

**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2018**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

***COMPTROLLER OF THE TREASURY***  
***JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT***  
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***Director***

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***CHRISVONTA SMITH***  
***State Auditors***

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

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## LINCOLN COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Lincoln County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
<b>BASIC FINANCIAL STATEMENTS:</b>		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	C-5	25-27
Highway/Public Works Fund	C-6	28
Proprietary Funds:		
Statement of Net Position	D-1	29-30
Statement of Revenues, Expenses, and Changes in Net Position	D-2	31
Statement of Cash Flows	D-3	32-33
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	34
Index and Notes to the Financial Statements		35-133
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>		134
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government – County Plan	F-1	135
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government – Board of Public Utilities Plan	F-2	136

	Exhibit	Page(s)
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government – County Plan	F-3	137
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government – Board of Public Utilities Plan	F-4	138
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Lincoln County School Department	F-5	139
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Lincoln County School Department	F-6	140
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Pension Plan of TCRS – Discretely Presented Lincoln County School Department	F-7	141
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Lincoln County School Department	F-8	142
Schedule of Changes in the Total OPEB Liability and Related Ratios - Primary Government - Local Government Plan	F-9	143
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plan – Discretely Presented Lincoln County School Department	F-10	144
Notes to the Required Supplementary Information		145
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:</b>		146
Nonmajor Governmental Funds:		147
Combining Balance Sheet	G-1	148
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	149-150
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	G-3	151
Drug Control Fund	G-4	152
Major Governmental Fund:		153
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	154
Fiduciary Funds:		155
Combining Statement of Fiduciary Assets and Liabilities	I-1	156
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	157-158
Component Unit:		
Discretely Presented Lincoln County School Department:		159
Statement of Activities	J-1	160
Balance Sheet – Governmental Funds	J-2	161-162
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	J-3	163
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	164

	Exhibit	Page(s)
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	165
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	166-167
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	168
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	169-170
School Federal Projects Fund	J-9	171
Central Cafeteria Fund	J-10	172
Extended School Program Fund	J-11	173
Education Capital Projects Fund	J-12	174
Miscellaneous Schedules:		175
Schedule of Changes in Long-term Notes, Bonds, Capital Leases, and Other Loans	K-1	176
Schedule of Long-term Debt Requirements by Year	K-2	177-178
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Lincoln County School Department	K-3	179
Schedule of Detailed Revenues – All Governmental Fund Types	K-4	180-191
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-5	192-195
Schedule of Detailed Expenditures – All Governmental Fund Types	K-6	196-213
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-7	214-223
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-8	224
 <u>STATUTORY SECTION</u>	 Table	 225
Demographic and Economic Information:		
Schedule of Utility Rates	1	226
Schedule of Unaccounted for Water	2	227-228
 <u>SINGLE AUDIT SECTION</u>		 229
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>		230-231
Auditor's Report on Compliance for Every Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance		232-234
Schedule of Expenditures of Federal Awards and State Grants		235-236
Summary Schedule of Prior-year Findings		237
Schedule of Findings and Questioned Costs		238-240
Management's Corrective Action Plan		241

# ***Summary of Audit Findings***

Annual Financial Report  
Lincoln County, Tennessee  
For the Year Ended June 30, 2018

## ***Scope***

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2018.

## ***Results***

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

Our audit resulted in no findings.

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# INTRODUCTORY SECTION

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Lincoln County Officials  
June 30, 2018

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**Officials**

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

**Board of County Commissioners**

William Newman, County Mayor, Chairperson  
R. Stephen Graham  
Randy Bradford  
Darren Walker  
Grady Reavis  
Darrin Simms  
Ben Brown  
Anthony Taylor  
John Thorpe  
Sharon Eubanks  
Rick Head  
Katie Guin  
Ronald Jean

Chris Thornton  
Donny Ogle  
Shirley Dangerfield  
Tull Malone  
Tori Young  
Doug Cunningham  
Ricky Bryant  
Mark Monks  
Todd Groce  
Wayne King  
Steve Guntherberg  
Jack Towry

**Financial Management Committee**

William Newman, County Mayor, Chairperson  
Tim Gill, Highway Superintendent  
Dr. Bill Heath, Director of Schools  
Sharon Eubanks

Ben Brown  
Doug Cunningham  
Mark Monks

**Board of Education**

Jerry Pendergrass, Chairperson  
Stan Golden  
Kevin Posey  
Sammy Tucker

Veronica King  
Johnny Collins  
Jennifer Haynes  
Thomas Stevenson

**Audit Committee**

Sharon Eubanks, Chairman  
Tori Young  
Ben Brown

Mark Monks  
Darren Walker



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## FINANCIAL SECTION

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JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

## Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lincoln County Health System (a major enterprise fund), which represent 48.9 percent, 46.3 percent, and 87.1 percent, respectively, of the assets, net position, and revenues of the business-type activities or the financial statements of the Lincoln County Board of Public Utilities (a major enterprise fund), which represent 41.7 percent, 47.8 percent, and 12.5 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Lincoln County Health System and the Lincoln County Board of Public Utilities, are based solely on the reports of other auditors.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in

order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

We draw attention to Note I.D.9. to the financial statements, which describes restatements to increase the beginning net position of the Governmental Activities of the primary government by \$789 and to reduce the beginning net position of the discretely presented Lincoln County School Department by \$1,761,658 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

### ***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 county and schools changes in OPEB liability and related ratios on pages 135-145 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), miscellaneous schedules and the other information such as the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

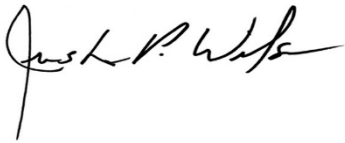
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), schedule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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of Lincoln County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Lincoln County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

February 14, 2019

JPW/tg

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lincoln County, Tennessee  
Statement of Net Position  
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lincoln County School Department
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 0	\$ 4,920,019	\$ 4,920,019	\$ 1,249
Equity in Pooled Cash and Investments	15,263,530	384,575	15,648,105	5,469,643
Accounts Receivable	471,329	9,081,691	9,553,020	113,909
Allowance for Uncollectible	(2,897)	(2,570,812)	(2,573,709)	0
Due from Other Governments	1,922,642	0	1,922,642	1,498,965
Due from Component Unit	217,389	0	217,389	0
Property Taxes Receivable	9,101,136	0	9,101,136	5,315,232
Allowance for Uncollectible Property Taxes	(173,586)	0	(173,586)	(99,707)
Prepaid Items	0	298,154	298,154	567,833
Other Assets	0	644,705	644,705	0
Inventories	0	947,569	947,569	38,442
Net Pension Asset - Agent Plan	484,292	1,750,286	2,234,578	349,719
Net Pension Asset - Teacher Retirement Plan	0	0	0	93,483
Net Pension Asset - Teacher Legacy Pension Plan	0	0	0	128,261
Restricted Assets:				
Restricted Cash	0	9,071,236	9,071,236	0
Other Assets	0	195,416	195,416	0
Capital Assets:				
Assets Not Depreciated:				
Land	9,292,586	1,670,035	10,962,621	957,984
Construction in Progress	910,777	412,578	1,323,355	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	8,839,505	30,650,683	39,490,188	22,021,050
Ground Improvements	0	6,278,386	6,278,386	0
Infrastructure	6,751,950	0	6,751,950	0
Other Capital Assets	5,122,607	4,026,298	9,148,905	3,856,403
Total Assets	\$ 58,201,260	\$ 67,760,819	\$ 125,962,079	\$ 40,312,466
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Amount on Refunding	\$ 0	\$ 247,307	\$ 247,307	\$ 0
Pension Changes in Experience	18,628	70,467	89,095	94,052
Pension Changes in Investment Earnings	14	26	40	19,480
Pension Changes in Contributions				
After Measurement Date	201,373	460,935	662,308	1,483,377
Pension Changes in Proportionate Share of NPL	0	19,869	19,869	124,913
Pension Changes in Assumptions	243,302	529,859	773,161	1,270,205
OPEB Changes in Benefits Paid				
After Measurement Date	6,953	0	0	143,902
Total Deferred Outflows of Resources	\$ 470,270	\$ 1,328,463	\$ 1,798,733	\$ 3,135,929

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lincoln County School Department
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 43,446	\$ 1,857,724	\$ 1,901,170	\$ 22,046
Accrued Payroll	137,344	0	137,344	1,020,670
Cash Overdraft	0	0	0	7,146
Contracts Payable	298,640	0	298,640	0
Accrued Liabilities	0	1,008,740	1,008,740	0
Due to Primary Government	0	0	0	217,389
Due to State of Tennessee	4,236	0	4,236	0
Due to Cities	235,202	0	235,202	0
Accrued Interest Payable	74,412	50,749	125,161	0
Other Accrued Liabilities	0	1,264,850	1,264,850	0
Noncurrent Liabilities:				
Due Within One Year	2,406,134	1,339,492	3,745,626	0
Due in More Than One Year	8,988,041	17,620,818	26,608,859	2,645,364
<b>Total Liabilities</b>	<b>\$ 12,187,455</b>	<b>\$ 23,142,373</b>	<b>\$ 35,329,828</b>	<b>\$ 3,912,615</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Current Property Taxes, Levied for Subsequent Period	\$ 8,694,263	\$ 0	\$ 8,694,263	\$ 5,084,088
Pension Changes in Experience	281,109	636,858	917,967	2,858,017
Pension Changes in Investment Earnings	0	2,704	2,704	5,030
Pension Changes in Proportionate Share of NPL	0	63,126	63,126	78,649
OPEB Changes in Assumptions	17,357	0	17,357	112,274
<b>Total Deferred Inflows of Resources</b>	<b>\$ 8,992,729</b>	<b>\$ 702,688</b>	<b>\$ 9,695,417</b>	<b>\$ 8,138,058</b>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	\$ 24,098,570	\$ 24,324,977	\$ 48,423,547	\$ 26,835,437
Restricted for:				
General Government	28,790	0	28,790	0
Finance	44,240	0	44,240	0
Administration of Justice	82,287	0	82,287	0
Public Safety	367,652	0	367,652	0
Public Health and Welfare	1,435,009	435,505	1,870,514	0
Highway/Public Works	5,718,130	0	5,718,130	0
Debt Service	0	1,095,074	1,095,074	0
Education	0	0	0	888,432
Capital Outlay	0	0	0	264,180
Other Purposes	0	81,634	81,634	0
Pensions	484,292	1,750,286	2,234,578	571,463
Unrestricted	5,232,376	17,556,745	22,789,121	2,838,210
<b>Total Net Position</b>	<b>\$ 37,491,346</b>	<b>\$ 45,244,221</b>	<b>\$ 82,735,567</b>	<b>\$ 31,397,722</b>

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



Exhibit B

Lincoln County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Lincoln County School Department	
					Governmental Activities	Business-type Activities		Total
Primary Government:								
Governmental Activities:								
General Government	\$ 1,925,287	\$ 333,333	\$ 103,573	\$ 220,000	\$ (1,268,381)	\$ 0	\$ (1,268,381)	\$ 0
Finance	1,317,869	944,919	0	0	(372,950)	0	(372,950)	0
Administration of Justice	1,418,781	677,611	9,000	0	(732,170)	0	(732,170)	0
Public Safety	6,910,455	1,257,208	169,315	0	(5,483,932)	0	(5,483,932)	0
Public Health and Welfare	2,261,988	1,188,113	652,621	1,250	(420,004)	0	(420,004)	0
Social, Cultural, and Recreational Services	275,261	5,161	0	0	(270,100)	0	(270,100)	0
Agriculture and Natural Resources	190,563	0	16,764	0	(173,799)	0	(173,799)	0
Highways/Public Works	4,079,593	0	2,471,207	1,264,276	(344,110)	0	(344,110)	0
Education	0	0	0	108,695	108,695	0	108,695	0
Interest on Long-term Debt	477,247	0	0	0	(477,247)	0	(477,247)	0
<b>Total Governmental Activities</b>	<b>\$ 18,857,044</b>	<b>\$ 4,406,345</b>	<b>\$ 3,422,480</b>	<b>\$ 1,594,221</b>	<b>\$ (9,433,998)</b>	<b>\$ 0</b>	<b>\$ (9,433,998)</b>	<b>\$ 0</b>
Business-type Activities:								
Lincoln County Health System	\$ 41,864,212	\$ 39,236,933	\$ 87,290	\$ 24,945	\$ 0	\$ (2,515,044)	\$ (2,515,044)	\$ 0
Lincoln County Board of Public Utilities	4,064,885	5,401,009	72,816	182,701	0	1,591,641	1,591,641	0
Lincoln County Sewer System	345,395	193,070	0	0	0	(152,325)	(152,325)	0
<b>Total Business-type Activities</b>	<b>\$ 46,274,492</b>	<b>\$ 44,831,012</b>	<b>\$ 160,106</b>	<b>\$ 207,646</b>	<b>\$ 0</b>	<b>\$ (1,075,728)</b>	<b>\$ (1,075,728)</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 65,131,536</b>	<b>\$ 49,237,357</b>	<b>\$ 3,582,586</b>	<b>\$ 1,801,867</b>	<b>\$ (9,433,998)</b>	<b>\$ (1,075,728)</b>	<b>\$ (10,509,726)</b>	<b>\$ 0</b>
Component Unit:								
Lincoln County School Department	\$ 35,651,796	\$ 787,540	\$ 4,392,380	\$ 135,908	\$ 0	\$ 0	\$ 0	\$ (30,335,968)

(Continued)

Exhibit B

Lincoln County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Lincoln County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 7,116,300	\$ 0	\$ 7,116,300	\$ 4,676,888
Property Taxes Levied for Debt Service					1,185,842	0	1,185,842	0
Local Option Sales Tax					1,317,473	0	1,317,473	2,837,701
Other Local Taxes:								
Wheel Tax					2,277,124	0	2,277,124	0
Business Tax					313,279	0	313,279	0
Hotel/Motel Tax					129,903	0	129,903	0
Litigation Tax - Jail, Workhouse, or Courthouse					134,889	0	134,889	0
Litigation Tax - Special Purpose					120,956	0	120,956	0
Wholesale Beer Tax					0	0	0	103,545
Litigation Tax - General					99,158	0	99,158	0
Litigation Tax - Courtroom Security					97,592	0	97,592	0
Mineral Severance Tax					32,372	0	32,372	0
Grants and Contributions Not Restricted to Specific Programs					932,847	0	932,847	22,275,508
Unrestricted Investment Earnings					257,793	97,325	355,118	634
Miscellaneous					341,469	0	341,469	428,447
Gain on Sale of Capital Assets					141,442	127,220	268,662	0
<b>Total General Revenues</b>					<b>\$ 14,498,439</b>	<b>\$ 224,545</b>	<b>\$ 14,722,984</b>	<b>\$ 30,322,723</b>
Change in Net Position								
Net Position, July 1, 2017					\$ 5,064,441	\$ (851,183)	\$ 4,213,258	\$ (13,245)
Prior-period Adjustment - See Note VII.L.					32,426,116	45,741,906	78,168,022	33,172,625
Restatement - See Note I.D.9.					0	353,498	353,498	0
					789	0	789	(1,761,658)
<b>Net Position, June 30, 2018</b>					<b>\$ 37,491,346</b>	<b>\$ 45,244,221</b>	<b>\$ 82,735,567</b>	<b>\$ 31,397,722</b>

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

Exhibit C-1

Lincoln County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2018

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 5,033,597	\$ 4,913,041	\$ 3,635,606	\$ 1,681,286	\$ 15,263,530
Accounts Receivable	298,604	164,910	0	7,815	471,329
Allowance for Uncollectibles	0	0	0	(2,897)	(2,897)
Due from Other Governments	832,466	884,896	0	205,280	1,922,642
Property Taxes Receivable	6,770,983	1,091,523	1,238,630	0	9,101,136
Allowance for Uncollectible Property Taxes	(128,115)	(21,300)	(24,171)	0	(173,586)
Total Assets	<u>\$ 12,807,535</u>	<u>\$ 7,033,070</u>	<u>\$ 4,850,065</u>	<u>\$ 1,891,484</u>	<u>\$ 26,582,154</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 30,952	\$ 129	\$ 0	\$ 12,365	\$ 43,446
Accrued Payroll	97,479	37,160	0	2,705	137,344
Contracts Payable	61,847	236,793	0	0	298,640
Due to State of Tennessee	4,236	0	0	0	4,236
Due to Cities	217,441	0	0	17,761	235,202
Total Liabilities	<u>\$ 411,955</u>	<u>\$ 274,082</u>	<u>\$ 0</u>	<u>\$ 32,831</u>	<u>\$ 718,868</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 6,472,268	\$ 1,040,858	\$ 1,181,137	\$ 0	\$ 8,694,263
Deferred Delinquent Property Taxes	152,642	26,273	29,814	0	208,729
Other Deferred/Unavailable Revenue	586,571	652,093	0	109,793	1,348,457
Total Deferred Inflows of Resources	<u>\$ 7,211,481</u>	<u>\$ 1,719,224</u>	<u>\$ 1,210,951</u>	<u>\$ 109,793</u>	<u>\$ 10,251,449</u>

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 28,790	\$ 0	\$ 0	\$ 0	\$ 28,790
Restricted for Finance	44,240	0	0	0	44,240
Restricted for Administration of Justice	82,287	0	0	0	82,287
Restricted for Public Safety	15,602	0	0	352,050	367,652
Restricted for Public Health and Welfare	91,142	0	0	1,396,810	1,487,952
Restricted for Highways/Public Works	0	5,039,764	0	0	5,039,764
Committed:					
Committed for General Government	759,435	0	0	0	759,435
Committed for Public Safety	65,563	0	0	0	65,563
Committed for Capital Outlay	654,718	0	0	0	654,718
Committed for Debt Service	0	0	3,639,114	0	3,639,114
Assigned:					
Assigned for General Government	264,714	0	0	0	264,714
Assigned for Finance	82	0	0	0	82
Assigned for Administration of Justice	1,198	0	0	0	1,198
Assigned for Public Safety	93,169	0	0	0	93,169
Assigned for Public Health and Welfare	22,693	0	0	0	22,693
Unassigned	3,060,466	0	0	0	3,060,466
Total Fund Balances	<u>\$ 5,184,099</u>	<u>\$ 5,039,764</u>	<u>\$ 3,639,114</u>	<u>\$ 1,748,860</u>	<u>\$ 15,611,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,807,535</u>	<u>\$ 7,033,070</u>	<u>\$ 4,850,065</u>	<u>\$ 1,891,484</u>	<u>\$ 26,582,154</u>

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

Exhibit C-2

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Position  
June 30, 2018

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)		\$ 15,611,837
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 9,292,586	
Add: construction in progress	910,777	
Add: buildings and improvements net of accumulated depreciation	8,839,505	
Add: infrastructure net of accumulated depreciation	6,751,950	
Add: other capital assets net of accumulated depreciation	<u>5,122,607</u>	30,917,425
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (765,000)	
Less: bonds payable	(9,665,000)	
Less: capital leases payable	(217,389)	
Add: debt to be contributed by the School Department	217,389	
Less: unamortized premium on debt	(26,599)	
Less: landfill closure/postclosure care costs	(162,736)	
Less: other postemployment benefits liability	(335,848)	
Less: compensated absences payable	(221,603)	
Less: accrued interest on notes, bonds, and capital leases	<u>(74,412)</u>	(11,251,198)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension expense and OPEB expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 463,317	
Add: deferred outflows of resources related to OPEB	6,953	
Less: deferred inflows of resources related to pensions	(281,109)	
Less: deferred inflows of resources related to OPEB	<u>(17,357)</u>	171,804
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		484,292
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,557,186</u>
Net position of governmental activities (Exhibit A)		<u>\$ 37,491,346</u>

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

Exhibit C-3

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 9,123,750	\$ 2,350,134	\$ 2,083,004	\$ 0	\$ 13,556,888
Licenses and Permits	179,780	0	0	0	179,780
Fines, Forfeitures, and Penalties	210,404	0	0	69,497	279,901
Charges for Current Services	151,851	0	0	1,183,576	1,335,427
Other Local Revenues	373,856	205,742	0	16,678	596,276
Fees Received From County Officials	1,534,411	0	0	0	1,534,411
State of Tennessee	1,779,535	3,685,289	0	23,496	5,488,320
Federal Government	299,011	0	0	0	299,011
Other Governments and Citizens Groups	23,348	0	108,695	0	132,043
<b>Total Revenues</b>	<b>\$ 13,675,946</b>	<b>\$ 6,241,165</b>	<b>\$ 2,191,699</b>	<b>\$ 1,293,247</b>	<b>\$ 23,402,057</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 2,577,437	\$ 0	\$ 0	\$ 82,176	\$ 2,659,613
Finance	1,297,924	0	0	0	1,297,924
Administration of Justice	1,375,624	0	0	2,580	1,378,204
Public Safety	5,924,484	0	0	86,725	6,011,209
Public Health and Welfare	602,180	0	0	1,205,937	1,808,117
Social, Cultural, and Recreational Services	220,401	0	0	0	220,401
Agriculture and Natural Resources	156,382	0	0	0	156,382
Other Operations	837,396	0	0	0	837,396
Highways	0	5,583,810	0	0	5,583,810
Debt Service:					
Principal on Debt	0	0	2,238,695	0	2,238,695
Interest on Debt	0	0	487,834	0	487,834
Other Debt Service	0	0	33,989	0	33,989

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 326,084	\$ 326,084
Total Expenditures	\$ 12,991,828	\$ 5,583,810	\$ 2,760,518	\$ 1,703,502	\$ 23,039,658
<u>Excess (Deficiency) of Revenues Over Expenditures</u>					
	\$ 684,118	\$ 657,355	\$ (568,819)	\$ (410,255)	\$ 362,399
<u>Other Financing Sources (Uses)</u>					
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 326,084	\$ 326,084
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 326,084	\$ 326,084
<u>Net Change in Fund Balances</u>					
Fund Balance, July 1, 2017	\$ 4,499,981	\$ 4,382,409	\$ 4,207,933	\$ 1,833,031	\$ 14,923,354
Fund Balance, June 30, 2018	\$ 5,184,099	\$ 5,039,764	\$ 3,639,114	\$ 1,748,860	\$ 15,611,837

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

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2018

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)		\$ 688,483
(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	\$ 3,253,674	
Less: current-year depreciation expense	<u>(1,635,871)</u>	1,617,803
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to increase net position.		
Add: capital assets donated in the current period	\$ 286,059	
Less: book value of capital assets disposed	<u>(38,787)</u>	247,272
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 1,557,186	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(1,189,482)</u>	367,704
(4) The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: capital lease proceeds	\$ (326,084)	
Add: capital lease proceeds contributed to the School Department	326,084	
Add: principal payments on bonds	2,050,000	
Add: principal payments on notes	80,000	
Add: principal payments on capital leases	108,695	
Less: contributions from the School Department for capital leases	(108,695)	
Add: change in premium on debt issuances	<u>13,147</u>	2,143,147
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 10,587	
Change in landfill closure/postclosure care costs	13,109	
Change in net pension asset - agency pension plan	140,771	
Change in deferred outflows of resources for pensions	(239,914)	
Change in deferred outflows of resources for OPEB (net of restatement)	813	
Change in deferred inflows of resources for pensions	116,407	
Change in deferred inflows of resources for OPEB	(17,357)	
Change in OPEB liability (net of restatement)	(10,935)	
Change in compensated absences payable	<u>(13,449)</u>	32
Change in net position of governmental activities (Exhibit B)		<u>\$ 5,064,441</u>

