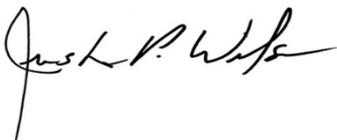
deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements. We issued our report thereon dated November 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 23, 2015

JPW/kp

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 66,027
National School Lunch Program	10.555	(2)	204,066 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	13,221 (3)
Total U.S. Department of Agriculture			<u>\$ 283,314</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(4)	\$ 34,464
Alcohol Open Container Requirements	20.607	Z15GHS236	4,900
Total U.S. Department of Transportation			<u>\$ 39,364</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Library and Archives:			
Grants to States	45.310	(2)	\$ 988
Total U.S. Institute of Museum and Library Services			<u>\$ 988</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 168,379
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	193,035
Special Education Preschool Grants	84.173	N/A	20,845
Career and Technical Education - Basic Grants to States	84.048	N/A	60,532
Improving Teacher Quality State Grants	84.367	N/A	25,534
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	7,291
Total U.S. Department of Education			<u>\$ 475,616</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.360	N/A	\$ 27,833
Homeland Security Grant Program	97.042	34101-08215	7,500
Homeland Security Grant Program	97.067	34101-14814	15,398
Total U.S. Department of Homeland Security			<u>\$ 50,731</u>
Total Expenditures of Federal Grants			<u>\$ 850,013</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Rural Local Health Services - State Department of Health	N/A	(2)	\$ 103,376
Archive Grant - Tennessee Secretary of State	N/A	(2)	2,000
Litter Program - State Department of Transportation	N/A	(2)	23,220
Pilot-Lottery for Pre-K Classrooms - Early Childhood Education - State Department of Education	N/A	(2)	95,637
Coordinated School Health - State Department of Education	N/A	(2)	84,941
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	5,410
Adult Basic Education - State Department of Labor and Workforce Development	N/A	(2)	2,456
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	3,000
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	<u>9,000</u>
Total State Grants			<u>\$ 329,040</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 \$217,287.
- (4) Z14GHS236: \$11,594; Z15GHS237: \$22,870.

The Metropolitan Government of Lynchburg, Moore 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 are findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2014, which have not been corrected.

OFFICE OF METROPOLITAN MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	160	Moore County did not solicit competitive bids for the purchase of food for inmate meals
2014-002	160	General ledger payroll liability accounts were not reconciled

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-006	163	Duties were not segregated adequately

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unmodified.
2. The audit of the financial statements of the metropolitan government disclosed significant deficiencies in internal control. None of these deficiencies is considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the metropolitan government.
4. The audit 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) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. The metropolitan government did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF METROPOLITAN MAYOR

FINDING 2015-001

THE OFFICE HAD PURCHASING DEFICIENCIES

(Noncompliance Under *Government Auditing Standards*)

The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the Metropolitan Council provided for the Office of Metropolitan Mayor to follow the bid requirements set forth in the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*. These statutes provide for competitive bids on all purchases exceeding \$10,000. We noted the following purchasing deficiencies:

- A. The office did not solicit competitive bids for the purchase of food for inmate meals. The metropolitan government paid a total of \$16,178 for food for inmate meals during the fiscal year ended June 30, 2015. The failure to solicit competitive bids could result in the county paying more than the most competitive price. This finding resulted from management's failure to correct the finding noted in the prior-year audit report.

- B. The office solicited and received bids for the purchase of an ambulance. However, the bid specifications listed a particular brand/make/model. Using bid specifications that apply only to a particular brand violates the intent of the government's purchasing law. This deficiency occurred because management believed only one specific brand met their expectations.

RECOMMENDATION

Competitive bids should be solicited for purchases exceeding \$10,000 as required by the Metropolitan Charter. The office should develop bid specifications that are not brand/make/model specific. Bids should be evaluated on the basis of several criteria, including price, quality, availability, warranty, maintenance costs, experience, etc.

FINDING 2015-002

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

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

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

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2015-003

**THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH
OVERDRAFT OF \$12,242 AT JUNE 30, 2015**

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

The School Federal Projects Fund had a cash overdraft of \$12,242 at June 30, 2015. This overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2015.

RECOMMENDATION

The School Department should not issue checks exceeding cash on deposit with the county trustee.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 2015-004

**THE OFFICE HAD DEFICIENCIES IN COMPUTER
SYSTEM BACKUP PROCEDURES**

(Noncompliance Under *Government Auditing Standards*)

System backups were not regularly stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be kept by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all daily data generated and stored within the

computer system be copied to storage media daily and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper procedures were implemented when this deficiency was brought to management's attention in November 2014.

RECOMMENDATION

Backups should be rotated to a secure off-site location on a weekly basis.

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

FINDING 2015-005

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

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

RECOMMENDATION

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

METROPOLITAN COUNCIL

FINDING 2015-006

THE METROPOLITAN COUNCIL'S AUDIT COMMITTEE IS NOT A FUNCTIONING COMMITTEE

(Noncompliance Under *Government Auditing Standards*)

The metropolitan government participates in the ThreeStar Program through the Tennessee Department of Economic and Community Development to assist the government's community development efforts in competing for jobs and attracting industry.

One of the requirements of the ThreeStar Program is that the government must create and maintain an Audit Committee. The Metropolitan Council created an Audit Committee on January 20, 2014, as provided by Section 9-3-405, *Tennessee Code Annotated*; however, there are no minutes to document that this Audit Committee has ever met or conducted any business. Without a functioning Audit Committee, the Metropolitan Council does not have independent and objective reviews of the financial reporting process, internal controls, the audit function, and monitoring management's plans to address various risks.

RECOMMENDATION

The Metropolitan Council's Audit Committee should be a functioning committee, maintain minutes of its meetings, and annually present a written committee report detailing how it discharged its duties and any committee recommendations to the full Metropolitan Council.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICES

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

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

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

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

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

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

**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015**

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