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



Exhibit C-5

Lincoln County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 9,123,750	\$ 0	\$ 0	\$ 9,123,750	\$ 8,982,512	\$ 9,003,000	\$ 120,750
Licenses and Permits	179,780	0	0	179,780	116,663	191,663	(11,883)
Fines, Forfeitures, and Penalties	210,404	0	0	210,404	186,378	189,387	21,017
Charges for Current Services	151,851	0	0	151,851	125,700	125,700	26,151
Other Local Revenues	373,856	0	0	373,856	157,680	187,947	185,909
Fees Received From County Officials	1,534,411	0	0	1,534,411	1,489,000	1,495,000	39,411
State of Tennessee	1,779,535	0	0	1,779,535	1,309,892	1,973,204	(193,669)
Federal Government	299,011	0	0	299,011	58,850	338,133	(39,122)
Other Governments and Citizens Groups	23,348	0	0	23,348	500	22,959	389
<b>Total Revenues</b>	<b>\$ 13,675,946</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,675,946</b>	<b>\$ 12,427,175</b>	<b>\$ 13,526,993</b>	<b>\$ 148,953</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 168,503	\$ 0	\$ 0	\$ 168,503	\$ 167,770	\$ 178,870	\$ 10,367
County Mayor/Executive	182,142	0	0	182,142	181,139	189,742	7,600
County Attorney	53,721	0	0	53,721	81,899	71,299	17,578
Election Commission	545,018	0	778	545,796	237,209	564,674	18,878
Register of Deeds	194,306	0	0	194,306	220,044	221,694	27,388
Planning	195,451	0	127	195,578	159,880	235,329	39,751
County Buildings	1,230,312	(30,400)	50,202	1,250,114	1,256,557	2,078,205	828,091
Preservation of Records	7,984	0	0	7,984	16,364	17,364	9,380
<u>Finance</u>							
Accounting and Budgeting	380,149	0	8	380,157	376,743	384,955	4,798
Property Assessor's Office	216,821	0	74	216,895	237,341	237,875	20,980
Reappraisal Program	80,286	0	0	80,286	90,237	91,393	11,107
County Trustee's Office	242,713	(615)	0	242,098	250,802	252,138	10,040
County Clerk's Office	277,174	0	0	277,174	275,799	283,311	6,137
Data Processing	100,781	(180)	0	100,601	99,971	102,884	2,283
<u>Administration of Justice</u>							
Circuit Court	513,554	0	1,198	514,752	508,760	536,907	22,155

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
General Sessions Court	\$ 165,903	\$ 0	\$ 0	\$ 165,903	\$ 169,516	\$ 171,512	\$ 5,609
Chancery Court	251,377	(1,712)	0	249,665	272,533	272,741	23,076
Juvenile Court	192,514	0	0	192,514	170,761	216,613	24,099
Judicial Commissioners	36,445	0	0	36,445	35,589	38,372	1,927
Courtroom Security	215,831	0	0	215,831	237,258	264,017	48,186
<u>Public Safety</u>							
Sheriff's Department	2,752,746	(48,589)	64,606	2,768,763	2,554,882	2,939,506	170,743
Special Patrols	18,875	0	0	18,875	0	38,826	19,951
Jail	2,664,407	(1,256)	28,563	2,691,714	3,006,841	3,088,831	397,117
Fire Prevention and Control	276,810	(264)	0	276,546	269,209	294,317	17,771
Civil Defense	211,646	(506)	0	211,140	192,396	228,673	17,533
<u>Public Health and Welfare</u>							
Local Health Center	439,707	0	81	439,788	543,830	576,489	136,701
Maternal and Child Health Services	22,500	0	0	22,500	22,500	22,500	0
Other Local Welfare Services	8,899	0	0	8,899	8,899	8,899	0
Sanitation Management	131,074	0	0	131,074	124,076	136,141	5,067
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	14,350	0	0	14,350	14,350	14,350	0
Libraries	150,051	0	0	150,051	148,101	150,051	0
Parks and Fair Boards	56,000	0	0	56,000	56,000	56,000	0
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	97,193	0	0	97,193	109,200	109,200	12,007
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	57,189	0	0	57,189	65,598	66,387	9,198
<u>Other Operations</u>							
Industrial Development	195,400	0	0	195,400	147,731	197,801	2,401
Other Economic and Community Development	151,499	0	0	151,499	154,784	172,772	21,273
Airport	21,306	0	0	21,306	21,306	21,306	0
Veterans' Services	27,889	0	0	27,889	27,526	33,726	5,837

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Contributions to Other Agencies	\$ 4,900	\$ 0	\$ 0	\$ 4,900	\$ 4,900	\$ 4,900	\$ 0
Miscellaneous	436,402	0	0	436,402	435,695	457,185	20,783
Total Expenditures	\$ 12,991,828	\$ (83,522)	\$ 145,637	\$ 13,053,943	\$ 12,955,996	\$ 15,029,755	\$ 1,975,812
Excess (Deficiency) of Revenues Over Expenditures	\$ 684,118	\$ 83,522	\$ (145,637)	\$ 622,003	\$ (528,821)	\$ (1,502,762)	\$ 2,124,765
Net Change in Fund Balance	\$ 684,118	\$ 83,522	\$ (145,637)	\$ 622,003	\$ (528,821)	\$ (1,502,762)	\$ 2,124,765
Fund Balance, July 1, 2017	4,499,981	(83,522)	0	4,416,459	3,598,830	4,416,459	0
Fund Balance, June 30, 2018	\$ 5,184,099	\$ 0	\$ (145,637)	\$ 5,038,462	\$ 3,070,009	\$ 2,913,697	\$ 2,124,765

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

Exhibit C-6

Lincoln County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,350,134	\$ 0	\$ 0	\$ 2,350,134	\$ 2,276,997	\$ 2,276,997	\$ 73,137
Other Local Revenues	205,742	0	0	205,742	5,000	5,000	200,742
State of Tennessee	3,685,289	0	0	3,685,289	2,474,071	4,423,734	(738,445)
<b>Total Revenues</b>	<b>\$ 6,241,165</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,241,165</b>	<b>\$ 4,756,068</b>	<b>\$ 6,705,731</b>	<b>\$ (464,566)</b>
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 224,052	\$ 0	\$ 0	\$ 224,052	\$ 248,873	\$ 248,873	\$ 24,821
Highway and Bridge Maintenance	3,033,238	0	0	3,033,238	3,524,179	4,011,597	978,359
Operation and Maintenance of Equipment	432,666	(5,600)	3,500	430,566	837,012	837,012	406,446
Quarry Operations	257,269	(23,780)	0	233,489	393,995	393,995	160,506
Other Charges	115,102	0	0	115,102	140,600	140,600	25,498
Employee Benefits	83,612	0	0	83,612	106,000	106,000	22,388
Capital Outlay	1,437,871	(52,780)	0	1,385,091	745,000	1,995,892	610,801
<b>Total Expenditures</b>	<b>\$ 5,583,810</b>	<b>\$ (82,160)</b>	<b>\$ 3,500</b>	<b>\$ 5,505,150</b>	<b>\$ 5,995,659</b>	<b>\$ 7,733,969</b>	<b>\$ 2,228,819</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 657,355	\$ 82,160	\$ (3,500)	\$ 736,015	\$ (1,239,591)	\$ (1,028,238)	\$ 1,764,253
Net Change in Fund Balance	\$ 657,355	\$ 82,160	\$ (3,500)	\$ 736,015	\$ (1,239,591)	\$ (1,028,238)	\$ 1,764,253
Fund Balance, July 1, 2017	4,382,409	(82,160)	0	4,300,249	4,122,746	4,300,249	0
<b>Fund Balance, June 30, 2018</b>	<b>\$ 5,039,764</b>	<b>\$ 0</b>	<b>\$ (3,500)</b>	<b>\$ 5,036,264</b>	<b>\$ 2,883,155</b>	<b>\$ 3,272,011</b>	<b>\$ 1,764,253</b>

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

Exhibit D-1

Lincoln County, Tennessee  
Statement of Net Position  
Proprietary Funds  
June 30, 2018

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and Cash Equivalents	\$ 1,790,783	\$ 3,129,236	\$ 0	\$ 4,920,019
Equity in Pooled Cash and Investments	0	0	384,575	384,575
Accounts Receivable	8,213,538	814,396	53,757	9,081,691
Allowance for Uncollectibles	(2,566,812)	(2,200)	(1,800)	(2,570,812)
Inventories	594,892	352,677	0	947,569
Prepaid Items	277,075	21,079	0	298,154
Other Assets	643,955	750	0	644,705
<b>Total Current Assets</b>	<b>\$ 8,953,431</b>	<b>\$ 4,315,938</b>	<b>\$ 436,532</b>	<b>\$ 13,705,901</b>
Noncurrent Assets:				
Restricted Cash	\$ 0	\$ 120,855	\$ 0	\$ 120,855
Special Funds	8,950,381	0	0	8,950,381
Net Pension Asset	869,443	880,843	0	1,750,286
Other Assets	195,416	0	0	195,416
Capital Assets (Net of Accumulated Depreciation):				
Land	1,131,254	538,781	0	1,670,035
Construction in Progress	0	412,578	0	412,578
Ground Improvements	1,129,278	0	5,149,108	6,278,386
Buildings and Improvements	8,641,231	22,009,452	0	30,650,683
Machinery and Equipment	3,276,298	0	750,000	4,026,298
<b>Total Noncurrent Assets</b>	<b>\$ 24,193,301</b>	<b>\$ 23,962,509</b>	<b>\$ 5,899,108</b>	<b>\$ 54,054,918</b>
<b>Total Assets</b>	<b>\$ 33,146,732</b>	<b>\$ 28,278,447</b>	<b>\$ 6,335,640</b>	<b>\$ 67,760,819</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Amount on Refunding	\$ 247,307	\$ 0	\$ 0	\$ 247,307
Pension Changes in Experience	33,442	37,025	0	70,467
Pension Changes in Investment Earnings	26	0	0	26
Pension Changes in Assumptions	436,798	93,061	0	529,859
Pension Changes in Proportionate Share of NPL	19,869	0	0	19,869
Pension Changes in Contributions after Measurement Date	361,535	99,400	0	460,935
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,098,977</b>	<b>\$ 229,486</b>	<b>\$ 0</b>	<b>\$ 1,328,463</b>

(Continued)

Exhibit D-1

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

	Business-type Activities - Major Enterprise Funds			
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	Total
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 1,333,717	\$ 523,908	\$ 99	\$ 1,857,724
Accrued Liabilities	1,008,740	0	0	1,008,740
Accrued Interest Payable	49,821	0	928	50,749
Accrued Leave	1,028,940	0	0	1,028,940
Current Maturities of Long-term Debt	909,056	245,000	185,436	1,339,492
Patient Trust Funds	22,783	0	0	22,783
Other Liabilities	92,272	0	0	92,272
Customer Deposits	0	120,855	0	120,855
Total Current Liabilities	<u>\$ 4,445,329</u>	<u>\$ 889,763</u>	<u>\$ 186,463</u>	<u>\$ 5,521,555</u>
Noncurrent Liabilities:				
Long-term Debt	\$ 8,275,768	\$ 5,854,812	\$ 3,490,238	\$ 17,620,818
Total Noncurrent Liabilities	<u>\$ 8,275,768</u>	<u>\$ 5,854,812</u>	<u>\$ 3,490,238</u>	<u>\$ 17,620,818</u>
Total Liabilities	<u>\$ 12,721,097</u>	<u>\$ 6,744,575</u>	<u>\$ 3,676,701</u>	<u>\$ 23,142,373</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 504,672	\$ 132,186	\$ 0	\$ 636,858
Pension Changes in Investment Earnings	0	2,704	0	2,704
Pension Changes in Proportionate Share of NPL	63,126	0	0	63,126
Total Deferred Inflows of Resources	<u>\$ 567,798</u>	<u>\$ 134,890</u>	<u>\$ 0</u>	<u>\$ 702,688</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 5,240,544	\$ 16,860,999	\$ 2,223,434	\$ 24,324,977
Restricted for Debt Service	1,095,074	0	0	1,095,074
Restricted for Public Health and Welfare	0	0	435,505	435,505
Restricted for Other Purposes	81,634	0	0	81,634
Restricted for Pensions	869,443	880,843	0	1,750,286
Unrestricted	13,670,119	3,886,626	0	17,556,745
Total Net Position	<u>\$ 20,956,814</u>	<u>\$ 21,628,468</u>	<u>\$ 2,658,939</u>	<u>\$ 45,244,221</u>

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

Exhibit D-2

Lincoln County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018

	Business-type Activities - Major Enterprise Funds			
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	Total
<u>Operating Revenues</u>				
Charges for Current Services	\$ 36,449,058	\$ 5,076,114	\$ 192,797	\$ 41,717,969
Other Local Revenues	2,787,875	324,895	273	3,113,043
Total Operating Revenues	<u>\$ 39,236,933</u>	<u>\$ 5,401,009</u>	<u>\$ 193,070</u>	<u>\$ 44,831,012</u>
<u>Operating Expenses</u>				
Public Health and Welfare	\$ 39,816,378	\$ 2,864,181	\$ 162,504	\$ 42,843,063
Depreciation Expense	1,704,435	1,014,921	146,482	2,865,838
Total Operating Expenses	<u>\$ 41,520,813</u>	<u>\$ 3,879,102</u>	<u>\$ 308,986</u>	<u>\$ 45,708,901</u>
Operating Income (Loss)	<u>\$ (2,283,880)</u>	<u>\$ 1,521,907</u>	<u>\$ (115,916)</u>	<u>\$ (877,889)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Investment Income	\$ 79,988	\$ 17,337	\$ 0	\$ 97,325
Interest Expense	(316,742)	(185,783)	(33,382)	(535,907)
Tap Fees in Excess of Cost	0	72,816	0	72,816
Debt Issuance Cost	0	0	(3,027)	(3,027)
Amortization	(26,657)	0	0	(26,657)
Noncapital Grants and Contributions	87,290	0	0	87,290
Gain on Disposal of Capital Assets	111,858	15,362	0	127,220
Total Nonoperating Revenues (Expenses)	<u>\$ (64,263)</u>	<u>\$ (80,268)</u>	<u>\$ (36,409)</u>	<u>\$ (180,940)</u>
Income Before Grants and Contributions	\$ (2,348,143)	\$ 1,441,639	\$ (152,325)	\$ (1,058,829)
Capital Grants	0	182,701	0	182,701
Capital Contributions	24,945	0	0	24,945
Change in Net Position	<u>\$ (2,323,198)</u>	<u>\$ 1,624,340</u>	<u>\$ (152,325)</u>	<u>\$ (851,183)</u>
Prior-period Adjustment - See Note VII.L.	0	353,498	0	353,498
Net Position, July 1, 2017	<u>23,280,012</u>	<u>19,650,630</u>	<u>2,811,264</u>	<u>45,741,906</u>
Net Position, June 30, 2018	<u>\$ 20,956,814</u>	<u>\$ 21,628,468</u>	<u>\$ 2,658,939</u>	<u>\$ 45,244,221</u>

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

Exhibit D-3

Lincoln County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Cash Flows from Operating Activities</u>				
Receipts from Customers and Users	\$ 40,166,092	\$ 5,404,223	\$ 148,939	\$ 45,719,254
Payments to Employees	(24,026,776)	(1,109,854)	(22,914)	(25,159,544)
Payments to Suppliers	(16,871,691)	(1,898,445)	(139,908)	(18,910,044)
Net Cash Provided By (Used In) Operating Activities	\$ (732,375)	\$ 2,395,924	\$ (13,883)	\$ 1,649,666
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition/Construction of Capital Assets	\$ (1,141,640)	\$ (609,865)	\$ 140,601	\$ (1,610,904)
Proceeds from Sale of Assets	27,000	15,909	0	42,909
Proceeds from Insurance for building and equipment damages	84,860	0	0	84,860
Principal Payments on Long-term Debt	(889,056)	(4,815,873)	(183,816)	(5,888,745)
Interest Payments on Long-term Debt	(320,305)	(222,394)	(31,458)	(574,157)
Issuance Costs Paid	0	0	(3,027)	(3,027)
Capital Contributions	24,945	72,816	0	97,761
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (2,214,196)	\$ (5,559,407)	\$ (77,700)	\$ (7,851,303)
<u>Cash Flows from Noncapital Financing Activities</u>				
Noncapital Grants and Contributions	\$ 87,290	\$ 0	\$ 0	\$ 87,290
Net Cash Provided By (Used In) Noncapital Financing Activities	\$ 87,290	\$ 0	\$ 0	\$ 87,290
<u>Cash Flows from Investing Activities</u>				
Investment Income	\$ 79,988	\$ 17,337	\$ 0	\$ 97,325
Decrease in Special Funds	3,295,601	0	0	3,295,601
Net Cash Provided By (Used In) Investing Activities	\$ 3,375,589	\$ 17,337	\$ 0	\$ 3,392,926
Net Increase (Decrease) in Cash	\$ 516,308	\$ (3,146,146)	\$ (91,583)	\$ (2,721,421)
Cash, July 1, 2017	1,274,475	6,396,237	476,158	8,146,870
Cash, June 30, 2018	\$ 1,790,783	\$ 3,250,091	\$ 384,575	\$ 5,425,449

(Continued)



Exhibit D-3

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

	Business-type Activities - Major Enterprise Funds			Total
	Lincoln County Health System	Lincoln County Board of Public Utilities	Lincoln County Sewer System	
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>				
Operating (Loss) Income	\$ (2,283,880)	\$ 1,521,907	\$ (115,916)	\$ (877,889)
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Depreciation Expense	1,704,435	1,014,921	146,482	2,865,838
Provision for Bad Debts	6,721,083	0	0	6,721,083
Amortization of Deferred Pension Adjustments	(47,793)	(37,657)	0	(85,450)
Investment in Insurance Funds, Net	2,828	0	0	2,828
(Increase) Decrease in Accounts Receivable	(6,491,888)	(25,751)	(44,131)	(6,561,770)
(Increase) Decrease in Inventories	(47,873)	(53,348)	0	(101,221)
(Increase) Decrease in Prepaid Items	9,886	0	0	9,886
(Increase) Decrease in Other Assets	(79,858)	(119,545)	0	(199,403)
Increase (Decrease) in Accounts Payable	47,471	75,517	99	123,087
Increase (Decrease) in Customer Deposits	0	19,880	0	19,880
Increase (Decrease) in Accrued Payroll	0	0	(417)	(417)
Increase (Decrease) in Estimated Third-party Payor Settlements, Net	(520,027)	0	0	(520,027)
Increase (Decrease) in Accrued Liabilities	253,241	0	0	253,241
Net Cash Provided By (Used In) Operating Activities	\$ (732,375)	\$ 2,395,924	\$ (13,883)	\$ 1,649,666
<u>Reconciliation of Cash With Statement of Net Position</u>				
Cash Per Net Position	\$ 1,790,783	\$ 3,250,091	\$ 0	\$ 5,040,874
Equity in Pooled Cash and Investments	0	0	384,575	384,575
Cash, June 30, 2018	\$ 1,790,783	\$ 3,250,091	\$ 384,575	\$ 5,425,449

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

Exhibit E

Lincoln County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,654,518
Equity in Pooled Cash and Investments	538,792
Accounts Receivable	19,444
Due from Other Governments	693,459
Property Taxes Receivable	1,344,306
Allowance for Uncollectible Property Taxes	<u>(26,220)</u>
Total Assets	<u>\$ 4,224,299</u>
<u>LIABILITIES</u>	
Accrued Payroll	\$ 1,537
Due to Other Taxing Units	2,100,003
Due to Litigants, Heirs, and Others	1,711,848
Due to Joint Ventures	<u>410,911</u>
Total Liabilities	<u>\$ 4,224,299</u>

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

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**LINCOLN COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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Note	Page(s)
<b>I. Summary of Significant Accounting Policies</b>	
A. Reporting Entity	36
B. Government-wide and Fund Financial Statements	37
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	38
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	41
2. Receivables and Payables	42
3. Inventories and Prepaid Items	42
4. Capital Assets	43
5. Deferred Outflows/Inflows of Resources	44
6. Compensated Absences	44
7. Long-term Obligations	45
8. Net Position and Fund Balance	45
9. Restatements	47
E. Pension Plans	47
F. Other Postemployment Benefits (OPEB) Plan	48
<b>II. Reconciliation of Government-wide and Fund Financial Statements</b>	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	49
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	49
<b>III. Stewardship, Compliance, and Accountability</b>	
A. Budgetary Information	49
B. Cash Overdraft	50
<b>IV. Detailed Notes on All Funds</b>	
A. Deposits and Investments	51
B. Capital Assets	52
C. Interfund Receivables and Payables	56
D. Capital Leases	56
E. Long-term Obligations	57
F. On-Behalf Payments	62
<b>V. Other Information</b>	
A. Risk Management	63
B. Accounting Changes	64
C. Contingent Liabilities	65
D. Landfill Postclosure Care Costs	65
E. Joint Ventures	65
F. Retirement Commitments	68
G. Other Postemployment Benefits (OPEB)	86
H. Office of Central Accounting, Budgeting, and Purchasing	96
I. Purchasing Law	96
J. Subsequent Events	96
<b>VI. Other Notes - Lincoln County Health System (Enterprise Fund)</b>	96
<b>VII. Other Notes - Lincoln County Board of Public Utilities (Enterprise Fund)</b>	118

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Lincoln County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Lincoln County (the primary government) and its component units. Although required by GAAP, the financial statements of the Lincoln County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Lincoln County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lincoln County, and the Lincoln County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the county commission's approval. The financial statements of the Lincoln County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

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

Administrative Office:

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

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

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

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

Lincoln County issues all debt for the discretely presented Lincoln County School Department. Net debt issues totaling \$326,084 were contributed by the county to the School Department during the year ended June 30, 2018.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Lincoln County considers grants and similar revenues to be available if they are collected within 30 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the

related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

Lincoln County reports the following major governmental funds:

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

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

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

Lincoln County reports the following major proprietary funds:

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

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

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

Additionally, Lincoln County reports the following fund types:

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

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

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

**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.

**Education Capital Projects Fund** – This fund accounts for resources accumulated to be used for the acquisition, construction, and/or renovation projects for the School Department.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has three proprietary funds, an enterprise fund used to account for medical center operations, an enterprise fund to account for the Board of Public Utilities (Water Department) operations, and



an enterprise fund used to account for the operations of sewer system. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of the county's enterprise funds is charges for services from customers and users. Principal operating expenses for the enterprise funds include salaries, purchase of supplies and materials, and depreciation of capital assets.

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

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the discretely presented Lincoln County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. 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**

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

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

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

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

**3. Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaid items are offset in the nonspendable fund balance account in governmental funds.

**4. Capital Assets**

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

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

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

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

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

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has 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, pension changes in investment earnings, pension changes in contributions after measurement date, pension changes in assumption, and OPEB changes in benefits paid after 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, etc.) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, and OPEB changes in assumptions, which do not meet the availability criteria for governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Compensated Absences**

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

governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

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

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

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

## **8. Net Position and Fund Balance**

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2018, Lincoln County had \$3,828,534 in outstanding debt for capital purposes for the discretely presented Lincoln County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (Fayetteville City School System) based on an average daily attendance proration. This debt is a liability of Lincoln County, but the capital assets acquired are reported in the financial statements of the School Department and the Fayetteville City School System. Therefore, Lincoln County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

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

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

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

## **9. Restatements**

In prior years, the government was required to recognize a liability for its other postemployment benefits plan under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Lincoln County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements increasing the beginning net position of the Governmental Activities of the primary government by \$789, and reducing the beginning net position of the discretely presented Lincoln County School Department by \$1,761,658, have been recognized to account for the transitional requirements.

## **E. Pension Plans**

### **Primary Government**

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

are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented Lincoln County School Department**

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

**F. Other Postemployment Benefit (OPEB) Plans**

**Primary Government**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by Lincoln County. For this purpose, Lincoln County recognizes benefit payments when due and payable in accordance with benefit terms. Lincoln County's OPEB plan is not administered through a trust.

**Discretely Presented Lincoln County School Department**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Lincoln County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.



## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

#### Primary Government

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

#### Discretely Presented Lincoln County School Department

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

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

#### Primary Government

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

#### Discretely Presented Lincoln County School Department

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

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

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

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

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

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

At June 30, 2018, Lincoln County had outstanding encumbrances in budgeted funds as follows:

<u>Opinion Unit</u>	<u>Encumbrance Amount</u>
Primary Government:	
General	\$ 145,637
Highway/Public Works	3,500
School Department:	
General Purpose School	559,245
Nonmajor Governmental	314

**B. Cash Overdraft**

The discretely presented School Federal Projects Fund had a cash overdraft of \$7,146 at June 30, 2018. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2018.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

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

##### Deposits

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

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

##### Investments

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

set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2018, Lincoln County had the following investments carried at amortized cost using a Stable Net Asset Value or fair value within the fair value hierarchy established by generally accepted accounting principles. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooling investments cannot be made for Lincoln County and the discretely presented Lincoln County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Amortized Cost
Investments at Amortized Cost:			
State Treasurer's Investment Pool	2 to 113	N/A	\$ 15,032,604

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2018, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 8,975,927	\$ 316,659	\$ 0	\$ 9,292,586
Construction in Progress	176,295	961,807	(227,325)	910,777
Total Capital Assets Not Depreciated	<u>\$ 9,152,222</u>	<u>\$ 1,278,466</u>	<u>\$ (227,325)</u>	<u>\$ 10,203,363</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 17,116,254	\$ 72,412	\$ (7,492)	\$ 17,181,174
Infrastructure	24,976,269	1,366,320	0	26,342,589
Other Capital Assets	11,290,509	1,049,860	(1,285,750)	11,054,619
Total Capital Assets Depreciated	<u>\$ 53,383,032</u>	<u>\$ 2,488,592</u>	<u>\$ (1,293,242)</u>	<u>\$ 54,578,382</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,008,537	\$ 336,691	\$ (3,559)	\$ 8,341,669
Infrastructure	18,997,789	592,850	0	19,590,639
Other Capital Assets	6,476,578	706,330	(1,250,896)	5,932,012
Total Accumulated Depreciation	<u>\$ 33,482,904</u>	<u>\$ 1,635,871</u>	<u>\$ (1,254,455)</u>	<u>\$ 33,864,320</u>
Total Capital Assets Depreciated, Net	<u>\$ 19,900,128</u>	<u>\$ 852,721</u>	<u>\$ (38,787)</u>	<u>\$ 20,714,062</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,052,350</u>	<u>\$ 2,131,187</u>	<u>\$ (266,112)</u>	<u>\$ 30,917,425</u>

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

### Governmental Activities:

General Government	\$ 132,231
Administration of Justice	22,571
Public Safety	592,270
Public Health and Welfare	57,542
Agriculture and Natural Resources	19,377
Highway/Public Works	<u>811,880</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,635,871</u>

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

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Construction in Progress	\$ 3,707,272	\$ 61,658	\$ (3,768,930)	\$ 0
Total Capital Assets Not Depreciated	<u>\$ 3,707,272</u>	<u>\$ 61,658</u>	<u>\$ (3,768,930)</u>	<u>\$ 0</u>
Capital Assets Depreciated:				
Infrastructure	\$ 2,129,245	\$ 3,168,930	\$ 0	\$ 5,298,175
Other Capital Assets	200,000	600,000	0	800,000
Total Capital Assets Depreciated	<u>\$ 2,329,245</u>	<u>\$ 3,768,930</u>	<u>\$ 0</u>	<u>\$ 6,098,175</u>
Less Accumulated Depreciation For:				
Infrastructure	\$ 42,585	\$ 106,482	\$ 0	\$ 149,067
Other Capital Assets	10,000	40,000	0	50,000
Total Accumulated Depreciation	<u>\$ 52,585</u>	<u>\$ 146,482</u>	<u>\$ 0</u>	<u>\$ 199,067</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,276,660</u>	<u>\$ 3,622,448</u>	<u>\$ 0</u>	<u>\$ 5,899,108</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,983,932</u>	<u>\$ 3,684,106</u>	<u>\$ (3,768,930)</u>	<u>\$ 5,899,108</u>

Depreciation expense of \$146,482 was charged to the Public Health and Welfare function of the Lincoln County Sewer System.

**Discretely Presented Lincoln County School Department**

**Governmental Activities:**

	Balance		Balance	
	7-1-17	Increases	Decreases	6-30-18
Capital Assets Not Depreciated:				
Land	\$ 957,984	\$ 0	\$ 0	\$ 957,984
Construction in Progress	1,575,759	501,128	(2,076,887)	0
Total Capital Assets Not Depreciated	<u>\$ 2,533,743</u>	<u>\$ 501,128</u>	<u>\$ (2,076,887)</u>	<u>\$ 957,984</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 46,344,432	\$ 2,261,146	\$ 0	\$ 48,605,578
Other Capital Assets	7,571,542	668,825	(60,810)	8,179,557
Total Capital Assets Depreciated	<u>\$ 53,915,974</u>	<u>\$ 2,929,971</u>	<u>\$ (60,810)</u>	<u>\$ 56,785,135</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 25,052,370	\$ 1,532,158	\$ 0	\$ 26,584,528
Other Capital Assets	3,831,542	552,422	(60,810)	4,323,154
Total Accumulated Depreciation	<u>\$ 28,883,912</u>	<u>\$ 2,084,580</u>	<u>\$ (60,810)</u>	<u>\$ 30,907,682</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,032,062</u>	<u>\$ 845,391</u>	<u>\$ 0</u>	<u>\$ 25,877,453</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,565,805</u>	<u>\$ 1,346,519</u>	<u>\$ (2,076,887)</u>	<u>\$ 26,835,437</u>

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

**Governmental Activities:**

Support Services	\$ 705,043
Operation of Non-instructional Services	<u>1,379,537</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,084,580</u>

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2018, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Component Unit: School Department: General Purpose School	\$ 217,389

This balance resulted from capital leases issued by the primary government which the School Department has pledged to repay.

**D. Capital Leases**

On May 17, 2017, Lincoln County entered into a three-year lease-purchase agreement for the School Department for computer equipment for students. The terms of the agreement required total lease payments of \$326,089 plus interest of 5.65 percent. Title to the equipment transferred to the School Department immediately upon acceptance of each item of equipment. The General Purpose School Fund is making the lease payments. In the government-wide financial statements, the equipment was expensed in the year of acquisition because those items did not meet criteria of the School Department's capitalization policy.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2019	\$ 120,977
2020	114,835
Total Minimum Lease Payments	<u>\$ 235,812</u>
Less: Amount Representing Interest	<u>(18,423)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 217,389</u></u>



**E. Long-term Obligations**

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

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 20 years for bonds and 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds - Refunding	3.9 to 5.25 %	5-1-21	\$ 21,235,000	\$ 4,005,000
General Obligation Bonds	3.25	6-1-34	7,000,000	5,660,000
Capital Outlay Notes	2.195	4-1-27	1,000,000	765,000
Capital Leases	5.65	8-31-20	326,084	217,389

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2018, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 80,000	\$ 16,792	\$ 96,792
2020	80,000	15,036	95,036
2021	80,000	13,280	93,280
2022	85,000	11,524	96,524
2023	85,000	9,658	94,658
2024-2027	355,000	19,644	374,644
Total	\$ 765,000	\$ 85,934	\$ 850,934

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 2,010,000	\$ 375,021	\$ 2,385,021
2020	1,685,000	283,216	1,968,216
2021	1,170,000	208,768	1,378,768
2022	300,000	158,930	458,930
2023	310,000	149,930	459,930
2024-2028	1,705,000	603,712	2,308,712
2029-2033	2,030,000	309,750	2,339,750
2034	455,000	17,063	472,063
Total	\$ 9,665,000	\$ 2,106,390	\$ 11,771,390

There is \$3,639,114 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$290, based on the 2010 federal census. Total debt per capita, including bonds, notes, capital leases, and unamortized debt premiums, totaled \$320, based on the 2010 federal census.

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

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-18</u>
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Capital Leases

Contributions from the General Purpose School Fund

Computer Equipment	<u>217,389</u>
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Total	<u><u>\$ 217,389</u></u>
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Changes in Long-term Obligations

Long-term obligations activity for the primary government (excluding the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the Lincoln County Sewer System, enterprise funds) for the year ended June 30, 2018, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Capital Leases</u>
Balance, July 1, 2017	\$ 11,715,000	\$ 845,000	\$ 0
Additions	0	0	326,084
Reductions	<u>(2,050,000)</u>	<u>(80,000)</u>	<u>(108,695)</u>
Balance, June 30, 2018	<u>\$ 9,665,000</u>	<u>\$ 765,000</u>	<u>\$ 217,389</u>
Balance Due Within One Year	<u>\$ 2,010,000</u>	<u>\$ 80,000</u>	<u>\$ 108,695</u>

	<u>Compensated Absences</u>	<u>Landfill Postclosure Care Costs</u>	<u>Other Postemployment Benefits*</u>
Balance, July 1, 2017	\$ 208,154	\$ 175,845	\$ 324,913
Additions	189,374	2,877	36,319
Reductions	<u>(175,925)</u>	<u>(15,986)</u>	<u>(25,384)</u>
Balance, June 30, 2018	<u>\$ 221,603</u>	<u>\$ 162,736</u>	<u>\$ 335,848</u>
Balance Due Within One Year	<u>\$ 199,439</u>	<u>\$ 8,000</u>	<u>\$ 0</u>

\*OPEB balance at July 1, 2017, was restated. See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 11,367,576
Less: Balances Due Within One Year	(2,406,134)
Add: Unamortized Premium on Debt	<u>26,599</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,988,041</u>
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Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**Lincoln County Sewer System (enterprise fund)**

**Other Loans**

Other loans outstanding were issued for an original term of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The other loans included in long-term debt as of June 30, 2018, will be retired from the Sewer Fund (a major enterprise fund).

The other loans outstanding as of June 30, 2018, for business-type activities is as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
Other Loans	0.75 to 0.91%	4-20-37	\$ 4,158,000	\$ 3,675,674

The annual requirements to amortize the other loan outstanding as of June 30, 2018, including interest payments, are presented in the following table:

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 185,436	\$ 31,800	\$ 2,868	\$ 220,104
2020	187,092	30,144	2,724	219,960
2021	188,760	28,476	2,568	219,804
2022	190,440	26,796	2,424	219,660
2023	192,132	25,104	2,268	219,504
2024-2028	986,592	99,588	8,976	1,095,156
2029-2033	1,031,280	54,900	4,956	1,091,136
2034-2037	713,942	10,807	988	725,737
Total	<u>\$ 3,675,674</u>	<u>\$ 307,615</u>	<u>\$ 27,772</u>	<u>\$ 4,011,061</u>

Changes in Long-term Obligations

Long-term obligations activity for the Lincoln County Sewer Fund (enterprise fund) for the year ended June 30, 2018, was as follows:

	<u>Other Loans</u>
Balance, July 1, 2017	\$ 3,859,490
Additions	0
Reductions	<u>(183,816)</u>
Balance, June 30, 2018	<u>\$ 3,675,674</u>
Balance Due Within One Year	<u>\$ 185,436</u>
Total Noncurrent Liabilities, June 30, 2018	\$ 3,675,674
Less: Balances Due Within One Year	<u>(185,436)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit D-1	<u>\$ 3,490,238</u>

**Discretely Presented Lincoln County School Department**

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Lincoln County School Department for the year ended June 30, 2018, was as follows:

Governmental Activities:	<u>Compensated Absences</u>	<u>Other Postemployment Benefits*</u>
Balance, July 1, 2017	\$ 34,148	\$ 2,641,164
Additions	51,293	344,639
Reductions	<u>(43,677)</u>	<u>(382,203)</u>
Balance, June 30, 2018	<u>\$ 41,764</u>	<u>\$ 2,603,600</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

	Net Pension Liability - <u>Legacy Plan**</u>
Balance, July 1, 2017	\$ 2,505,848
Additions	1,390,440
Reductions	<u>(4,024,549)</u>
Balance, June 30, 2018	<u>\$ (128,261)</u>
Balance Due Within One Year	<u>\$ 0</u>

\* OPEB balance at July 1, 2017, was restated. See Note I.D.9.

\*\* At June 30, 2018, the Teacher Legacy Pension Plan has a net asset balance.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 2,645,364
Less: Balances Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,645,364</u>

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

**F. On-Behalf Payments – Discretely Presented Lincoln County School Department**

**Discretely Presented Lincoln County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lincoln County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both 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 for the year ended June 30, 2018, were \$93,391. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

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

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

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

#### Discretely Presented Lincoln County School Department

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

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

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).



GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**C. Contingent Liabilities**

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

**D. Landfill Postclosure Care Costs**

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

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Lincoln County and the City of Fayetteville closed their sanitary landfill in 1995. Lincoln County and the City of Fayetteville each agreed to pay 50 percent of the postclosure costs. The \$162,736 reported as postclosure care liability at June 30, 2018, represents the county's share based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Ventures**

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board

members. Lincoln County contributed \$120,051 to the operations of the library during the year ended June 30, 2018.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$21,306 to the operations of the airport during the year ended June 30, 2018.

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

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Franklin, Moore, and Lincoln; and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating county commission or city council appointed the authority's board for varying terms of office. Lincoln County made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2018.

The Industrial Development Board of the City of Fayetteville and Lincoln County is a joint venture of the City of Fayetteville and Lincoln County and is operated by an appointed board. The board comprises seven members. Three members each are appointed by the city and county. The seventh member's appointment is alternated between the city and county every six years. Lincoln County has control over budgeting and financing the joint venture only to the extent of representation of the board members it appoints. Lincoln County contributed \$92,500 to the operations of the Industrial Development Board during the year ended June 30, 2018.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Marshall, Lincoln, Moore, and Bedford counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2018.

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

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

Administrative Offices:

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

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

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

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

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

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

**Discretely Presented Lincoln County School Department**

The discretely presented School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Lewis County, Lincoln County, Manchester City, Marshall County, and Stewart County. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the

purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Dickson County School Department) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

Complete financial statements for VOLCO can be obtained from its administrative office at the following address:

Administrative Office:

Volunteer State Cooperative  
220 McLemore Street  
Dickson, TN 37055

**F. Retirement Commitments**

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

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Lincoln County, employees of the Lincoln County Medical Center (an enterprise fund of the primary government), and non-certified employees of the discretely presented Lincoln County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The Lincoln County employees comprise 28.43 percent, Lincoln County Medical Center employees comprise 51.04 percent, and the non-certified employees of the discretely presented School Department comprise 20.53 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

In addition, employees of Lincoln County Board of Public Utilities (an enterprise fund of the primary 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 details of this plan are disclosed in Note VII.F.

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

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

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	337
Inactive Employees Entitled to But Not Yet Receiving Benefits	647
Active Employees	616
Total	1,600

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Lincoln County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contribution for Lincoln County was \$702,643 based on a rate of 3.22 percent of covered

payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lincoln County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Lincoln County’s net pension liability (asset) was measured as of June 30, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5

percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Lincoln County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan

investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2016	\$ 50,699,023	\$ 51,915,888	\$ (1,216,865)
Changes for the Year:			
Service Cost	\$ 2,009,800	\$ 0	\$ 2,009,800
Interest	3,871,795	0	3,871,795
Differences Between Expected and Actual Experience	18,256	0	18,256
Changes in Assumptions	1,069,744	0	1,069,744
Contributions-Employer	0	647,113	(647,113)
Contributions-Employees	0	1,008,589	(1,008,589)
Net Investment Income	0	5,851,321	(5,851,321)
Benefit Payments, Including Refunds of Employee Contributions	(2,169,775)	(2,169,775)	0
Administrative Expense	0	(50,840)	50,840
Other Changes	0	0	0
Net Changes	<u>\$ 4,799,820</u>	<u>\$ 5,286,408</u>	<u>\$ (486,588)</u>
Balance, June 30, 2017	<u>\$ 55,498,843</u>	<u>\$ 57,202,296</u>	<u>\$ (1,703,453)</u>

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	28.43%	\$ 15,778,321	\$ 16,262,613	\$ (484,292)
Medical Center	51.04%	28,326,610	29,196,052	(869,442)
School Department	20.53%	11,393,912	11,743,631	(349,719)
Total		<u>\$ 55,498,843</u>	<u>\$ 57,202,296</u>	<u>\$ (1,703,453)</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Lincoln County calculated using the discount rate of 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:



Lincoln County	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability      \$ 5,738,400    \$ (1,703,453)    \$ (7,807,455)

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

*Pension Expense or Negative Pension Expense.* For the year ended June 30, 2018, Lincoln County recognized pension expense of \$660,345.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, Lincoln County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 65,521	\$ 988,777
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	50	0
Changes in Assumptions	855,795	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	702,643	N/A
Total	\$ 1,624,009	\$ 988,777

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 463,317	\$ 281,109
Medical Center	831,801	504,672
School Department	328,891	202,996
Total	\$ 1,624,009	\$ 988,777

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2019	\$ (390,994)
2020	336,552
2021	165,194
2022	(178,163)
2023	0
Thereafter	0

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

**Discretely Presented Lincoln County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Lincoln County, Lincoln Medical Center, and non-certified employees of the discretely presented Lincoln County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The Lincoln County employees comprise 28.43 percent, Lincoln County Medical Center

employees comprise 51.04 percent, and the non-certified employees of the discretely presented School Department comprise 20.53 percent of the plan based on contribution data.

### **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Lincoln County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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 with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2018, to the Teacher Retirement Plan were \$127,663, which is four percent of covered 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 (Assets).* At June 30, 2018, the School Department reported an asset of \$93,483 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension asset was based on the School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .354321 percent. The proportion as of June 30, 2016, was .308985 percent.

*Pension Expense.* For the year ended June 30, 2018, the School Department recognized pension expense of \$41,959.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 3,276	\$ 7,031
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,030
Changes in Assumptions	8,213	0
Changes in Proportion of Net Pension Liability (Asset)	0	5,160
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	<u>127,663</u>	N/A
Total	<u>\$ 139,152</u>	<u>\$ 17,221</u>

The School Department's employer contributions of \$127,663, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. 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
2019	\$ (890)
2020	(890)
2021	(1,178)
2022	(2,471)
2023	(99)
Thereafter	(205)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income Real Estate	5.79	20
	2.01	20
	4.32	10
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 7.25 percent based on a blending of the factors described above.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 18,651	\$ (93,483)	\$ (175,733)

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

### **Teacher Legacy Pension Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Lincoln County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Lincoln County School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$1,215,979, which is 9.08 percent of covered 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 Liability (Assets).* At June 30, 2018, the School Department reported an asset of \$128,261 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension asset was based on the School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .392016 percent. The proportion measured at June 30, 2016, was .400971 percent.

*Pension Expense.* For the year ended June 30, 2018, the School Department recognized pension expense of \$25,940.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the 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
	<u>Resources</u>	<u>Resources</u>
Difference Between Expected and Actual Experience	\$ 77,325	\$ 2,647,990
Changes in Assumptions	1,086,297	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,470	0
Changes in Proportion of Net Pension Liability (Asset)	124,913	73,489
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	<u>1,215,979</u>	N/A
Total	<u>\$ 2,523,984</u>	<u>\$ 2,721,479</u>

The School Department's employer contributions of \$1,215,979 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. 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
2019	\$ (893,317)
2020	418,819
2021	(306,089)
2022	(632,888)
2023	0
Thereafter	0

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5

percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

*Changes of Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 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 School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%

Net Pension Liability	\$	11,508,681	\$	(128,261)	\$	(9,746,961)
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*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

**2. Deferred Compensation**

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

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the School Department contributed \$157,767 and teachers contributed \$64,492 to this deferred compensation pension plan.

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

Lincoln County and the discretely presented Lincoln County School Department provide OPEB benefits to its retirees under various OPEB plans. For reporting purposes the plans are considered single employer defined benefit OPEB plans based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**OPEB Provided through State Administered Public Entity Risk Pools**

**Primary Government**

Retirees of Lincoln County are provided healthcare under separate Local Government Plans (LGPs) until they reach Medicare eligibility. The primary government's LGPs are combined for presentation purposes.

The county's total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

*Changes in Assumptions.* The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

### **Closed Local Government OPEB Plan (Primary Government)**

*Plan Description.* Employees of Lincoln County who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

*Benefits Provided.* Lincoln County offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating

employers determine their own policy related to direct subsidies provided for the retiree premiums. Lincoln County does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>Lincoln County</u>
Retirees and Beneficiaries	1
Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	<u>149</u>
 Total	 <u><u>150</u></u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid \$6,953 to the LGP for OPEB benefits as they came due.



Changes in the Total OPEB Liability

	<u>Lincoln County</u>
Balance July 1, 2016	\$ 324,913
Changes for the Year:	
Service Cost	26,157
Interest	10,162
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(19,244)
Benefit Payments	<u>(6,140)</u>
Net Changes	<u>\$ 10,935</u>
Balance June 30, 2017	<u><u>\$ 335,848</u></u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the county recognized OPEB expense of \$34,432. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs		17,357
Net Difference Between Projected and Benefits paid after the measurement date	<u>6,953</u>	<u>0</u>
Total	<u><u>\$ 6,953</u></u>	<u><u>\$ 17,357</u></u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Lincoln County
2019	\$ (1,887)
2020	(1,887)
2021	(1,887)
2022	(1,887)
2023	(1,887)
Thereafter	(7,922)

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

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the county calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Lincoln County	\$ 366,231	\$ 335,848	\$ 307,354

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.* The following presents the total OPEB liability of the county calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6 to 3.77%	Current Trend Rates 7 to 4.77%	1% Increase 8 to 5.77%
Lincoln County	\$ 292,304	\$ 335,848	\$ 388,314

## Discretely Presented Lincoln County School Department

The Lincoln County School Department provides healthcare benefits to its certified retirees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of Lincoln County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare. However, the School Department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

The School Department's total OPEB liability for the plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2017, actuarial valuation of the plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2107 TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend of rate of 3.53% wiith .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56%, based on the daily rate of Fidelity's 20-year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure

the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

*Changes in Assumptions.* The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

### **Closed Local Education (LEP) OPEB Plan (Discretely Presented School Department)**

*Plan Description.* Employees of the Lincoln County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

*Benefits Provided.* The Lincoln County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. Lincoln County does not provide a direct subsidy and is only subject to the implicit subsidy.

#### **Employees Covered by Benefit Terms**

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	27
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	448
Total	<u><u>475</u></u>

A state insurance committee, created in accordance with *TCA 8-27-301*, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$143,902 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	<u>Lincoln County School Department</u>	<u>State of TN</u>	<u>Total OPEB Liability</u>
	64.0676%	35.9324%	
Balance July 1, 2016	\$ 2,641,164	\$ 1,481,300	\$ 4,122,464
Changes for the Year:			
Service Cost	\$ 145,919	\$ 81,837	\$ 227,756
Interest	79,366	44,513	123,879
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(124,749)	(69,965)	(194,714)
Benefit Payments	(138,100)	(77,453)	(215,553)
Net Changes	<u>\$ (37,564)</u>	<u>\$ (21,068)</u>	<u>\$ (58,632)</u>
Balance June 30, 2017	<u>\$ 2,603,600</u>	<u>\$ 1,460,232</u>	<u>\$ 4,063,832</u>

The Lincoln County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Lincoln County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$119,354 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Lincoln County School Department's proportionate share of the collective OPEB liability was 64.0676% and the State of Tennessee's share was 35.9324%.

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the School Department recognized OPEB expense of \$332,164, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	112,274
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	143,902	0
Total	<u>\$ 143,902</u>	<u>\$ 112,274</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (12,475)
2020	(12,475)
2021	(12,475)
2022	(12,475)
2023	(12,475)
Thereafter	(49,889)

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

*Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate.* The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1%	Current Discount Rate	1%
	Decrease		Increase
	2.56%	3.56%	4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 2,800,091	\$ 2,603,600	\$ 2,418,408
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*Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate.* The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

Healthcare Cost Trend Rate

	1%	Curent	1%
	Decrease	Rates	Increase
	6.5 to 2.71%	7.5 to 3.71%	8.5 to 4.71%

Proportionate Share of the  
Collective Total OPEB  
Liability

\$ 2,309,505 \$ 2,603,600 \$ 2,954,875

**H. Office of Central Accounting, Budgeting, and Purchasing**

Office of Director of Finance

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

**I. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Lincoln County. All purchase orders are issued by the Finance Department. Purchases exceeding \$25,000 for the Office of County Mayor, the discretely presented School Department, and the Office of Highway Superintendent are required to be competitively bid.

**J. Subsequent Events**

On November 2, 2018, Lincoln County issued \$30,470,000 in general obligation school bonds.

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

**A. Summary of Significant Accounting Policies**

Reporting Entity – The Lincoln County Health System is owned by Lincoln County, Tennessee, and is not a legal entity separate and apart from the primary government. The health system is financially accountable and there is a financial benefit/burden with the county. Accordingly, it is blended as an enterprise fund as part of the financial statements of the primary government. The health system is governed by the Lincoln County Health System Committee consisting of five members appointed from the Lincoln



County Board of Commissioners and two physicians appointed from the medical staff of Lincoln Medical Center. Each committee member serves a three-year rotational term.

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

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 acute care beds and ten geropsych beds. The geropsych unit was closed in July 2017. The ambulance service provides emergency medical transportation services. The home health and hospice care provides skilled nursing, therapy, personal care, and hospice services. The wellness center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The care centers provide long-term health care services. The care centers are licensed for 240 dually certified beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center’s financial statements include the Lincoln Medical Center Auxiliary Gift Shop (auxiliary). This cost center is not a separate legal entity and it is financially accountable to the health system. As of and for the year ended, the auxiliary condensed statement of net position includes cash of \$74,626, supplies of \$7,008, and restricted net position of \$81,634. The condensed statement of revenues, expenses, and changes in net position includes net operating revenue of \$24,802, operating expenses of \$13,718, nonoperating expenses of \$7,612, and a change in net position of \$3,472.

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

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

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the provision for contractual allowances and uncollectible accounts, and self-insurance reserves for group health insurance plan for eligible employees.

Custodial Credit Risk – The health system’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, excluding restricted cash held for patient trust funds. The health system’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the health system’s agent in the health system’s name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the health system to invest in bonds, notes, and treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2018, all bank deposits are fully collateralized or insured.

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the established useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of

capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2018.

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

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

The health system evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and the impairment loss is recognized as an amount by which the carrying amount of a long-lived asset cost exceeds its fair value.

Grants and Contributions – The health system receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets and governmental grants) are recognized when all eligibility requirements, including time requirements are met. Governmental grants may be subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Grants and contributions may be restricted either for specific operating purposes or for capital purposes. When both restricted and unrestricted resources are available for use, the health system uses the restricted resources first, then the unrestricted resources as they are needed. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

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

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

Charity Care – The health system provides service to eligible patients at reduced or no cost based upon the individual patient’s financial resources. The system’s policy provides for 100 percent charity to patients with income up to 100 percent or less of the federal poverty guidelines, 75 percent to patients with income from 101 to 150 percent, and 50 percent to patients with income from 151 to 200 percent. Records are kept to identify, approve, and monitor those costs that are incurred under the charity care policy. Because the system does not expect payment, estimated charges for charity care are not included in revenue. In addition to the approved charity care described above, the system believes that other uncollected accounts would be approved under its charity care policy if information about the patient’s financial resources were shared with the system. Such amounts are not considered charity care.

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

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

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

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

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

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

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

Other operating revenues include charges from services other than to patients such as the sale of medical and pharmaceutical supplies, medical transcripts, cafeteria sales, educational training services, etc.

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

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

The health system is eligible to receive payments from an endowment fund for the benefit of eligible patients. The endowment fund is legally separate from the health system and under the control of an independent trustee. Therefore, it is not included in the health system's financial statements. The health system has not received any funds from this endowment fund for the year ended June 30, 2018.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lincoln County Medical Center's (i.e. Hospital based departments) participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lincoln County Medical Center'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.

**B. Designated Net Position**

Unrestricted net position includes special funds designated by the health system totaling \$7,757,898 as of June 30, 2018, for specific purposes such as future capital improvements, insurance, and debt service, as discussed in Note VI.E. Such internally designated special funds remain under the control of the health system, which may at its discretion, later use the funds for other purposes.

**C. Charity Care**

The cost of charity care is based upon the ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing services furnished under the health system's charity care policy totaled \$553,474 for the year ended June 30, 2018.

**D. Net Patient Service Revenue**

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

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

ambulance services, and rehab services related to Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

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

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

Revenue from the Medicare program accounted for approximately 38 percent and 30 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2018.

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. Net patient service revenue increased \$49,641 in 2018 as a result of changes in estimates due to the prior fiscal year's cost report settlements. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2015, at the report date.

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

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

Revenue from the Medicaid program accounted for approximately nine percent and 52 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2018.

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

**E. Deposits and Special Funds**

The health system’s carrying amount of deposits was \$1,790,783, and the bank balance was \$2,133,982 as of June 30, 2018. The health system’s carrying amount for special funds, excluding an amount held under an indenture agreement, was \$7,855,307, and the bank balance was \$7,855,431 as of June 30, 2018. Bank balances totaling \$9,989,413 as of June 30, 2018 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the outstanding Series 2007 and 2013 bonds. The reserve fund consists of a money market fund that normally invests at least 80 percent of its assets in U.S. Treasury securities and repurchase agreements for those securities. Its value as of June 30, 2018, was \$1,095,074. Generally, these investments maintain a dollar weighted average maturity at 60 days or less.

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

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

Special funds are held as follows as of June 30, 2018:

Internally Designated for Capital Improvements, Insurance, and Debt Service	\$ 7,757,898
Restricted by Contributors	74,626
Held Under an Indenture Agreement	1,095,074
Held Under Patient Trust Fund Arrangements - Cash	22,783
Less: Amounts Reclassified to Meet Current Liabilities	<u>(22,783)</u>
 Total	 <u><u>\$ 8,927,598</u></u>

In the current year, internally designated funds were used to fund operating negative cash flows, as well as capital and debt service spending.



**F. Capital Assets**

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 831,254	\$ 0	\$ 0	\$ 831,254
Property Under Capitalized Lease	300,000	0	0	300,000
Total Capital Assets Not Depreciated	<u>\$ 1,131,254</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,131,254</u>
Capital Assets Depreciated:				
Ground Improvements	\$ 2,453,782	\$ 3,400	\$ 0	\$ 2,457,182
Buildings and Improvements	27,789,257	72,372	0	27,861,629
Equipment	18,583,814	1,065,868	(932,563)	18,717,119
Total Capital Assets Depreciated	<u>\$ 48,826,853</u>	<u>\$ 1,141,640</u>	<u>\$ (932,563)</u>	<u>\$ 49,035,930</u>
Less Accumulated Depreciation For:				
Ground Improvements	\$ (1,253,421)	\$ (74,483)	\$ 0	\$ (1,327,904)
Buildings and Improvements	(18,446,462)	(773,936)	0	(19,220,398)
Equipment	(15,517,368)	(856,016)	932,563	(15,440,821)
Total Accumulated Depreciation	<u>\$ (35,217,251)</u>	<u>\$ (1,704,435)</u>	<u>\$ 932,563</u>	<u>\$ (35,989,123)</u>
Capital Assets, Net	<u>\$ 14,740,856</u>	<u>\$ (562,795)</u>	<u>\$ 0</u>	<u>\$ 14,178,061</u>

The general depreciation rates based on the useful lives for depreciable capital assets are five percent for ground improvements, 2.5 to five percent for buildings and improvements, and five to 20 percent for equipment under capital lease. Depreciation and amortization expense for the year ended June 30, 2018, totaled \$1,704,435. Accumulated amortization for equipment under capital lease obligations was \$355,753 at June 30, 2018.

The health system received proceeds from insurance for building and equipment damages totaling \$84,860 after a fire destroyed its internal laundry facilities in 2018. The proceeds are reported as nonoperating revenues.

As of June 30, 2018, the health system has significant commitments to purchase heating and air conditioning equipment expected to cost approximately \$409,000.

**G. Long-term Debt**

The following is a schedule of long-term debt activity for the year ended June 30, 2018:

	Balance 7-1-17	Additions	Reductions	Balance 6-30-18	Due Within One Year
Series 2007, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$10,000 to \$1,040,000 through May 2028, at an interest rate of 4.2%	\$ 4,845,000	\$ 0	\$ (10,000)	\$ 4,835,000	\$ 10,000
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$195,000 to \$220,000 through May 2021, at an interest rate of 3.93%	835,000	0	(195,000)	640,000	205,000
Series 2013, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$665,000 to \$730,000 through May 2023 at an interest rate of 2%	4,200,000	0	(665,000)	3,535,000	675,000
Rural Economic Development Loan, due in monthly installments of \$1,588 through November 2022, without interest but with administrative expenses	103,162	0	(19,056)	84,106	19,056
Total long-term debt	\$ 9,983,162	\$ 0	\$ (889,056)	\$ 9,094,106	\$ 909,056
Less current maturities of long-term debt	(889,056)			(909,056)	
Add unamortized bond premium	109,117			90,718	
Total noncurrent liabilities	\$ 9,203,223			\$ 8,275,768	

Amortization expense includes net debt premium costs of (\$18,399) and debt refunding deferred charges of \$45,056 for the year ended June 30, 2018.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2019	\$ 909,056	\$ 298,922
2020	939,056	276,945
2021	959,056	254,176
2022	754,056	230,910
2023	747,882	215,990
2024-2028	4,785,000	619,710
Total	<u>\$ 9,094,106</u>	<u>\$ 1,896,653</u>

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

Both Series 2007 bonds are the ultimate obligation of Lincoln County, Tennessee. Both Series 2007 bonds are subject to redemption prior to maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2019.

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

The net proceeds of \$6,918,992 (which includes a net premium of \$183,992) were used to purchase government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004 refunded bonds and Series 1998 bonds. As a result, the Series 2004 and Series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

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

For the year ended June 30, 2018, the health system did not maintain the required debt covenant ratio of 1.15:1 established for the outstanding Series 2007 and Series 2013 bonds. To cure this technical deficiency as required by

the bonds' covenant, the health system will obtain consultative operational advice as required by the bonds' covenant.

Other Debt – The capital lease obligations are secured by the related property and equipment. The gross amount of assets recorded under capital leases and the accumulated amortization/depreciation is recorded in the statement of net position and described in Note VI.F. The future minimum lease payments and the net present value of these minimum lease payments are included above in the annual requirements to amortize outstanding long-term debt. This obligation matured in 2017.

In 2016, the health system obtained loan proceeds of \$133,334 as a pass-through from the Board of Public Utilities, City of Fayetteville, Tennessee. The Board of Public Utilities entered into a loan agreement with the USDA pursuant to the Rural Electrification Act of 1936 for a Rural Economic Development Loan for the purchase of equipment by the health system. The health system obtained a standby letter of credit to secure repayment of the loan.

#### **H. Pension Plan**

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

*Plan Description.* Employees of the health system's hospital-based departments (i.e., Medical Center, Ambulance Service, Home Health and Hospice Care, and Wellness Center), referred to herein as Lincoln County Medical Center, are included in the Lincoln County Courthouse Employees Pension Plan. The Lincoln County Medical Center comprises 51.04 percent of the Lincoln County Employees Pension Plan. This allocation is based upon contributions. Employees of Lincoln County 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*, 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](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* *Tennessee Code Annotated*, Title 8, Chapters 34-37 establishes 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 automatic cost of living adjustments (COLAs) 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.

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Lincoln County Medical Center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contribution for Lincoln County Medical Center was \$361,535 based on a rate of 3.22 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lincoln County Courthouse Employees' state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

Lincoln County Courthouse Employees' net pension liability (asset) was measured as of June 30, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.00%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%
Remaining amortization period	2-4 years

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes in Assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decrease the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Lincoln County Medical Center 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 Net Position Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Lincoln County Medical Center calculated using the discount rate of 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	1%	Current Discount Rate	1%
Lincoln County	Decrease		Increase
Medical Center	6.25%	7.25%	8.25%

Net Pension Liability (asset)    \$ 2,928,879    \$ (869,443)    \$ (3,984,925)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2018, Lincoln County Medical Center recognized pension expense of \$320,618.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, Lincoln County Medical Center 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
Difference Between Expected and Actual Experience	\$ 33,442	\$ 504,672
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	26	0
Changes in assumptions	436,798	0
Changes in proportion of net pension liability (asset)	19,869	63,126
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	361,535	N/A
Total	<u>\$ 851,670</u>	<u>\$ 567,798</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (negative expense) as follows:



Year Ended June 30	Amount
2019	\$ (221,684)
2020	149,067
2021	88,315
2022	(93,361)
2023	0
Thereafter	0

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

*Payable to the Pension Plan.* At June 30, 2018, the Lincoln County Medical Center reported a payable of \$68,181 for the outstanding amount of contributions to the pension plan required at the year ended.

*Proportionate Share.* At the measurement date of June 30, 2017, the Lincoln County Medical Center proportion was 51.04 percent.

*Care Centers.* The care centers adopted a defined contribution pension plan, under Sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. The plan is administered by One America, One America Square, P.O. Box 368, Indianapolis, IN 46206 or can be accessed at [www.oneamerica.com](http://www.oneamerica.com). Benefit terms, including contribution requirements, for the pension plan are established and may be amended by the health system committee. Participants are immediately invested in their own contributions and become fully vested in the employer's contributions after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution up to the first three percent of gross pay. Employer and employee contributions under this plan totaled \$18,679 and \$57,166 for the year ended June 30, 2018. The pension administrative expense is paid by the employees under the plan.

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

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

**I. Risk Management**

The health system contracts with Blue Cross of Tennessee to provide a self-insured group health insurance plan to eligible employees and their eligible dependents, as defined in the contract. The health system has also purchased reinsurance for claims paid in any one-contract year, in excess of \$100,000 per member, which includes employees and their eligible dependents. Claims are paid on a monthly basis by Blue Cross with a settlement at the end of each quarter for the excess or deficit of premiums paid by the health system over or under claims paid by Blue Cross. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (claims lag).

As of June 30, 2018, the health system accrued \$63,362 for an estimated claims lag. This total consists of prior quarter net amounts due/ (refunds) from the insurance provider of (\$134,833) and the accrued estimated lag due of \$198,195 as of June 30, 2018. Changes in the reported net liability for 2017 resulted from the following:

Balance, 7-1-17	\$ 82,188
Current-year Claims and Settlements	2,461,129
Claim Payments	<u>(2,479,955)</u>
Balance, 6-30-18	<u>\$ 63,362</u>

The health system has internally designated cash to use for payment of future insurance premiums. As of June 30, 2018, this internally designated cash, including interest earned, totaled \$159,754 as listed in Note VI.E.

**J. Concentrations of Credit Risk**

The health system grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2018:

Medicare	25 %
Medicaid	22
Other Third-party Payors	29
Patients	<u>24</u>
Total	<u><u>100 %</u></u>

**K. Contingencies and Commitments**

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

The healthcare industry is subject to numerous laws and regulations of the federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Governmental activity includes investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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

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

The following is a schedule by year of future minimum noncancelable lease payments as of June 30, 2018:

Year Ending June 30	Amount
2019	\$ 58,871
2020	42,290
2021	<u>7,600</u>
Total	<u>\$ 108,761</u>

Rental expense under all operating leases for 2018 totaled \$412,605.

The health system leases office space in its medical office building to physicians primarily under three-year lease terms. The following is a schedule by year of future minimum rentals under noncancelable leases that expire under existing terms through 2019:

Year Ending June 30	Amount
2019	<u>\$ 87,675</u>
Total	<u>\$ 87,675</u>

Rental income received for 2018 totaled \$195,466. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment (see Note VI.F.) as follows:

Cost	\$ 3,672,287
Accumulated Depreciation	<u>(1,769,386)</u>
Net Book Value	<u>\$ 1,902,901</u>

**L. Lincoln County Health System Foundation**

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

For informational purposes only, a summary of the foundation's assets, liabilities, net position, results of operations, and changes in net position follows as of June 30, 2018:

Assets, Cash, and Cash Equivalents	\$ 45,334
Liabilities	<u>(21,000)</u>
Restricted Net Position	<u>\$ 24,334</u>
Support and Revenue	\$ 23,891
Expenses	<u>(9,759)</u>
Excess of Expenses Over Support and Revenue	\$ 14,132
Restricted Net Position, beginning of year	<u>10,202</u>
Restricted Net Position, end of year	<u>\$ 24,334</u>

**M. Pledged Revenues**

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

Operating Revenues	Current-Year		Remaining Pledge	
	Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year
\$ 39,236,933	\$ 962,490	2.5%	\$ 10,215,760	2028

**N. Electronic Health Record Incentive Payments**

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) established programs under Medicare and Medicaid to provide incentive payments for the meaningful use of certified EHR technology. The health system did not receive any Medicare and Medicaid Electronic Health Record (EHR) unrestricted incentive payments for the year ended June 30, 2018.

**O. Net Service Revenue**

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

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

The allowance for doubtful accounts ranged from 33.01 percent to 34.41 percent of accounts receivable as of June 30, 2018 and 2017, respectively. Total net write-offs increased \$1,985,693 to \$7,007,319 for 2018 from \$5,021,626 for 2017.

The following schedule summarizes total revenues for the fiscal year ended June 30, 2018:

Patient Service Revenue (net of contractual allowances and discounts)	\$ 43,170,141
Provision for Bad Debt	<u>(6,721,083)</u>
Net Patient Revenue Less Provision for Bad Debt	\$ 36,449,058
Other Operating Revenue	<u>2,787,875</u>
Total Revenue	<u><u>\$ 39,236,933</u></u>

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

**A. Summary of Significant Accounting Policies**

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

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

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

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

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

Allowance for Uncollectible Accounts – The board provides an allowance for uncollectible accounts equal to the estimated loss that may be incurred in collection of water sales receivables when it is probable that a customer account will be uncollectible. The current year’s provision is offset against water sales revenues.

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

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

Depreciation of capital assets is provided on a group straight-line basis over the estimated useful lives of the assets. Under the group depreciation method, gains and losses on asset dispositions are applied against accumulated depreciation and are not reflected as gains or losses in the Statement of Revenues, Expenses, and Changes in Net Position. Equipment and buildings are depreciated on the straight line basis over their estimated

useful lives as follows: buildings from 15 to 40 years, vehicles and construction equipment over seven to 15 years, and all other equipment over six years. The board capitalizes equipment additions with a cost in excess of \$500 and plant additions in excess of \$2,000.

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.

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

Compensated Absences – The cost of vacation benefits are recorded as expense when earned. Employees accrue vacation leave from one to three weeks annually based on years of service. Up to 80 hours of vacation leave not used by each employee's anniversary date can be carried over to the following year. Sick leave benefits are recorded as expense when used. Employees accrue 12 days sick leave each year with no accumulation limit. Sick leave does not vest, and no liability for unused sick leave is recorded in the financial statements.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The board has three items reported in this category – contributions to the pension plan made subsequent to the measurement date of June 30, 2017, the difference between expected and actual experience in the calculation of the total pension liability, and the difference due to actuarial assumption changes. Experience gains or losses and changes in actuarial assumptions are amortized over the average working lifetime of all participants.

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



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

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

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.

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

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

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

differ from those estimates. The most significant estimates relate to depreciation and the value of distribution lines contributed to the board.

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

**B. Cash and Restricted Funds**

The following is a summary of cash and restricted funds as of June 30, 2018:

Cash and Cash Equivalents for General Use	\$ 3,129,236
Special Funds - Restricted for Customer Deposits	<u>120,855</u>
Total	<u>\$ 3,250,091</u>

Investments in the State Treasurer’s Investment Pool are reported at amortized cost. 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.

Board cash consists of deposits in financial institutions or with the State Treasurer’s Investment Pool with bank balances of \$3,245,642 and carrying amounts of \$3,249,591. Of the amounts on deposit, all is fully insured by the Federal Deposit Insurance Corporation (FDIC) or Tennessee Bank Collateral Pool. The remaining \$500 is cash on hand.

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

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

Restricted Assets: Amounts held for payment of customer deposits are restricted assets.

**C. Capital Assets**

The following is a summary of capital assets activity for the year ended June 30, 2018:

	Balance 7-1-17	Additions	Disposals	Balance 6-30-18
Non-Depreciable:				
Land	\$ 527,695	\$ 11,086	\$ 0	\$ 538,781
Construction in Progress	211,265	201,313	0	412,578
<b>Total Non-Depreciable Assets</b>	<b>\$ 738,960</b>	<b>\$ 212,399</b>	<b>\$ 0</b>	<b>\$ 951,359</b>
Depreciable:				
Wells	\$ 1,514,017	\$ 0	\$ 0	\$ 1,514,017
Water Tanks	5,686,623	0	0	5,686,623
Pumping equipment	1,324,094	0	0	1,324,094
Treatment plant	3,090,758	10,308	0	3,101,066
Mains	23,205,275	352,428	(101,204)	23,456,499
Service line extension	3,029,297	0	0	3,029,297
Buildings	600,622	0	0	600,622
General equipment	507,106	0	0	507,106
Office furniture & fixtures	154,431	30,192	(8,049)	176,574
Auto & Trucks	790,272	0	(41,221)	749,051
Others	621,953	159,716	(20,607)	761,062
<b>Total Depreciable Assets</b>	<b>\$ 40,524,448</b>	<b>\$ 552,644</b>	<b>\$ (171,081)</b>	<b>\$ 40,906,011</b>
<b>Total Capital Assets</b>	<b>\$ 41,263,408</b>	<b>\$ 765,043</b>	<b>\$ (171,081)</b>	<b>\$ 41,857,370</b>

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

	Balance			Balance
	7-1-17	Additions	Disposals	6-30-18
Water plant	\$ 15,677,695	\$ 814,396	\$ 0	\$ 16,492,091
General equipment	2,374,478	99,321	(69,331)	2,404,468
Total Depreciation	<u>\$ 18,052,173</u>	<u>\$ 913,717</u>	<u>\$ (69,331)</u>	<u>\$ 18,896,559</u>

**D. Long-term Debt**

Bonds are payable from revenues of the board and are also secured by Lincoln County property taxes.

The board had the following bonds outstanding at June 30, 2018:

Water Revenue and Tax Bonds, Series 2015, issued August 26, 2015. The bonds mature serially at annual interest rates ranging from 2.20% to 4% with final maturity in 2036. The bonds are subject to redemption prior to maturity on or after April 1, 2025, at a redemption price of 100%. \$ 5,870,000

Changes in long-term indebtedness of Lincoln County Board of Public Utilities consists of:

	Amount at June 30, 2017	Amount Issued	Amount Retired	Amount at June 30, 2018	Current Portion
Water Revenue & Tax					
Refund Bond, 2015	\$ 6,105,000	\$ 0	\$ 235,000	\$ 5,870,000	\$ 245,000
Bonds Phase V & VI	4,580,873	0	4,580,873	0	0
Total	<u>\$ 10,685,873</u>	<u>\$ 0</u>	<u>\$ 4,815,873</u>	<u>\$ 5,870,000</u>	<u>\$ 245,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total Debt Service
2019	\$ 245,000	\$ 188,111	\$ 433,111
2020	250,000	180,761	430,761
2021	260,000	173,261	433,261
2022	270,000	162,861	432,861
2023	280,000	152,061	432,061
2024-2028	1,560,000	599,447	2,159,447
2029-2033	1,795,000	368,669	2,163,669
2034-2036	1,210,000	83,588	1,293,588
<b>Total</b>	<b>\$ 5,870,000</b>	<b>\$ 1,908,759</b>	<b>\$ 7,778,759</b>

Scheduled principal and interest payments for these revenue bonds as a percentage of pledged revenues totaled 11.5 percent for the year. Interest totaled \$185,783 for the year, none of which was capitalized.

**E. Pledged Revenues**

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

	Current-Year		Remaining Pledge		
	Principal and Interest Paid on Revenue Bonds	Percent of Current Revenue	Based on Future Principal and Interest Requirements	Commitment Period Through Fiscal Year	
Operating Revenues	\$ 5,473,825	\$ 5,011,702*	91.6%	\$ 7,778,758	2036

\*\$4,567,680 of bonds were paid off using available funds in August 2017.

**F. Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Employees of Lincoln County Board of Public Utilities are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state

government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	5
Active Employees	<u>28</u>
Total	<u><u>37</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. The board makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the board was \$99,400 based on a rate of 8.7 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the board'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 board's net pension liability (asset) was measured as of June 30, 2017, 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 (asset) as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.00%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decrease the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from the board will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (Asset) (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 1,960,289	\$ 2,726,249	\$ (765,960)
Changes for the Year:			
Service Cost	\$ 80,252	\$ 0	\$ 80,252
Interest	150,013	0	150,013
Differences Between Expected and Actual Experience	15,227	0	15,227
Changes in assumptions	104,694	0	104,694
Contributions-Employer	0	98,122	(98,122)
Contributions-Employees	0	56,392	(56,392)
Net Investment Income	0	312,986	(312,986)
Benefit Payments, Including Refunds of Employee Contributions	(80,727)	(80,727)	0
Administrative Expense	0	(2,432)	2,432
Net Changes	\$ 269,459	\$ 384,341	\$ (114,882)
Balance, June 30, 2017	\$ 2,229,748	\$ 3,110,590	\$ (880,842)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of the board calculated using the discount rate of 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Lincoln County	6.25%	7.25%	8.25%

Net Pension Liability (Asset)    \$ (571,026)    \$ (880,842)    \$ (1,137,274)

**Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Expense (Negative Pension Expense).* For the year ended June 30, 2018, the board recognized pension expense (negative pension expense) of \$53,140.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2018, the board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 37,025	\$ 132,186
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,703
Changes in assumptions	93,061	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	99,400	N/A
Total	<u>\$ 229,486</u>	<u>\$ 134,889</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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
2019	\$ (22,301)
2020	16,386
2021	(5,743)
2022	(31,209)
2023	9,550
Thereafter	28,510

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

#### **Payable to the Pension Plan**

At June 30, 2018, Lincoln County Board of Public Utilities reported a payable of \$11,405 (included in accounts payable on the Statement of Net Position) for

the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

**G. Risk Management**

The board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2018, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$5,000 per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$5,000. The plan liability at year end is determined based on subsequent payments. The change in the liability for medical benefits for the year ended June 30, 2018, is as follows:

Balance, June 30, 2017	\$ 12,186
Payments Made	29,528
Incurred Claims	<u>(36,416)</u>
Balance, June 30, 2018	<u>\$ 5,298</u>

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

**H. Water Sources**

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

**I. Related-party Transactions**

The board provides water to Lincoln County related entities at the same billing rate as other customers. In the year ended June 30, 2018, these sales totaled \$39,915, and accounts receivable at June 30, 2018, related to these sales were \$1,963.

**J. Current and Planned Projects**

The board is requesting permits from the State of Tennessee that would allow for the construction of a water treatment plant on the Elk River. The plant would enhance the water available from the board's current wells that are the primary source of water to 91 percent of the board's customers. At June 30, 2018, the board had purchased land for \$202,000, and had recorded construction in progress cost of \$211,301 related to the roadway, other site development costs, and engineering and permitting costs. The estimated cost of the treatment plant and related distribution lines is \$18,000,000. No significant costs are anticipated to be incurred in the near-term and actual plant construction is not expected to begin within the next three years.

The board is currently replacing all of the meters in the system. As of June 30, 2018, project costs of \$201,277 have been incurred. The total estimated cost of the project is \$2,216,450 and is expected to be funded with monies from the State of Tennessee Revolving Fund program.

**K. Contingency**

During the year ended June 30, 2014, the Tennessee Comptroller's Office issued a report that concluded that unauthorized pension contributions were made for both active and currently retired employees. No further communication has been received by the board concerning what action, if any, will be required due to the unauthorized pension contributions.

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

**L. Prior-period Adjustment**

In prior years, the Board had followed the consistent policy of not accruing unbilled revenue. During the fiscal year ended June 30, 2018, the board began accruing unbilled revenue from the date of the June meter readings to the balance sheet date. The cumulative effect of this change is as follows:

	As previously reported	As restated	Effect of Change
Net position as of 06/30/16	\$ 18,930,752	\$ 19,295,101	\$ 364,349
Operating revenues	5,201,963	5,191,112	(10,851)
Operating expenses	(4,338,426)	(4,338,426)	0
Nonoperating revenues/ (expenses)	(198,393)	(198,393)	0
Contributions in aid of construction	54,734	54,734	0
Change in Net Position	<u>719,878</u>	<u>709,027</u>	<u>(10,851)</u>
Net position as of 06/30/17	<u>\$ 19,650,630</u>	<u>\$ 20,004,128</u>	<u>\$ 353,498</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

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

	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service Cost	\$ 1,678,947	\$ 1,671,820	\$ 1,699,206	\$ 2,009,800
Interest	3,271,086	3,523,331	3,664,827	3,871,795
Changes in Benefit Terms	0	0	0	0
Differences Between Actual and Expected Experience	254,576	(1,346,469)	(750,316)	18,256
Changes in Assumptions	0	0	0	1,069,744
Benefit Payments, Including Refunds of Employee Contributions	(1,849,190)	(1,819,228)	(2,159,695)	(2,169,775)
Net Change in Total Pension Liability	\$ 3,355,419	\$ 2,029,454	\$ 2,454,022	\$ 4,799,820
Total Pension Liability, Beginning	42,860,128	46,215,547	48,245,001	50,699,023
Total Pension Liability, Ending (a)	\$ 46,215,547	\$ 48,245,001	\$ 50,699,023	\$ 55,498,843
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 1,145,798	\$ 601,764	\$ 594,431	\$ 647,113
Contributions - Employee	937,568	926,755	923,579	1,008,589
Net Investment Income	7,103,007	1,536,071	1,350,375	5,851,321
Benefit Payments, Including Refunds of Employee Contributions	(1,849,190)	(1,819,228)	(2,159,695)	(2,169,775)
Administrative Expense	(23,285)	(29,352)	(42,837)	(50,840)
Other	0	0	16,241	0
Net Change in Plan Fiduciary Net Position	\$ 7,313,898	\$ 1,216,010	\$ 682,094	\$ 5,286,408
Plan Fiduciary Net Position, Beginning	42,703,886	50,017,784	51,233,794	51,915,888
Plan Fiduciary Net Position, Ending (b)	\$ 50,017,784	\$ 51,233,794	\$ 51,915,888	\$ 57,202,296
Net Pension Liability (Asset), Ending (a - b)	\$ (3,802,237)	\$ (2,988,793)	\$ (1,216,865)	\$ (1,703,453)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.23%	106.20%	102.40%	103.07%
Covered Payroll	\$ 18,722,223	\$ 18,688,322	\$ 18,449,895	\$ 20,060,385
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(20.31)%	(15.99)%	(6.60)%	(8.49)%

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

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

Exhibit F-2

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

	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service Cost	\$ 74,745	\$ 64,598	\$ 77,693	\$ 80,252
Interest	138,371	132,868	144,409	150,013
Changes in Benefit Terms	0	0	0	0
Differences Between Actual and Expected Experience	(156,724)	35,235	(69,206)	15,227
Changes in Assumptions	0	0	0	104,694
Benefit Payments, Including Refunds of Employee Contributions	(136,129)	(103,109)	(80,727)	(80,727)
Net Change in Total Pension Liability	\$ (79,737)	\$ 129,592	\$ 72,169	\$ 269,459
Total Pension Liability, Beginning	1,838,265	1,758,528	1,888,120	1,960,289
Total Pension Liability, Ending (a)	\$ 1,758,528	\$ 1,888,120	\$ 1,960,289	\$ 2,229,748
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 89,791	\$ 87,393	\$ 90,392	\$ 98,122
Contributions - Employee	52,509	50,226	51,949	56,392
Net Investment Income	353,248	77,098	69,676	312,986
Benefit Payments, Including Refunds of Employee Contributions	(136,129)	(103,109)	(80,727)	(80,727)
Administrative Expense	(1,066)	(1,289)	(2,001)	(2,432)
Net Change in Plan Fiduciary Net Position	\$ 358,353	\$ 110,319	\$ 129,289	\$ 384,341
Plan Fiduciary Net Position, Beginning	2,128,288	2,486,641	2,596,960	2,726,249
Plan Fiduciary Net Position, Ending (b)	\$ 2,486,641	\$ 2,596,960	\$ 2,726,249	\$ 3,110,590
Net Pension Liability (Asset), Ending (a - b)	\$ (728,113)	\$ (708,840)	\$ (765,960)	\$ (880,842)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	141.40%	137.54%	139.07%	139.50%
Covered Payroll	\$ 1,050,185	\$ 1,004,520	\$ 1,038,984	\$ 1,127,834
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(69.33)%	(70.57)%	(73.72)%	(78.10)%

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



Exhibit F-3

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

	2014	2015	2016	2017	2018
Contractually Determined Contribution	\$ 1,145,798	\$ 601,764	\$ 594,431	\$ 647,113	\$ 702,643
Less Contributions in Relation to the Contractually Determined Contribution	(1,145,798)	(601,764)	(594,431)	(647,113)	(702,643)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 18,722,223	\$ 18,688,322	\$ 18,449,895	\$ 20,060,385	\$ 21,777,432
Contributions as a Percentage of Covered Payroll	6.12%	3.22%	3.22%	3.22%	3.22%

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

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

Exhibit F-4

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

	2014	2015	2016	2017	2018
Contractually Determined Contribution	\$ 89,791	\$ 87,393	\$ 90,392	\$ 31,805	\$ 32,219
Less Contributions in Relation to the Contractually Determined Contribution	(89,791)	(87,393)	(90,392)	(98,122)	(99,400)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ (66,317)	\$ (67,181)
Covered Payroll	\$ 1,050,185	\$ 1,004,520	\$ 1,038,984	\$ 1,127,834	\$ 1,142,526
Contributions as a Percentage of Covered Payroll	8.55%	8.70%	8.70%	8.70%	8.70%

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

Exhibit F-5

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

	2015	2016	2017	2018
Contractually Required Contribution	\$ 25,754	\$ 54,382	\$ 93,022	\$ 127,663
Less Contributions in Relation to the Contractually Required Contribution	(25,754)	(54,382)	(93,022)	(127,663)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 643,863	\$ 1,359,555	\$ 2,288,662	\$ 3,215,088
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%	4.00%

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

Exhibit F-6

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

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 1,327,053	\$ 1,309,860	\$ 1,308,473	\$ 1,252,725	\$ 1,215,979
Less Contributions in Relation to the Contractually Required Contribution	(1,327,053)	(1,309,860)	(1,308,473)	(1,252,725)	(1,215,979)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 14,944,287	\$ 14,489,626	\$ 14,474,266	\$ 13,894,489	\$ 13,467,062
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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

Exhibit F-7

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>
School Department's Proportion of the Net Pension Liability/Asset	0.309886%	0.308985%	0.354321%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (12,467)	\$ (32,166)	\$ (93,483)
Covered Payroll	\$ 643,863	\$ 1,359,555	\$ 2,288,662
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	(4.08)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

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

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

Exhibit F-8

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

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.380747%	0.387060%	0.400971%	0.392016%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (61,870)	\$ 158,553	\$ 2,505,848	\$ (128,261)
Covered Payroll	\$ 14,944,287	\$ 14,489,626	\$ 14,474,266	\$ 13,894,489
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.41)%	1.09%	17.31%	(.92)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

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

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

Lincoln County, Tennessee  
Schedule of Changes in the Total OPEB Liability and Related Ratios  
Primary Government - Local Government Plan  
For the Fiscal Year Ended June 30

	<u>2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 26,157
Interest	10,162
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(19,244)
Benefit Payments	<u>(6,140)</u>
Net Change in Total OPEB Liability	\$ 10,935
Total OPEB Liability, Beginning	<u>324,913</u>
 Total OPEB Liability, Ending	 <u><u>\$ 335,848</u></u>
 Covered Employee Payroll	 \$ 6,314,608
Net OPEB Liability as a Percentage of Covered Employee Payroll	0.05318588

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Exhibit F-10

Lincoln County, Tennessee  
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plan  
Discretely Presented Lincoln County School Department  
For the Fiscal Year Ended June 30

	<u>2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 227,756
Interest	123,879
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(194,714)
Benefit Payments	<u>(215,553)</u>
Net Change in Total OPEB Liability	\$ (58,632)
Total OPEB Liability, Beginning	<u>4,122,464</u>
Total OPEB Liability, Ending	<u><u>\$ 4,063,832</u></u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 1,460,232
Employer Proportionate Share of the Total OPEB Liability	2,603,600
Covered Employee Payroll	\$ 20,254,516
Net OPEB Liability as a Percentage of Covered Employee Payroll	0.12854417

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.



**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2018**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by 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,
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%

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

## Capital Projects Fund

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

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

Exhibit G-1

Lincoln County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018

	<u>Special Revenue Funds</u>		
	Solid Waste / Sanitation	Drug Control	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,329,236	\$ 352,050	\$ 1,681,286
Accounts Receivable	7,815	0	7,815
Allowance for Uncollectibles	(2,897)	0	(2,897)
Due from Other Governments	205,280	0	205,280
Total Assets	<u>\$ 1,539,434</u>	<u>\$ 352,050</u>	<u>\$ 1,891,484</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 12,365	\$ 0	\$ 12,365
Accrued Payroll	2,705	0	2,705
Due to Cities	17,761	0	17,761
Total Liabilities	<u>\$ 32,831</u>	<u>\$ 0</u>	<u>\$ 32,831</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 109,793	\$ 0	\$ 109,793
Total Deferred Inflows of Resources	<u>\$ 109,793</u>	<u>\$ 0</u>	<u>\$ 109,793</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Public Safety	\$ 0	\$ 352,050	\$ 352,050
Restricted for Public Health and Welfare	1,396,810	0	1,396,810
Total Fund Balances	<u>\$ 1,396,810</u>	<u>\$ 352,050</u>	<u>\$ 1,748,860</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 1,539,434</u>	<u>\$ 352,050</u>	<u>\$ 1,891,484</u>

Exhibit G-2

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 69,497	\$ 0	\$ 69,497	\$ 0	\$ 69,497
Charges for Current Services	1,180,996	0	2,580	1,183,576	0	1,183,576
Other Local Revenues	15,352	1,250	0	16,602	76	16,678
State of Tennessee	23,496	0	0	23,496	0	23,496
Total Revenues	\$ 1,219,844	\$ 70,747	\$ 2,580	\$ 1,293,171	\$ 76	\$ 1,293,247
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,176	\$ 82,176
Administration of Justice	0	0	2,580	2,580	0	2,580
Public Safety	0	86,725	0	86,725	0	86,725
Public Health and Welfare	1,205,937	0	0	1,205,937	0	1,205,937
Capital Projects	0	0	0	0	326,084	326,084
Total Expenditures	\$ 1,205,937	\$ 86,725	\$ 2,580	\$ 1,295,242	\$ 408,260	\$ 1,703,502
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,907	\$ (15,978)	\$ 0	\$ (2,071)	\$ (408,184)	\$ (410,255)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326,084	\$ 326,084
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326,084	\$ 326,084

(Continued)

Exhibit G-2

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

	Special Revenue Funds			Total	Capital	Total
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees		Projects Fund	
Net Change in Fund Balances	\$ 13,907	\$ (15,978)	\$ 0	\$ (2,071)	\$ (82,100)	\$ (84,171)
Fund Balance, July 1, 2017	1,382,903	368,028	0	1,750,931	82,100	1,833,031
Fund Balance, June 30, 2018	\$ 1,396,810	\$ 352,050	\$ 0	\$ 1,748,860	\$ 0	\$ 1,748,860

Exhibit G-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 1,180,996	\$ 1,153,000	\$ 1,170,000	\$ 10,996
Other Local Revenues	15,352	9,000	9,000	6,352
State of Tennessee	23,496	24,000	26,861	(3,365)
Total Revenues	<u>\$ 1,219,844</u>	<u>\$ 1,186,000</u>	<u>\$ 1,205,861</u>	<u>\$ 13,983</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 32,500	\$ 32,500	\$ 32,500	\$ 0
Convenience Centers	189,260	238,277	238,277	49,017
Other Waste Disposal	945,714	980,524	1,000,385	54,671
Postclosure Care Costs	38,463	50,000	50,000	11,537
Total Expenditures	<u>\$ 1,205,937</u>	<u>\$ 1,301,301</u>	<u>\$ 1,321,162</u>	<u>\$ 115,225</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,907</u>	<u>\$ (115,301)</u>	<u>\$ (115,301)</u>	<u>\$ 129,208</u>
Net Change in Fund Balance	\$ 13,907	\$ (115,301)	\$ (115,301)	\$ 129,208
Fund Balance, July 1, 2017	<u>1,382,903</u>	<u>1,377,641</u>	<u>1,382,903</u>	<u>0</u>
Fund Balance, June 30, 2018	<u>\$ 1,396,810</u>	<u>\$ 1,262,340</u>	<u>\$ 1,267,602</u>	<u>\$ 129,208</u>

Exhibit G-4

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 69,497	\$ 16,500	\$ 16,500	\$ 52,997
Other Local Revenues	1,250	0	0	1,250
Total Revenues	<u>\$ 70,747</u>	<u>\$ 16,500</u>	<u>\$ 16,500</u>	<u>\$ 54,247</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 86,725	\$ 44,800	\$ 93,800	\$ 7,075
Total Expenditures	<u>\$ 86,725</u>	<u>\$ 44,800</u>	<u>\$ 93,800</u>	<u>\$ 7,075</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,978)</u>	<u>\$ (28,300)</u>	<u>\$ (77,300)</u>	<u>\$ 61,322</u>
Net Change in Fund Balance	\$ (15,978)	\$ (28,300)	\$ (77,300)	\$ 61,322
Fund Balance, July 1, 2017	<u>368,028</u>	<u>307,583</u>	<u>368,028</u>	<u>0</u>
Fund Balance, June 30, 2018	<u><u>\$ 352,050</u></u>	<u><u>\$ 279,283</u></u>	<u><u>\$ 290,728</u></u>	<u><u>\$ 61,322</u></u>



# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit H

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,083,004	\$ 2,002,013	\$ 2,002,013	\$ 80,991
Other Governments and Citizens Groups	108,695	0	108,695	0
<b>Total Revenues</b>	<b>\$ 2,191,699</b>	<b>\$ 2,002,013</b>	<b>\$ 2,110,708</b>	<b>\$ 80,991</b>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 476,605	\$ 355,000	\$ 476,605	\$ 0
Education	1,762,090	1,775,000	1,762,090	0
<u>Interest on Debt</u>				
General Government	223,386	203,128	223,386	0
Education	264,448	284,706	264,448	0
<u>Other Debt Service</u>				
General Government	32,644	50,000	50,000	17,356
Education	1,345	5,000	5,000	3,655
<b>Total Expenditures</b>	<b>\$ 2,760,518</b>	<b>\$ 2,672,834</b>	<b>\$ 2,781,529</b>	<b>\$ 21,011</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (568,819)	\$ (670,821)	\$ (670,821)	\$ 102,002
Net Change in Fund Balance	\$ (568,819)	\$ (670,821)	\$ (670,821)	\$ 102,002
Fund Balance, July 1, 2017	4,207,933	4,159,886	4,207,933	0
<b>Fund Balance, June 30, 2018</b>	<b>\$ 3,639,114</b>	<b>\$ 3,489,065</b>	<b>\$ 3,537,112</b>	<b>\$ 102,002</b>

# Fiduciary Funds

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

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

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

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

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

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

Exhibit I-1

Lincoln County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2018

	Agency Funds					Total
	Cities - Sales Tax	City School ADA	Constitu - tional Officers - Agency	Judicial District Drug	District Attorney General	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,653,990	\$ 528	\$ 0	\$ 1,654,518
Equity in Pooled Cash and Investments	0	93,491	0	388,131	57,170	538,792
Accounts Receivable	0	0	688	18,756	0	19,444
Due from Other Governments	452,866	235,560	0	5,033	0	693,459
Property Taxes Receivable	0	1,344,306	0	0	0	1,344,306
Allowance for Uncollectible Property Taxes	0	(26,220)	0	0	0	(26,220)
Total Assets	\$ 452,866	\$ 1,647,137	\$ 1,654,678	\$ 412,448	\$ 57,170	\$ 4,224,299
<u>LIABILITIES</u>						
Accrued Payroll	\$ 0	\$ 0	\$ 0	\$ 1,537	\$ 0	\$ 1,537
Due to Other Taxing Units	452,866	1,647,137	0	0	0	2,100,003
Due to Litigants, Heirs, and Others	0	0	1,654,678	0	57,170	1,711,848
Due to Joint Ventures	0	0	0	410,911	0	410,911
Total Liabilities	\$ 452,866	\$ 1,647,137	\$ 1,654,678	\$ 412,448	\$ 57,170	\$ 4,224,299

Lincoln County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,547,636	\$ 2,547,636	\$ 0
Due from Other Governments	440,801	452,866	440,801	452,866
<b>Total Assets</b>	<b>\$ 440,801</b>	<b>\$ 3,000,502</b>	<b>\$ 2,988,437</b>	<b>\$ 452,866</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 440,801	\$ 3,000,502	\$ 2,988,437	\$ 452,866
<b>Total Liabilities</b>	<b>\$ 440,801</b>	<b>\$ 3,000,502</b>	<b>\$ 2,988,437</b>	<b>\$ 452,866</b>
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 98,302	\$ 2,380,510	\$ 2,385,321	\$ 93,491
Due from Other Governments	217,548	235,560	217,548	235,560
Property Taxes Receivable	1,292,834	1,344,306	1,292,834	1,344,306
Allowance for Uncollectible Property Taxes	(19,367)	(26,220)	(19,367)	(26,220)
<b>Total Assets</b>	<b>\$ 1,589,317</b>	<b>\$ 3,934,156</b>	<b>\$ 3,876,336</b>	<b>\$ 1,647,137</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,589,317	\$ 3,934,156	\$ 3,876,336	\$ 1,647,137
<b>Total Liabilities</b>	<b>\$ 1,589,317</b>	<b>\$ 3,934,156</b>	<b>\$ 3,876,336</b>	<b>\$ 1,647,137</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,560,390	\$ 10,685,537	\$ 10,591,937	\$ 1,653,990
Accounts Receivable	765	688	765	688
<b>Total Assets</b>	<b>\$ 1,561,155</b>	<b>\$ 10,686,225</b>	<b>\$ 10,592,702</b>	<b>\$ 1,654,678</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,561,155	\$ 10,686,225	\$ 10,592,702	\$ 1,654,678
<b>Total Liabilities</b>	<b>\$ 1,561,155</b>	<b>\$ 10,686,225</b>	<b>\$ 10,592,702</b>	<b>\$ 1,654,678</b>

(Continued)

## Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 778	\$ 528	\$ 778	\$ 528
Equity in Pooled Cash and Investments	458,361	248,207	318,437	388,131
Accounts Receivable	3,000	18,756	3,000	18,756
Due from Other Governments	28,723	5,033	28,723	5,033
Total Assets	\$ 490,862	\$ 272,524	\$ 350,938	\$ 412,448
<u>Liabilities</u>				
Accounts Payable	\$ 5,600	\$ 0	\$ 5,600	\$ 0
Accrued Payroll	1,051	1,537	1,051	1,537
Due to Joint Ventures	484,211	270,987	344,287	410,911
Total Liabilities	\$ 490,862	\$ 272,524	\$ 350,938	\$ 412,448
<u>District Attorney General Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 64,394	\$ 8,820	\$ 16,044	\$ 57,170
Total Assets	\$ 64,394	\$ 8,820	\$ 16,044	\$ 57,170
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 64,394	\$ 8,820	\$ 16,044	\$ 57,170
Total Liabilities	\$ 64,394	\$ 8,820	\$ 16,044	\$ 57,170
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,561,168	\$ 10,686,065	\$ 10,592,715	\$ 1,654,518
Equity in Pooled Cash and Investments	621,057	5,185,173	5,267,438	538,792
Account Receivable	3,765	19,444	3,765	19,444
Due from Other Governments	687,072	693,459	687,072	693,459
Property Taxes Receivable	1,292,834	1,344,306	1,292,834	1,344,306
Allowance for Uncollectible Property Taxes	(19,367)	(26,220)	(19,367)	(26,220)
Total Assets	\$ 4,146,529	\$ 17,902,227	\$ 17,824,457	\$ 4,224,299
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 5,600	\$ 0	\$ 5,600	\$ 0
Accrued Payroll	1,051	1,537	1,051	1,537
Due to Other Taxing Units	2,030,118	6,934,658	6,864,773	2,100,003
Due to Litigants, Heirs, and Others	1,625,549	10,695,045	10,608,746	1,711,848
Due to Joint Ventures	484,211	270,987	344,287	410,911
Total Liabilities	\$ 4,146,529	\$ 17,902,227	\$ 17,824,457	\$ 4,224,299

# Lincoln County School Department

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

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

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

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

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

Education Capital Projects Fund – The Educational Capital Projects Fund is used to account for resources accumulated to be used for the acquisition, construction, and/or renovation projects for the School Department.

Exhibit J-1

Lincoln County, Tennessee  
Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

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	\$ 19,346,635	\$ 0	\$ 2,904,879	\$ 135,908	\$ (16,305,848)
Support Services	11,545,950	44,819	258	0	(11,500,873)
Operation of Non-instructional Services	4,759,211	742,721	1,487,243	0	(2,529,247)
<b>Total Governmental Activities</b>	<b>\$ 35,651,796</b>	<b>\$ 787,540</b>	<b>\$ 4,392,380</b>	<b>\$ 135,908</b>	<b>\$ (30,335,968)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,676,888
Local Option Sales Tax					2,837,701
Wholesale Beer Tax					103,545
Grants and Contributions Not Restricted to Specific Programs					22,275,508
Unrestricted Investment Earnings					634
Miscellaneous					428,447
<b>Total General Revenues</b>					<b>\$ 30,322,723</b>
Change in Net Position					\$ (13,245)
Net Position, July 1, 2017					33,172,625
Restatement - See Note I.D.9.					(1,761,658)
<b>Net Position, June 30, 2018</b>					<b>\$ 31,397,722</b>



Exhibit J-2

Lincoln County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2018

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,249	\$ 1,249
Equity in Pooled Cash and Investments	4,791,604	260,753	417,286	5,469,643
Inventories	0	0	38,442	38,442
Accounts Receivable	107,867	0	6,042	113,909
Due from Other Governments	1,307,921	0	191,044	1,498,965
Property Taxes Receivable	3,675,807	1,639,425	0	5,315,232
Allowance for Uncollectible Property Taxes	(71,731)	(27,976)	0	(99,707)
Prepaid Items	567,833	0	0	567,833
Total Assets	\$ 10,379,301	\$ 1,872,202	\$ 654,063	\$ 12,905,566
<u>LIABILITIES</u>				
Accounts Payable	\$ 22,046	\$ 0	\$ 0	\$ 22,046
Accrued Payroll	904,239	0	116,431	1,020,670
Cash Overdraft	0	0	7,146	7,146
Total Liabilities	\$ 926,285	\$ 0	\$ 123,577	\$ 1,049,862
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,505,190	\$ 1,578,898	\$ 0	\$ 5,084,088
Deferred Delinquent Property Taxes	88,477	29,124	0	117,601
Other Deferred/Unavailable Revenue	248,113	0	89	248,202
Total Deferred Inflows of Resources	\$ 3,841,780	\$ 1,608,022	\$ 89	\$ 5,449,891

(Continued)

Exhibit J-2

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

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Funds	
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 38,442	\$ 38,442
Prepaid Items	567,833	0	0	567,833
Restricted:				
Restricted for Education	47,220	0	234,937	282,157
Restricted for Capital Projects	0	264,180	0	264,180
Committed:				
Committed for Education	2,261,925	0	257,018	2,518,943
Assigned:				
Assigned for Education	559,245	0	0	559,245
Unassigned	2,175,013	0	0	2,175,013
Total Fund Balances	<u>\$ 5,611,236</u>	<u>\$ 264,180</u>	<u>\$ 530,397</u>	<u>\$ 6,405,813</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,379,301</u>	<u>\$ 1,872,202</u>	<u>\$ 654,063</u>	<u>\$ 12,905,566</u>

Exhibit J-3

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Lincoln County School Department  
June 30, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 6,405,813
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 957,984	
Add: buildings and improvements net of accumulated depreciation	22,021,050	
Add: other capital assets net of accumulated depreciation	<u>3,856,403</u>	26,835,437
(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	\$ (2,603,600)	
Less: compensated absences payable	(41,764)	
Less: contributions due on primary government debt for capital lease	<u>(217,389)</u>	(2,862,753)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension expense and OPEB expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 2,992,027	
Add: deferred outflows of resources related to OPEB	143,902	
Less: deferred inflows of resources related to pensions	(2,941,696)	
Less: deferred inflows of resources related to OPEB	<u>(112,274)</u>	81,959
(4) Net pension assets of the agent and cost-sharing plans are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - agent pension plan	\$ 349,719	
Add: net pension asset - teacher retirement pension plan	93,483	
Add: net pension asset - teacher legacy pension plan	<u>128,261</u>	571,463
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>365,803</u>
Net position of governmental activities (Exhibit A)		<u>\$ 31,397,722</u>

Exhibit J-4

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

	Major Funds		Nonmajor	Total
	General	Education	Funds	
	Purpose	Capital	Other	
	School	Projects	Governmental	Governmental
			Funds	Funds
<u>Revenues</u>				
Local Taxes	\$ 6,445,415	\$ 1,155,736	\$ 0	\$ 7,601,151
Licenses and Permits	1,812	0	0	1,812
Charges for Current Services	63,361	0	724,179	787,540
Other Local Revenues	89,708	0	16,788	106,496
State of Tennessee	22,785,849	0	18,308	22,804,157
Federal Government	0	0	4,327,859	4,327,859
Other Governments and Citizens Groups	371,697	0	0	371,697
Total Revenues	<u>\$ 29,757,842</u>	<u>\$ 1,155,736</u>	<u>\$ 5,087,134</u>	<u>\$ 36,000,712</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,275,990	\$ 0	\$ 1,592,917	\$ 19,868,907
Support Services	10,240,229	0	1,203,557	11,443,786
Operation of Non-Instructional Services	1,099,931	0	2,415,109	3,515,040
Capital Outlay	864,974	524,185	0	1,389,159
Total Expenditures	<u>\$ 30,481,124</u>	<u>\$ 524,185</u>	<u>\$ 5,211,583</u>	<u>\$ 36,216,892</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (723,282)</u>	<u>\$ 631,551</u>	<u>\$ (124,449)</u>	<u>\$ (216,180)</u>
Net Change in Fund Balances	\$ (723,282)	\$ 631,551	\$ (124,449)	\$ (216,180)
Fund Balance, July 1, 2017	<u>6,334,518</u>	<u>(367,371)</u>	<u>654,846</u>	<u>6,621,993</u>
Fund Balance, June 30, 2018	<u>\$ 5,611,236</u>	<u>\$ 264,180</u>	<u>\$ 530,397</u>	<u>\$ 6,405,813</u>

Exhibit J-5

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

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)		\$	(216,180)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	1,354,212	
Less: current-year depreciation expense		<u>(2,084,580)</u>	(730,368)
(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, 2018	\$	365,803	
Less: deferred delinquent property taxes and other deferred June 30, 2017		<u>(401,880)</u>	(36,077)
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Less: capital lease proceeds from primary government	\$	(326,084)	
Add: principal contributions on loans to primary government		<u>108,695</u>	(217,389)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	(7,616)	
Change in OPEB liability (net of restatement)		37,564	
Change in net pension asset - agent pension plan		88,945	
Change in net pension asset - teacher retirement pension plan		61,317	
Change in net pension liability - teacher legacy pension plan		2,634,109	
Change in deferred outflows of resources for pensions		(1,953,943)	
Change in deferred outflows of resources for OPEB (net of restatement)		5,802	
Change in deferred inflows of resources for pensions		432,865	
Change in deferred inflows of resources for OPEB		<u>(112,274)</u>	<u>1,186,769</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (13,245)</u>

Lincoln County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2018

	<u>Special Revenue Funds</u>			Total
	School Federal Projects	Central Cafeteria	Extended School Program	Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,249	\$ 0	\$ 1,249
Equity in Pooled Cash and Investments	0	265,711	151,575	417,286
Inventories	0	38,442	0	38,442
Accounts Receivable	32	567	5,443	6,042
Due from Other Governments	190,498	546	0	191,044
Total Assets	<u>\$ 190,530</u>	<u>\$ 306,515</u>	<u>\$ 157,018</u>	<u>\$ 654,063</u>
<u>LIABILITIES</u>				
Accrued Payroll	\$ 75,823	\$ 40,608	\$ 0	\$ 116,431
Cash Overdraft	7,146	0	0	7,146
Total Liabilities	<u>\$ 82,969</u>	<u>\$ 40,608</u>	<u>\$ 0</u>	<u>\$ 123,577</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Deferred/Unavailable Revenue	\$ 10	\$ 79	\$ 0	\$ 89
Total Deferred Inflows of Resources	<u>\$ 10</u>	<u>\$ 79</u>	<u>\$ 0</u>	<u>\$ 89</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 38,442	\$ 0	\$ 38,442
Restricted:				
Restricted for Education	7,551	227,386	0	234,937

(Continued)

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

FUND BALANCES (Cont.)

Committed:

    Committed for Education

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
School Federal Projects	Central Cafeteria	Extended School Program	
\$ 100,000	\$ 0	\$ 157,018	\$ 257,018
<u>\$ 107,551</u>	<u>\$ 265,828</u>	<u>\$ 157,018</u>	<u>\$ 530,397</u>
<u>\$ 190,530</u>	<u>\$ 306,515</u>	<u>\$ 157,018</u>	<u>\$ 654,063</u>

Exhibit J-7

Lincoln County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Extended School Program	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 613,750	\$ 110,429	\$ 724,179
Other Local Revenues	0	16,788	0	16,788
State of Tennessee	0	18,308	0	18,308
Federal Government	2,858,924	1,468,935	0	4,327,859
Total Revenues	<u>\$ 2,858,924</u>	<u>\$ 2,117,781</u>	<u>\$ 110,429</u>	<u>\$ 5,087,134</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 1,592,917	\$ 0	\$ 0	\$ 1,592,917
Support Services	1,203,557	0	0	1,203,557
Operation of Non-Instructional Services	2,151	2,315,319	97,639	2,415,109
Total Expenditures	<u>\$ 2,798,625</u>	<u>\$ 2,315,319</u>	<u>\$ 97,639</u>	<u>\$ 5,211,583</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 60,299</u>	<u>\$ (197,538)</u>	<u>\$ 12,790</u>	<u>\$ (124,449)</u>
Net Change in Fund Balances	\$ 60,299	\$ (197,538)	\$ 12,790	\$ (124,449)
Fund Balance, July 1, 2017	47,252	463,366	144,228	654,846
Fund Balance, June 30, 2018	<u>\$ 107,551</u>	<u>\$ 265,828</u>	<u>\$ 157,018</u>	<u>\$ 530,397</u>



Exhibit J-8

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,445,415	\$ 0	\$ 0	\$ 6,445,415	\$ 6,352,150	\$ 6,352,150	\$ 93,265
Licenses and Permits	1,812	0	0	1,812	1,600	1,600	212
Charges for Current Services	63,361	0	0	63,361	95,338	95,338	(31,977)
Other Local Revenues	89,708	0	0	89,708	8,594	64,977	24,731
State of Tennessee	22,785,849	0	0	22,785,849	21,286,769	22,694,048	91,801
Other Governments and Citizens Groups	371,697	0	0	371,697	10,703	383,600	(11,903)
<b>Total Revenues</b>	<b>\$ 29,757,842</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 29,757,842</b>	<b>\$ 27,755,154</b>	<b>\$ 29,591,713</b>	<b>\$ 166,129</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,486,982	\$ (39,993)	\$ 53,041	\$ 14,500,030	\$ 15,141,873	\$ 15,094,671	\$ 594,641
Alternative Instruction Program	166,722	0	0	166,722	237,314	188,214	21,492
Special Education Program	2,109,674	0	0	2,109,674	2,028,452	2,219,171	109,497
Career and Technical Education Program	1,415,562	0	10,000	1,425,562	1,324,772	1,498,683	73,121
Student Body Education Program	97,050	0	0	97,050	101,338	151,973	54,923
<u>Support Services</u>							
Attendance	169,248	0	0	169,248	186,238	186,238	16,990
Health Services	391,300	0	108	391,408	280,749	400,411	9,003
Other Student Support	711,383	(3,529)	3,445	711,299	730,789	754,515	43,216
Regular Instruction Program	872,580	(5,746)	1,881	868,715	969,346	948,846	80,131
Special Education Program	215,818	0	0	215,818	188,962	224,963	9,145
Career and Technical Education Program	151,632	0	0	151,632	147,846	157,771	6,139
Technology	115,300	0	0	115,300	35,220	131,609	16,309
Other Programs	93,391	0	0	93,391	0	93,391	0
Board of Education	756,928	0	2,668	759,596	855,463	855,988	96,392
Director of Schools	307,927	0	0	307,927	332,676	340,491	32,564
Office of the Principal	1,522,186	0	0	1,522,186	1,512,193	1,545,328	23,142
Operation of Plant	2,020,387	0	530	2,020,917	2,126,456	2,120,756	99,839
Maintenance of Plant	1,039,605	(24,602)	6,763	1,021,766	957,589	1,040,554	18,788

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 1,872,544	\$ (273,124)	\$ 277,092	\$ 1,876,512	\$ 1,783,038	\$ 1,975,508	\$ 98,996
<u>Operation of Non-Instructional Services</u>							
Food Service	923	(923)	0	0	0	0	0
Community Services	310,989	0	0	310,989	0	347,319	36,330
Early Childhood Education	788,019	(6,715)	6,399	787,703	163,129	850,777	63,074
<u>Capital Outlay</u>							
Regular Capital Outlay	864,974	(233,048)	197,318	829,244	1,123,000	1,138,000	308,756
Total Expenditures	\$ 30,481,124	\$ (587,680)	\$ 559,245	\$ 30,452,689	\$ 30,226,443	\$ 32,265,177	\$ 1,812,488
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (723,282)	\$ 587,680	\$ (559,245)	\$ (694,847)	\$ (2,471,289)	\$ (2,673,464)	\$ 1,978,617
Net Change in Fund Balance							
Fund Balance, July 1, 2017	\$ 6,334,518	(587,680)	0	5,746,838	5,120,270	5,746,838	0
Fund Balance, June 30, 2018							
	\$ 5,611,236	\$ 0	\$ (559,245)	\$ 5,051,991	\$ 2,648,981	\$ 3,073,374	\$ 1,978,617

Exhibit J-9

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 2,858,924	\$ 0	\$ 0	\$ 2,858,924	\$ 2,942,594	\$ 3,035,789	\$ (176,865)
Total Revenues	\$ 2,858,924	\$ 0	\$ 0	\$ 2,858,924	\$ 2,942,594	\$ 3,035,789	\$ (176,865)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 858,613	\$ (2,013)	\$ 0	\$ 856,600	\$ 940,238	\$ 919,258	\$ 62,658
Special Education Program	695,659	0	0	695,659	694,966	700,766	5,107
Career and Technical Education Program	38,645	0	0	38,645	32,573	38,646	1
<u>Support Services</u>							
Other Student Support	47,545	0	0	47,545	137,694	155,142	107,597
Regular Instruction Program	962,959	0	314	963,273	998,863	1,000,331	37,058
Special Education Program	104,649	0	0	104,649	108,225	111,768	7,119
Career and Technical Education Program	3,523	0	0	3,523	6,000	3,523	0
Transportation	84,881	0	0	84,881	110,914	105,198	20,317
<u>Operation of Non-Instructional Services</u>							
Food Service	2,151	0	0	2,151	2,304	2,304	153
Total Expenditures	\$ 2,798,625	\$ (2,013)	\$ 314	\$ 2,796,926	\$ 3,031,777	\$ 3,036,936	\$ 240,010
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,299	\$ 2,013	\$ (314)	\$ 61,998	\$ (89,183)	\$ (1,147)	\$ 63,145
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,037	\$ 0	\$ 0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,037	\$ 0	\$ 0
Net Change in Fund Balance	\$ 60,299	\$ 2,013	\$ (314)	\$ 61,998	\$ (1,146)	\$ (1,147)	\$ 63,145
Fund Balance, July 1, 2017	47,252	(2,013)	0	45,239	1,147	1,147	44,092
Fund Balance, June 30, 2018	\$ 107,551	\$ 0	\$ (314)	\$ 107,237	\$ 1	\$ 0	\$ 107,237

Exhibit J-10

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Lincoln County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 613,750	\$ 765,000	\$ 765,000	\$ (151,250)
Other Local Revenues	16,788	5,600	5,600	11,188
State of Tennessee	18,308	19,061	19,061	(753)
Federal Government	1,468,935	1,391,000	1,524,295	(55,360)
Total Revenues	<u>\$ 2,117,781</u>	<u>\$ 2,180,661</u>	<u>\$ 2,313,956</u>	<u>\$ (196,175)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,315,319	\$ 2,273,219	\$ 2,406,514	\$ 91,195
Total Expenditures	<u>\$ 2,315,319</u>	<u>\$ 2,273,219</u>	<u>\$ 2,406,514</u>	<u>\$ 91,195</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (197,538)	\$ (92,558)	\$ (92,558)	\$ (104,980)
Net Change in Fund Balance	\$ (197,538)	\$ (92,558)	\$ (92,558)	\$ (104,980)
Fund Balance, July 1, 2017	463,366	505,335	463,366	0
Fund Balance, June 30, 2018	<u>\$ 265,828</u>	<u>\$ 412,777</u>	<u>\$ 370,808</u>	<u>\$ (104,980)</u>

Exhibit J-11

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Lincoln County School Department  
Extended School Program Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 110,429	\$ 105,000	\$ 105,000	\$ 5,429
Total Revenues	\$ 110,429	\$ 105,000	\$ 105,000	\$ 5,429
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 97,639	\$ 105,000	\$ 121,850	\$ 24,211
Total Expenditures	\$ 97,639	\$ 105,000	\$ 121,850	\$ 24,211
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,790	\$ 0	\$ (16,850)	\$ 29,640
Net Change in Fund Balance	\$ 12,790	\$ 0	\$ (16,850)	\$ 29,640
Fund Balance, July 1, 2017	144,228	120,158	144,228	0
Fund Balance, June 30, 2018	\$ 157,018	\$ 120,158	\$ 127,378	\$ 29,640

Exhibit J-12

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Lincoln County School Department  
Education Capital Projects Fund  
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,155,736	\$ 1,099,482	\$ 1,099,482	\$ 56,254
Total Revenues	\$ 1,155,736	\$ 1,099,482	\$ 1,099,482	\$ 56,254
<u>Expenditures</u>				
<u>Capital Outlay</u>				
Regular Capital Outlay	\$ 524,185	\$ 1,235,293	\$ 1,235,293	\$ 711,108
Total Expenditures	\$ 524,185	\$ 1,235,293	\$ 1,235,293	\$ 711,108
Excess (Deficiency) of Revenues Over Expenditures	\$ 631,551	\$ (135,811)	\$ (135,811)	\$ 767,362
Net Change in Fund Balance	\$ 631,551	\$ (135,811)	\$ (135,811)	\$ 767,362
Fund Balance, July 1, 2017	(367,371)	135,811	(367,371)	0
Fund Balance, June 30, 2018	\$ 264,180	\$ 0	\$ (503,182)	\$ 767,362

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Lincoln County, Tennessee  
Schedule of Changes in Long-term Notes, Bonds, Capital Leases, and Other Loans  
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
<b>GOVERNMENTAL ACTIVITIES</b>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Renovations	\$ 1,000,000	2.195 %	4-14-15	4-1-27	\$ 845,000	\$ 0	\$ 80,000	\$ 765,000
Total Notes Payable					\$ 845,000	\$ 0	\$ 80,000	\$ 765,000
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation School Refunding	14,765,000	4 to 5.25	8-1-01	4-1-21	\$ 4,360,000	\$ 0	\$ 1,440,000	\$ 2,920,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	1,420,000	0	335,000	1,085,000
General Obligation	7,000,000	3.25	3-6-14	6-1-34	5,935,000	0	275,000	5,660,000
Total Bonds Payable					\$ 11,715,000	\$ 0	\$ 2,050,000	\$ 9,665,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable by School Department Contributions from the General Purpose</u>								
<u>School Fund to the General Debt Service Fund</u>								
School Computers	326,084	5.65	5-17-17	8-31-20	\$ 0	\$ 326,084	\$ 108,695	\$ 217,389
Total Capital Leases Payable					\$ 0	\$ 326,084	\$ 108,695	\$ 217,389
<b>BUSINESS-TYPE ACTIVITIES</b>								
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through Sewer Fund</u>								
State Revolving Loan	3,558,000	0.91	9-18-15	9-20-28	\$ 3,264,126	\$ 0	\$ 155,868	\$ 3,108,258
State Revolving Loan	600,000	0.75	11-10-16	4-20-37	595,364	0	27,948	567,416
Total Other Loans Payable					\$ 3,859,490	\$ 0	\$ 183,816	\$ 3,675,674



Exhibit K-2

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

**GOVERNMENTAL ACTIVITIES**

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 80,000	\$ 16,792	\$ 96,792
2020	80,000	15,036	95,036
2021	80,000	13,280	93,280
2022	85,000	11,524	96,524
2023	85,000	9,658	94,658
2024	85,000	7,792	92,792
2025	90,000	5,926	95,926
2026	90,000	3,951	93,951
2027	90,000	1,975	91,975
Total	\$ 765,000	\$ 85,934	\$ 850,934

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 2,010,000	\$ 375,021	\$ 2,385,021
2020	1,685,000	283,216	1,968,216
2021	1,170,000	208,768	1,378,768
2022	300,000	158,930	458,930
2023	310,000	149,930	459,930
2024	320,000	140,630	460,630
2025	330,000	131,030	461,030
2026	340,000	121,130	461,130
2027	350,000	110,930	460,930
2028	365,000	99,992	464,992
2029	375,000	88,313	463,313
2030	390,000	76,125	466,125
2031	405,000	62,963	467,963
2032	420,000	48,787	468,787
2033	440,000	33,562	473,562
2034	455,000	17,063	472,063
Total	\$ 9,665,000	\$ 2,106,390	\$ 11,771,390

(Continued)

Exhibit K-2

Lincoln County, Tennessee  
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2019	\$ 108,695	\$ 12,282	\$ 120,977
2020	108,694	6,141	114,835
Total	\$ 217,389	\$ 18,423	\$ 235,812

**BUSINESS-TYPE ACTIVITY**

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 185,436	\$ 31,800	\$ 2,868	\$ 220,104
2020	187,092	30,144	2,724	219,960
2021	188,760	28,476	2,568	219,804
2022	190,440	26,796	2,424	219,660
2023	192,132	25,104	2,268	219,504
2024	193,836	23,400	2,112	219,348
2025	195,564	21,672	1,956	219,192
2026	197,304	19,932	1,800	219,036
2027	199,056	18,180	1,632	218,868
2028	200,832	16,404	1,476	218,712
2029	202,620	14,616	1,320	218,556
2030	204,420	12,816	1,152	218,388
2031	206,232	11,004	996	218,232
2032	208,080	9,156	828	218,064
2033	209,928	7,308	660	217,896
2034	211,800	5,436	492	217,728
2035	213,672	3,564	324	217,560
2036	215,580	1,656	156	217,392
2037	72,890	151	16	73,057
Total	\$ 3,675,674	\$ 307,615	\$ 27,772	\$ 4,011,061

Exhibit K-3

Lincoln County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 83,946	\$ 100,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <i>TCA</i>	79,950	100,000	"
Director of Schools	State Board of Education and Local Board of Education	134,483 (1) (5)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	72,682	1,146,899	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	72,682	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Circuit and General Sessions Courts Clerk: Clerk and Master	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
	Section 8-24-102, <i>TCA</i> , and Chancery Judge	72,682 (2)	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	79,950 (3)	100,000	"
Director of Finance	County Commission	77,682 (4)	100,000	"
Employee Blanket Bonds				
	Public Employee Dishonesty - County Departments		400,000	Local Government Property and Casualty Fund
	Public Employee Dishonesty - School Departments		400,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000 and a travel allowance of \$600 per month.
- (2) Does not include special commissioner fees of \$2,580.
- (3) Does not include a law enforcement training supplement of \$600.
- (4) Does not include \$15,000 for serving as the solid waste administrative officer.
- (5) Director of Schools is additionally covered by the employee fidelity insurance pursuant to Section 8-19-101, *TCA*.

Exhibit K-4

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2018

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 5,828,829	\$ 0	\$ 0	\$ 0	\$ 1,003,274	\$ 1,138,487
Trustee's Collections - Prior Year	138,223	0	0	0	23,794	27,072
Trustee's Collections - Bankruptcy	18,365	0	0	0	3,162	3,511
Circuit Clerk/Clerk and Master Collections - Prior Years	44,954	0	0	0	7,738	8,781
Interest and Penalty	27,004	0	0	0	4,648	5,273
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	272,552	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	370,842	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,307,718	0	0	0	0	0
Hotel/Motel Tax	129,903	0	0	0	0	0
Wheel Tax	197,359	0	0	0	1,275,146	804,619
Litigation Tax - General	99,158	0	0	0	0	0
Litigation Tax - Special Purpose	120,956	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	39,628	0	0	0	0	95,261
Litigation Tax - Courthouse Security	97,592	0	0	0	0	0
Business Tax	317,230	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	32,372	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	110,704	0	0	0	0	0
<b>Total Local Taxes</b>	<b>\$ 9,123,750</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,350,134</b>	<b>\$ 2,083,004</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 104,530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	\$ 4,760	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Building Permits	66,800	0	0	0	0	0
Other Permits	3,690	0	0	0	0	0
<b>Total Licenses and Permits</b>	<b>\$ 179,780</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 2,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	8,745	0	0	0	0	0
Drug Control Fines	7,450	0	9,167	0	0	0
Jail Fees	4,051	0	0	0	0	0
DUI Treatment Fines	141	0	0	0	0	0
Data Entry Fee - Circuit Court	3,451	0	0	0	0	0
Courtroom Security Fee	403	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	23,557	0	0	0	0	0
Officers Costs	61,116	0	0	0	0	0
Game and Fish Fines	1,257	0	0	0	0	0
Drug Control Fines	3,153	0	4,232	0	0	0
Drug Court Fees	8,928	0	0	0	0	0
Jail Fees	28,291	0	0	0	0	0
Judicial Commissioner Fees	3,328	0	0	0	0	0
DUI Treatment Fines	8,273	0	0	0	0	0
Data Entry Fee - General Sessions Court	16,318	0	0	0	0	0
Courtroom Security Fee	7,554	0	0	0	0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Officers Costs	\$ 482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Chancery Court</u>						
Officers Costs	3,168	0	0	0	0	0
Data Entry Fee - Chancery Court	2,376	0	0	0	0	0
Courtroom Security Fee	4	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	16,074	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	14,264	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	41,834	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 210,404</b>	<b>\$ 0</b>	<b>\$ 69,497</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 75,800	\$ 0	\$ 0	\$ 0	\$ 0
Residential Waste Collection Charge	0	1,105,196	0	0	0	0
Patient Charges	5,220	0	0	0	0	0
Zoning Studies	865	0	0	0	0	0
<u>Fees</u>						
Copy Fees	573	0	0	0	0	0
Archives and Records Management Fee	4,911	0	0	0	0	0
Greenbelt Late Application Fee	250	0	0	0	0	0
Telephone Commissions	67,383	0	0	0	0	0
Vending Machine Collections	47,731	0	0	0	0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Special Commissioner Fees/Special Master Fees	\$ 0	\$ 0	\$ 0	\$ 2,580	\$ 0	\$ 0
Data Processing Fee - Register	10,748	0	0	0	0	0
Data Processing Fee - Sheriff	3,884	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	6,500	0	0	0	0	0
Data Processing Fee - County Clerk	2,587	0	0	0	0	0
<u>Education Charges</u>						
Other Charges for Services	1,199	0	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 151,851</b>	<b>\$ 1,180,996</b>	<b>\$ 0</b>	<b>\$ 2,580</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 257,717	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	58,680	0	0	0	0	0
Sale of Materials and Supplies	0	6,424	0	0	28,471	0
Commissary Sales	3,044	0	0	0	0	0
Miscellaneous Refunds	54,415	8,928	0	0	12,899	0
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	164,372	0
Contributions and Gifts	0	0	1,250	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 373,856</b>	<b>\$ 15,352</b>	<b>\$ 1,250</b>	<b>\$ 0</b>	<b>\$ 205,742</b>	<b>\$ 0</b>
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 505,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	81,057	0	0	0	0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received From County Officials (Cont.)</u>						
<u>Fees In-Lieu-of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 256,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	99,155	0	0	0	0	0
Register	140,004	0	0	0	0	0
Sheriff	15,111	0	0	0	0	0
Trustee	437,235	0	0	0	0	0
<b>Total Fees Received From County Officials</b>	<b>\$ 1,534,411</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	21,000	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	323,889	0	0	0	0	0
Public Health Nurses	2,000	0	0	0	0	0
Other Health and Welfare Grants	0	1,861	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	658,852	0
State Aid Program	0	0	0	0	586,001	0
Litter Program	35,841	0	0	0	0	0
<u>Other State Revenues</u>						
Vehicle Certificate of Title Fees	9,327	0	0	0	0	0
Alcoholic Beverage Tax	82,182	0	0	0	0	0
State Revenue Sharing - Telecommunications	50,619	0	0	0	0	0
Contracted Prisoner Boarding	1,104,620	0	0	0	0	0

(Continued)



Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Gasoline and Motor Fuel Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,416,365	\$ 0
Petroleum Special Tax	0	0	0	0	24,071	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
State Shared Sales Tax - Cities	5,257	0	0	0	0	0
Other State Grants	30,485	0	0	0	0	0
Other State Revenues	94,651	21,635	0	0	0	0
Total State of Tennessee	\$ 1,779,535	\$ 23,496	\$ 0	\$ 0	\$ 3,685,289	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 49,850	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	7,570	0	0	0	0	0
Law Enforcement Grants	20,439	0	0	0	0	0
Other Federal through State	209,000	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	12,152	0	0	0	0	0
Total Federal Government	\$ 299,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 108,695
<u>Citizens Groups</u>						
Donations	23,348	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 23,348	\$ 0	\$ 0	\$ 0	\$ 0	\$ 108,695
Total	\$ 13,675,946	\$ 1,219,844	\$ 70,747	\$ 2,580	\$ 6,241,165	\$ 2,191,699

(Continued)

Exhibit K-4

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

	<u>Capital Projects Fund</u>	<u>General Capital Projects</u>	<u>Total</u>
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 0	\$ 7,970,590	
Trustee's Collections - Prior Year	0	189,089	
Trustee's Collections - Bankruptcy	0	25,038	
Circuit Clerk/Clerk and Master Collections - Prior Years	0	61,473	
Interest and Penalty	0	36,925	
Payments in-Lieu-of Taxes - T.V.A.	0	2,733	
Payments in-Lieu-of Taxes - Local Utilities	0	272,552	
Payments in-Lieu-of Taxes - Other	0	370,842	
<u>County Local Option Taxes</u>			
Local Option Sales Tax	0	1,307,718	
Hotel/Motel Tax	0	129,903	
Wheel Tax	0	2,277,124	
Litigation Tax - General	0	99,158	
Litigation Tax - Special Purpose	0	120,956	
Litigation Tax - Jail, Workhouse, or Courthouse	0	134,889	
Litigation Tax - Courthouse Security	0	97,592	
Business Tax	0	317,230	
Mineral Severance Tax	0	32,372	
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0	110,704	
Total Local Taxes	<u>\$ 0</u>	<u>\$ 13,556,888</u>	
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Cable TV Franchise	\$ 0	\$ 104,530	

(Continued)

Exhibit K-4

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

	<u>Capital Projects Fund</u>		<u>General Capital Projects</u>	<u>Total</u>
<u>Licenses and Permits (Cont.)</u>				
<u>Permits</u>				
Beer Permits	\$ 0		\$ 0	4,760
Building Permits	0		0	66,800
Other Permits	0		0	3,690
Total Licenses and Permits	<u>\$ 0</u>		<u>\$ 0</u>	<u>179,780</u>
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0		\$ 0	2,284
Officers Costs	0		0	8,745
Drug Control Fines	0		0	16,617
Jail Fees	0		0	4,051
DUI Treatment Fines	0		0	141
Data Entry Fee - Circuit Court	0		0	3,451
Courtroom Security Fee	0		0	403
<u>General Sessions Court</u>				
Fines	0		0	23,557
Officers Costs	0		0	61,116
Game and Fish Fines	0		0	1,257
Drug Control Fines	0		0	7,385
Drug Court Fees	0		0	8,928
Jail Fees	0		0	28,291
Judicial Commissioner Fees	0		0	3,328
DUI Treatment Fines	0		0	8,273
Data Entry Fee - General Sessions Court	0		0	16,318
Courtroom Security Fee	0		0	7,554

(Continued)

Exhibit K-4

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

	<u>Capital Projects Fund</u>	<u>General Capital Projects</u>	<u>Total</u>
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court</u>			
Officers Costs	\$ 0	\$ 0	482
<u>Chancery Court</u>			
Officers Costs	0	0	3,168
Data Entry Fee - Chancery Court	0	0	2,376
Courtroom Security Fee	0	0	4
<u>Other Courts - In-county</u>			
Fines	0	0	16,074
<u>Judicial District Drug Program</u>			
Drug Task Force Forfeitures and Seizures	0	0	14,264
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0	0	41,834
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 0</u>	<u>279,901</u>
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	75,800
Residential Waste Collection Charge	0	0	1,105,196
Patient Charges	0	0	5,220
Zoning Studies	0	0	865
<u>Fees</u>			
Copy Fees	0	0	573
Archives and Records Management Fee	0	0	4,911
Greenbelt Late Application Fee	0	0	250
Telephone Commissions	0	0	67,383
Vending Machine Collections	0	0	47,731

(Continued)

Exhibit K-4

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

	<u>Capital Projects Fund</u>	<u>General Capital Projects</u>	<u>Total</u>
<u>Charges for Current Services (Cont.)</u>			
<u>Fees (Cont.)</u>			
Special Commissioner Fees/Special Master Fees	\$ 0	\$ 2,580	2,580
Data Processing Fee - Register	0	10,748	10,748
Data Processing Fee - Sheriff	0	3,884	3,884
Sexual Offender Registration Fee - Sheriff	0	6,500	6,500
Data Processing Fee - County Clerk	0	2,587	2,587
<u>Education Charges</u>			
Other Charges for Services	0	1,199	1,199
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 1,335,427</u>	<u>1,335,427</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 76	\$ 257,793	257,793
Lease/Rentals	0	58,680	58,680
Sale of Materials and Supplies	0	34,895	34,895
Commissary Sales	0	3,044	3,044
Miscellaneous Refunds	0	76,242	76,242
<u>Nonrecurring Items</u>			
Sale of Equipment	0	164,372	164,372
Contributions and Gifts	0	1,250	1,250
Total Other Local Revenues	<u>\$ 76</u>	<u>\$ 596,276</u>	<u>596,276</u>
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$ 0	\$ 505,097	505,097
Circuit Court Clerk	0	81,057	81,057

(Continued)

Exhibit K-4

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

	<u>Capital Projects Fund</u>		<u>General Capital Projects</u>	<u>Total</u>
<u>Fees Received From County Officials (Cont.)</u>				
<u>Fees In-Lieu-of Salary (Cont.)</u>				
General Sessions Court Clerk	\$	0	\$	256,752
Clerk and Master		0		99,155
Register		0		140,004
Sheriff		0		15,111
Trustee		0		437,235
<b>Total Fees Received From County Officials</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>1,534,411</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$	0	\$	4,500
<u>Public Safety Grants</u>				
Law Enforcement Training Programs		0		21,000
<u>Health and Welfare Grants</u>				
Health Department Programs		0		323,889
Public Health Nurses		0		2,000
Other Health and Welfare Grants		0		1,861
<u>Public Works Grants</u>				
Bridge Program		0		658,852
State Aid Program		0		586,001
Litter Program		0		35,841
<u>Other State Revenues</u>				
Vehicle Certificate of Title Fees		0		9,327
Alcoholic Beverage Tax		0		82,182
State Revenue Sharing - Telecommunications		0		50,619
Contracted Prisoner Boarding		0		1,104,620

(Continued)

Exhibit K-4

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

	Capital Projects Fund	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues (Cont.)</u>			
Gasoline and Motor Fuel Tax	\$ 0	\$	2,416,365
Petroleum Special Tax	0		24,071
Registrar's Salary Supplement	0		15,164
State Shared Sales Tax - Cities	0		5,257
Other State Grants	0		30,485
Other State Revenues	0		116,286
Total State of Tennessee	<u>\$ 0</u>	<u>\$</u>	<u>5,488,320</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
Civil Defense Reimbursement	\$ 0	\$	49,850
Homeland Security Grants	0		7,570
Law Enforcement Grants	0		20,439
Other Federal through State	0		209,000
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	0		12,152
Total Federal Government	<u>\$ 0</u>	<u>\$</u>	<u>299,011</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 0	\$	108,695
<u>Citizens Groups</u>			
Donations	0		23,348
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$</u>	<u>132,043</u>
Total	<u>\$ 76</u>	<u>\$</u>	<u>23,402,057</u>

Exhibit K-5

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Projects Fund	Total
	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 3,378,610	\$ 0	\$ 0	\$ 0	\$ 1,112,148	\$ 4,490,758
Trustee's Collections - Prior Year	79,715	0	0	0	26,430	106,145
Trustee's Collections - Bankruptcy	10,642	0	0	0	3,429	14,071
Circuit Clerk/Clerk and Master Collections - Prior Years	26,019	0	0	0	8,577	34,596
Interest and Penalty	15,654	0	0	0	5,152	20,806
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,831,230	0	0	0	0	2,831,230
<u>Statutory Local Taxes</u>						
Wholesale Beer Tax	103,545	0	0	0	0	103,545
<b>Total Local Taxes</b>	<b>\$ 6,445,415</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,155,736</b>	<b>\$ 7,601,151</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,812	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,812
<b>Total Licenses and Permits</b>	<b>\$ 1,812</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,812</b>
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 463,336	\$ 0	\$ 0	\$ 463,336
Lunch Payments - Adults	0	0	38,876	0	0	38,876
Income from Breakfast	0	0	89,198	0	0	89,198
Special Milk Sales	0	0	1,190	0	0	1,190
A la Carte Sales	0	0	21,150	0	0	21,150
Receipts from Individual Schools	44,819	0	0	0	0	44,819

(Continued)



Exhibit K-5

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

	Special Revenue Funds				Capital Projects Fund	Total
	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
Community Service Fees - Children	\$ 0	\$ 0	\$ 0	\$ 110,429	\$ 0	\$ 110,429
Other Charges for Services	18,542	0	0	0	0	18,542
<b>Total Charges for Current Services</b>	<b>\$ 63,361</b>	<b>\$ 0</b>	<b>\$ 613,750</b>	<b>\$ 110,429</b>	<b>\$ 0</b>	<b>\$ 787,540</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 634	\$ 0	\$ 0	\$ 634
Sale of Materials and Supplies	269	0	0	0	0	269
E-Rate Funding	4,676	0	0	0	0	4,676
Miscellaneous Refunds	79,660	0	16,154	0	0	95,814
<u>Nonrecurring Items</u>						
Sale of Equipment	5,103	0	0	0	0	5,103
<b>Total Other Local Revenues</b>	<b>\$ 89,708</b>	<b>\$ 0</b>	<b>\$ 16,788</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 106,496</b>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 93,391	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,391
<u>State Education Funds</u>						
Basic Education Program	20,455,097	0	0	0	0	20,455,097
Early Childhood Education	686,995	0	0	0	0	686,995
School Food Service	0	0	18,308	0	0	18,308
Driver Education	14,069	0	0	0	0	14,069
Other State Education Funds	434,688	0	0	0	0	434,688
Career Ladder Program	72,511	0	0	0	0	72,511
Vocational Equipment	135,908	0	0	0	0	135,908

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Capital Projects Fund	Total
	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 80,512	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,512
Beer Tax	13,081	0	0	0	0	13,081
State Revenue Sharing - T.V.A.	794,397	0	0	0	0	794,397
Other State Grants	5,200	0	0	0	0	5,200
Total State of Tennessee	\$ 22,785,849	\$ 0	\$ 18,308	\$ 0	\$ 0	\$ 22,804,157
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 869,737	\$ 0	\$ 0	\$ 869,737
USDA - Commodities	0	0	108,295	0	0	108,295
Breakfast	0	0	439,274	0	0	439,274
USDA - Other	0	0	26,754	0	0	26,754
Vocational Education - Basic Grants to States	0	61,264	0	0	0	61,264
Title I Grants to Local Education Agencies	0	791,605	0	0	0	791,605
Special Education - Grants to States	0	852,082	0	0	0	852,082
Special Education Preschool Grants	0	35,806	0	0	0	35,806
English Language Acquisition Grants	0	130,798	0	0	0	130,798
Eisenhower Professional Development State Grants	0	140,503	0	0	0	140,503
Other Federal through State	0	846,866	24,875	0	0	871,741
Total Federal Government	\$ 0	\$ 2,858,924	\$ 1,468,935	\$ 0	\$ 0	\$ 4,327,859
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 326,084	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326,084

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>				<u>Capital</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Central</u>	<u>Extended</u>	<u>Projects</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Cafeteria</u>	<u>School</u>	<u>Capital</u>	
	<u>School</u>	<u>Projects</u>		<u>Program</u>	<u>Projects</u>	
<u>Other Governments and Citizens Groups (Cont.)</u>						
<u>Citizens Groups</u>						
Donations	\$ 45,613	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,613
Total Other Governments and Citizens Groups	\$ 371,697	\$ 0	\$ 0	\$ 0	\$ 0	\$ 371,697
Total	\$ 29,757,842	\$ 2,858,924	\$ 2,117,781	\$ 110,429	\$ 1,155,736	\$ 36,000,712

Exhibit K-6

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2018

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	109,800	
Social Security		6,524	
Employer Medicare		1,592	
Contributions		6,089	
Dues and Memberships		2,367	
Legal Notices, Recording, and Court Costs		8,926	
Postal Charges		1,463	
Travel		22,042	
Other Charges		9,700	
Total County Commission			\$ 168,503

County Mayor/Executive

County Official/Administrative Officer	\$	83,946	
Secretary(ies)		21,729	
Clerical Personnel		29,719	
Other Salaries and Wages		1,229	
Social Security		8,008	
Pensions		3,842	
Medical Insurance		14,042	
Employer Medicare		1,873	
Communication		853	
Dues and Memberships		3,174	
Postal Charges		410	
Travel		7,517	
Duplicating Supplies		1,807	
Office Supplies		1,766	
Periodicals		722	
In Service/Staff Development		1,505	
Total County Mayor/Executive			182,142

County Attorney

County Official/Administrative Officer	\$	26,756	
Social Security		1,659	
Employer Medicare		388	
Legal Notices, Recording, and Court Costs		1,512	
Other Contracted Services		21,106	
Other Charges		2,300	
Total County Attorney			53,721

Election Commission

County Official/Administrative Officer	\$	65,414	
Deputy(ies)		56,103	
Election Commission		15,020	
Election Workers		52,776	
Social Security		8,560	
Pensions		4,209	
Medical Insurance		7,562	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Employer Medicare	\$	2,002	
Communication		9,372	
Data Processing Services		3,045	
Legal Notices, Recording, and Court Costs		7,627	
Maintenance Agreements		1,252	
Maintenance and Repair Services - Office Equipment		190	
Postal Charges		4,650	
Printing, Stationery, and Forms		9,574	
Other Contracted Services		15,080	
Duplicating Supplies		1,961	
Office Supplies		2,790	
Other Supplies and Materials		4,264	
In Service/Staff Development		8,567	
Voting Machines		265,000	
Total Election Commission			\$ 545,018

Register of Deeds

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		66,323	
Social Security		8,107	
Pensions		4,410	
Medical Insurance		25,394	
Employer Medicare		1,896	
Data Processing Services		9,873	
Dues and Memberships		778	
Postal Charges		414	
Duplicating Supplies		1,260	
Office Supplies		1,659	
In Service/Staff Development		1,510	
Total Register of Deeds			194,306

Planning

County Official/Administrative Officer	\$	49,253	
Secretary(ies)		19,903	
Board and Committee Members Fees		5,750	
Social Security		4,108	
Pensions		2,148	
Medical Insurance		12,790	
Employer Medicare		961	
Contracts with Government Agencies		1,595	
Data Processing Services		17,500	
Dues and Memberships		527	
Legal Notices, Recording, and Court Costs		1,496	
Maintenance and Repair Services - Vehicles		646	
Postal Charges		360	
Rentals		7,200	
Permits		65,325	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Duplicating Supplies	\$	1,222	
Gasoline		729	
Office Supplies		1,020	
In Service/Staff Development		2,418	
Other Charges		500	
Total Planning			\$ 195,451

County Buildings

Custodial Personnel	\$	12,597	
Social Security		781	
Employer Medicare		183	
Architects		8,000	
Communication		3,403	
Janitorial Services		90,111	
Maintenance and Repair Services - Buildings		72,896	
Maintenance and Repair Services - Equipment		63,413	
Pest Control		2,404	
Disposal Fees		1,200	
Custodial Supplies		12,612	
Electricity		87,472	
Natural Gas		10,481	
Water and Sewer		4,365	
Building and Contents Insurance		364,487	
Other Construction		205,990	
Other Capital Outlay		289,917	
Total County Buildings			1,230,312

Preservation of Records

Board and Committee Members Fees	\$	4,500	
Social Security		279	
Employer Medicare		65	
Other Contracted Services		1,900	
Office Supplies		1,240	
Total Preservation of Records			7,984

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	77,682	
Accountants/Bookkeepers		170,139	
Social Security		14,138	
Pensions		8,375	
Medical Insurance		48,729	
Employer Medicare		3,307	
Communication		89	
Contracts with Government Agencies		12,344	
Data Processing Services		18,746	
Dues and Memberships		1,174	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Legal Notices, Recording, and Court Costs	\$	3,325	
Maintenance Agreements		1,923	
Postal Charges		4,600	
Printing, Stationery, and Forms		4,385	
Travel		401	
Duplicating Supplies		1,915	
Office Supplies		4,368	
Other Supplies and Materials		681	
In Service/Staff Development		985	
Office Equipment		2,843	
Total Accounting and Budgeting			\$ 380,149

Property Assessor's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		54,636	
Other Salaries and Wages		27,034	
Board and Committee Members Fees		3,303	
Social Security		9,447	
Pensions		5,217	
Medical Insurance		15,125	
Employer Medicare		2,209	
Contracts with Private Agencies		8,750	
Data Processing Services		4,465	
Dues and Memberships		1,880	
Legal Notices, Recording, and Court Costs		313	
Maintenance Agreements		1,827	
Postal Charges		1,864	
Travel		1,258	
Duplicating Supplies		1,657	
Gasoline		2,268	
Office Supplies		1,146	
In Service/Staff Development		1,315	
Office Equipment		425	
Total Property Assessor's Office			216,821

Reappraisal Program

Secretary(ies)	\$	25,763	
Other Salaries and Wages		32,758	
Social Security		3,536	
Pensions		1,588	
Medical Insurance		11,256	
Employer Medicare		827	
Contracts with Government Agencies		3,261	
Contracts with Private Agencies		1,297	
Total Reappraisal Program			80,286

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		58,737	
Other Salaries and Wages		18,320	
Social Security		8,162	
Pensions		4,442	
Medical Insurance		15,818	
Employer Medicare		2,087	
Contracts with Government Agencies		8,218	
Data Processing Services		10,042	
Dues and Memberships		903	
Legal Notices, Recording, and Court Costs		106	
Maintenance Agreements		3,129	
Maintenance and Repair Services - Office Equipment		472	
Postal Charges		7,324	
Duplicating Supplies		417	
Office Supplies		3,860	
In Service/Staff Development		2,494	
Office Equipment		25,500	
Total County Trustee's Office			\$ 242,713

County Clerk's Office

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		107,650	
Part-time Personnel		300	
Social Security		10,470	
Pensions		6,095	
Medical Insurance		34,979	
Employer Medicare		2,449	
Data Processing Services		7,552	
Dues and Memberships		808	
Maintenance Agreements		7,756	
Postal Charges		5,478	
Printing, Stationery, and Forms		984	
Duplicating Supplies		898	
Office Supplies		564	
In Service/Staff Development		2,138	
Other Charges		1,371	
Office Equipment		15,000	
Total County Clerk's Office			277,174

Data Processing

County Official/Administrative Officer	\$	49,384
Social Security		3,062
Pensions		1,669
Employer Medicare		716
Communication		2,469
Contracts with Government Agencies		6,000

(Continued)



Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

Data Processing (Cont.)

Data Processing Services	\$	7,394	
Maintenance Agreements		2,120	
Postal Charges		7	
Other Contracted Services		8,127	
Office Supplies		545	
In Service/Staff Development		171	
Data Processing Equipment		19,117	
Total Data Processing			\$ 100,781

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	72,682	
Clerical Personnel		254,037	
Other Salaries and Wages		1,275	
Jury and Witness Expense		2,839	
Social Security		19,891	
Pensions		10,252	
Medical Insurance		45,973	
Employer Medicare		4,652	
Communication		1,215	
Data Processing Services		19,872	
Dues and Memberships		763	
Legal Notices, Recording, and Court Costs		2,106	
Maintenance Agreements		25,906	
Maintenance and Repair Services - Office Equipment		473	
Postal Charges		3,751	
Printing, Stationery, and Forms		5,691	
Other Contracted Services		2,043	
Duplicating Supplies		1,620	
Office Supplies		8,552	
In Service/Staff Development		3,002	
Data Processing Equipment		24,996	
Office Equipment		1,963	
Total Circuit Court			513,554

General Sessions Court

Judge(s)	\$	139,293	
Social Security		8,165	
Pensions		4,708	
Medical Insurance		9,576	
Employer Medicare		1,920	
Dues and Memberships		125	
Travel		2,050	
Office Supplies		66	
Total General Sessions Court			165,903

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	72,682	
Deputy(ies)		104,953	
Jury and Witness Expense		968	
Social Security		10,731	
Pensions		5,398	
Medical Insurance		30,536	
Employer Medicare		2,510	
Data Processing Services		9,568	
Dues and Memberships		923	
Maintenance Agreements		382	
Postal Charges		778	
Printing, Stationery, and Forms		1,431	
Duplicating Supplies		1,124	
Office Supplies		3,778	
In Service/Staff Development		3,758	
Office Equipment		1,857	
Total Chancery Court			\$ 251,377

Juvenile Court

Assistant(s)	\$	41,558	
Youth Service Officer(s)		40,130	
Salary Supplements		10,000	
Other Salaries and Wages		17,939	
Social Security		6,652	
Pensions		3,704	
Medical Insurance		14,841	
Employer Medicare		1,556	
Communication		317	
Postal Charges		135	
Travel		1,844	
Other Contracted Services		51,995	
Office Supplies		1,843	
Total Juvenile Court			192,514

Judicial Commissioners

Other Salaries and Wages	\$	31,917	
Social Security		1,979	
Employer Medicare		463	
Communication		1,515	
In Service/Staff Development		571	
Total Judicial Commissioners			36,445

Courtroom Security

Deputy(ies)	\$	162,176	
Overtime Pay		7,292	
Social Security		10,327	
Pensions		5,335	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Courtroom Security (Cont.)

Medical Insurance	\$	21,282	
Employer Medicare		2,415	
Communication		1,697	
Maintenance and Repair Services - Buildings		849	
Other Contracted Services		4,458	
Total Courtroom Security			\$ 215,831

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	79,950
Assistant(s)		52,623
Deputy(ies)		592,229
Investigator(s)		169,790
Captain(s)		51,589
Lieutenant(s)		49,860
Sergeant(s)		227,958
Accountants/Bookkeepers		34,051
Salary Supplements		20,400
Nightwatchmen		8,584
Temporary Personnel		8,658
Part-time Personnel		18,510
School Resource Officer		20,861
Overtime Pay		73,198
Bonus Payments		12,700
Other Salaries and Wages		6,200
Social Security		90,006
Pensions		48,818
Medical Insurance		217,750
Employer Medicare		21,050
Communication		27,233
Contracts with Government Agencies		420,903
Contributions		5,000
Dues and Memberships		4,898
Maintenance and Repair Services - Equipment		2,975
Maintenance and Repair Services - Vehicles		65,763
Medical and Dental Services		35,249
Postal Charges		894
Towing Services		675
Travel		2,222
Duplicating Supplies		1,397
Gasoline		113,222
Law Enforcement Supplies		8,594
Office Supplies		3,906
Uniforms		17,555
Other Supplies and Materials		1,139
In Service/Staff Development		7,544
Other Charges		3,082

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication Equipment	\$	1,500	
Law Enforcement Equipment		117	
Motor Vehicles		222,502	
Office Equipment		1,591	
Total Sheriff's Department			\$ 2,752,746

Special Patrols

Overtime Pay	\$	17,062	
Social Security		1,005	
Pensions		573	
Employer Medicare		235	
Total Special Patrols			18,875

Jail

Supervisor/Director	\$	49,860	
Lieutenant(s)		31,920	
Sergeant(s)		112,297	
Guards		841,747	
Cafeteria Personnel		87,375	
Maintenance Personnel		58,267	
Overtime Pay		83,968	
Other Salaries and Wages		84,685	
Social Security		81,201	
Pensions		37,457	
Medical Insurance		235,435	
Employer Medicare		19,347	
Communication		8,610	
Data Processing Services		12,008	
Legal Services		2,129	
Maintenance and Repair Services - Buildings		29,518	
Maintenance and Repair Services - Equipment		35,550	
Maintenance and Repair Services - Vehicles		12,370	
Medical and Dental Services		144,306	
Pest Control		1,480	
Transportation - Other than Students		7,663	
Disposal Fees		2,400	
Custodial Supplies		65,265	
Drugs and Medical Supplies		35,711	
Duplicating Supplies		1,129	
Electricity		96,221	
Food Supplies		311,343	
Gasoline		18,944	
Natural Gas		34,889	
Office Supplies		6,587	
Prisoners Clothing		17,990	
Uniforms		12,360	
Water and Sewer		60,263	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$	8,570	
In Service/Staff Development		6,330	
Other Charges		1,027	
Communication Equipment		792	
Law Enforcement Equipment		3,770	
Office Equipment		3,623	
Total Jail			\$ 2,664,407

Fire Prevention and Control

Contributions	\$	77,372	
Dues and Memberships		325	
Maintenance and Repair Services - Buildings		11,722	
Maintenance and Repair Services - Equipment		9,537	
Maintenance and Repair Services - Vehicles		46,584	
Electricity		18,619	
Food Supplies		1,318	
Gasoline		10,896	
Natural Gas		12,181	
Uniforms		40,904	
Water and Sewer		4,291	
Other Supplies and Materials		8,225	
Liability Insurance		4,284	
In Service/Staff Development		4,745	
Other Equipment		987	
Other Capital Outlay		24,820	
Total Fire Prevention and Control			276,810

Civil Defense

Supervisor/Director	\$	51,792	
Deputy(ies)		28,916	
Secretary(ies)		21,892	
Social Security		6,239	
Pensions		3,468	
Medical Insurance		15,125	
Employer Medicare		1,459	
Communication		9,131	
Data Processing Services		15,960	
Dues and Memberships		25	
Maintenance and Repair Services - Buildings		439	
Maintenance and Repair Services - Equipment		2,265	
Maintenance and Repair Services - Office Equipment		50	
Maintenance and Repair Services - Vehicles		5,809	
Pest Control		348	
Postal Charges		74	
Travel		284	
Custodial Supplies		322	
Duplicating Supplies		1,751	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Electricity	\$	5,965	
Gasoline		2,919	
Natural Gas		1,922	
Office Supplies		99	
Uniforms		329	
Water and Sewer		1,630	
Other Supplies and Materials		871	
In Service/Staff Development		600	
Other Charges		287	
Office Equipment		1,144	
Other Capital Outlay		30,531	
Total Civil Defense			\$ 211,646

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	240,524	
Social Security		14,666	
Pensions		5,146	
Medical Insurance		30,559	
Employer Medicare		3,430	
Communication		3,924	
Contracts with Government Agencies		40,123	
Janitorial Services		43,659	
Maintenance and Repair Services - Equipment		12,471	
Pest Control		216	
Travel		5,827	
Disposal Fees		480	
Other Contracted Services		1,773	
Electricity		10,294	
Natural Gas		1,330	
Office Supplies		610	
Water and Sewer		4,365	
Other Supplies and Materials		12,676	
In Service/Staff Development		200	
Other Charges		6,470	
Site Development		964	
Total Local Health Center			439,707

Maternal and Child Health Services

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

Other Local Welfare Services

Contracts with Other Public Agencies	\$	8,899	
Total Other Local Welfare Services			8,899

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries and Wages		29,180	
Social Security		1,884	
Pensions		1,027	
Employer Medicare		441	
Contracts with Private Agencies		69,392	
Instructional Supplies and Materials		15,857	
Other Charges		12,093	
Total Sanitation Management			\$ 131,074

Social, Cultural, and Recreational Services

Adult Activities

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

Libraries

Contracts with Other Public Agencies	\$	30,000	
Contributions		120,051	
Total Libraries			150,051

Parks and Fair Boards

Contracts with Other Public Agencies	\$	34,000	
Contributions		22,000	
Total Parks and Fair Boards			56,000

Agriculture and Natural Resources

Agricultural Extension Service

Board and Committee Members Fees	\$	850	
Communication		1,336	
Contracts with Other Public Agencies		84,258	
Travel		4,000	
Duplicating Supplies		2,081	
Office Supplies		494	
Office Equipment		4,174	
Total Agricultural Extension Service			97,193

Forest Service

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

Soil Conservation

Secretary(ies)	\$	23,414	
Other Salaries and Wages		20,509	
Social Security		2,639	
Pensions		1,313	
Medical Insurance		6,924	
Employer Medicare		617	
Other Charges		1,773	
Total Soil Conservation			57,189

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations

Industrial Development

Contracts with Government Agencies	\$ 47,657	
Contracts with Other Public Agencies	55,243	
Contributions	92,500	
Total Industrial Development		\$ 195,400

Other Economic and Community Development

Contracts with Government Agencies	\$ 65,522	
Contracts with Other Public Agencies	73,123	
Contributions	12,500	
Travel	354	
Total Other Economic and Community Development		151,499

Airport

Airport Improvement	\$ 21,306	
Total Airport		21,306

Veterans' Services

Clerical Personnel	\$ 12,226	
Employer Medicare	177	
Communication	1,340	
Maintenance and Repair Services - Vehicles	227	
Postal Charges	2	
Travel	2,709	
Gasoline	7,384	
Office Supplies	1,138	
Other Charges	2,686	
Total Veterans' Services		27,889

Contributions to Other Agencies

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

Miscellaneous

Unemployment Compensation	\$ 7,834	
Dues and Memberships	6,278	
Medical and Dental Services	18,000	
Pauper Burials	400	
Premiums on Corporate Surety Bonds	1,533	
Trustee's Commission	159,707	
Workers' Compensation Insurance	226,490	
Other Charges	16,160	
Total Miscellaneous		436,402

Total General Fund \$ 12,991,828

(Continued)



Exhibit K-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$ 32,500	
Total Sanitation Management		\$ 32,500

Convenience Centers

Part-time Personnel	\$ 86,328	
Social Security	5,352	
Employer Medicare	1,252	
Communication	4,905	
Contracts with Other Public Agencies	78,275	
Maintenance and Repair Services - Equipment	7,741	
Electricity	3,941	
Water and Sewer	789	
Other Supplies and Materials	677	
Total Convenience Centers		189,260

Other Waste Disposal

County Official/Administrative Officer	\$ 15,000	
Clerical Personnel	31,188	
Social Security	2,755	
Pensions	1,561	
Medical Insurance	7,849	
Employer Medicare	644	
Contracts with Government Agencies	106,618	
Contracts with Other Public Agencies	699,954	
Legal Services	1,792	
Legal Notices, Recording, and Court Costs	209	
Travel	237	
Disposal Fees	64,754	
Office Supplies	32	
Trustee's Commission	10,722	
Other Charges	1,062	
Administration Equipment	1,337	
Total Other Waste Disposal		945,714

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$ 38,463	
Total Postclosure Care Costs		38,463

Total Solid Waste/Sanitation Fund \$ 1,205,937

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 10,000
Towing Services	35
Other Contracted Services	2,400
Animal Food and Supplies	2,156

(Continued)

Exhibit K-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Law Enforcement Supplies	\$	19,874	
Trustee's Commission		712	
In Service/Staff Development		6,153	
Other Charges		1,931	
Motor Vehicles		43,464	
Total Drug Enforcement			\$ 86,725

Total Drug Control Fund \$ 86,725

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	2,580	
Total Chancery Court			\$ 2,580

Total Constitutional Officers - Fees Fund 2,580

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	79,950	
Assistant(s)		47,403	
Accountants/Bookkeepers		42,141	
Longevity Pay		1,000	
Overtime Pay		456	
Social Security		10,616	
Pensions		5,860	
Medical Insurance		14,840	
Employer Medicare		2,483	
Communication		2,619	
Dues and Memberships		4,241	
Janitorial Services		2,350	
Legal Notices, Recording, and Court Costs		97	
Maintenance and Repair Services - Office Equipment		1,244	
Postal Charges		390	
Printing, Stationery, and Forms		157	
Travel		1,637	
Electricity		4,713	
Office Supplies		610	
Water and Sewer		265	
Office Equipment		980	
Total Administration			\$ 224,052

Highway and Bridge Maintenance

Foremen	\$	37,502	
Equipment Operators		176,315	
Truck Drivers		165,599	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	100,064	
Longevity Pay		6,000	
Overtime Pay		1,407	
Social Security		29,585	
Pensions		15,375	
Medical Insurance		72,641	
Employer Medicare		6,919	
Other Contracted Services		128,881	
Asphalt		499,272	
Asphalt - Hot Mix		1,710,080	
Crushed Stone		7,079	
General Construction Materials		1,170	
Pipe - Metal		58,413	
Road Signs		14,947	
Wood Products		1,989	
Total Highway and Bridge Maintenance			\$ 3,033,238

Operation and Maintenance of Equipment

Mechanic(s)	\$	73,528	
Longevity Pay		500	
Overtime Pay		3,222	
Social Security		4,737	
Pensions		2,481	
Medical Insurance		10,793	
Employer Medicare		1,108	
Laundry Service		1,200	
Maintenance and Repair Services - Equipment		12,035	
Diesel Fuel		120,308	
Equipment and Machinery Parts		115,690	
Garage Supplies		7,421	
Gasoline		34,196	
Lubricants		10,565	
Propane Gas		2,212	
Tires and Tubes		30,573	
Other Supplies and Materials		1,809	
Communication Equipment		288	
Total Operation and Maintenance of Equipment			432,666

Quarry Operations

Foremen	\$	39,499	
Equipment Operators		28,632	
Truck Drivers		29,494	
Longevity Pay		1,000	
Overtime Pay		265	
Social Security		6,016	
Pensions		2,886	
Medical Insurance		13,933	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Employer Medicare	\$	1,407	
Explosive and Drilling Services		29,652	
Maintenance and Repair Services - Equipment		70,416	
Electricity		31,025	
Water and Sewer		1,880	
In Service/Staff Development		1,164	
Total Quarry Operations			\$ 257,269

Other Charges

Electricity	\$	477	
Trustee's Commission		57,829	
Vehicle and Equipment Insurance		56,796	
Total Other Charges			115,102

Employee Benefits

Unemployment Compensation	\$	1,033	
Workers' Compensation Insurance		82,579	
Total Employee Benefits			83,612

Capital Outlay

Engineering Services	\$	91,365	
Bridge Construction		867,414	
Highway Equipment		479,092	
Total Capital Outlay			1,437,871

Total Highway/Public Works Fund \$ 5,583,810

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	396,605	
Principal on Notes		80,000	
Total General Government			\$ 476,605

Education

Principal on Bonds	\$	1,653,395	
Principal on Capital Leases		108,695	
Total Education			1,762,090

Interest on Debt

General Government

Interest on Bonds	\$	204,838	
Interest on Notes		18,548	
Total General Government			223,386

Education

Interest on Bonds	\$	264,448	
Total Education			264,448

(Continued)

Exhibit K-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission

\$ 32,644

Total General Government

\$ 32,644

Education

Other Debt Issuance Charges

\$ 1,345

Total Education

1,345

Total General Debt Service Fund

\$ 2,760,518

General Capital Projects Fund

General Government

County Buildings

Trustee's Commission

\$ 1

Other Construction

82,175

Total County Buildings

\$ 82,176

Capital Projects

Education Capital Projects

Contributions

\$ 326,084

Total Education Capital Projects

326,084

Total General Capital Projects Fund

408,260

Total Governmental Funds - Primary Government

\$ 23,039,658

Exhibit K-7

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,711,902	
Career Ladder Program	47,465	
Educational Assistants	353,176	
Certified Substitute Teachers	11,968	
Non-certified Substitute Teachers	94,056	
Social Security	587,383	
Pensions	884,597	
Employee and Dependent Insurance	98,231	
Medical Insurance	1,327,369	
Unemployment Compensation	7,778	
Employer Medicare	138,021	
Contributions	108,695	
Data Processing Services	181,915	
Operating Lease Payments	180,042	
Maintenance and Repair Services - Equipment	43,479	
Tuition	5,266	
Other Contracted Services	16,199	
Instructional Supplies and Materials	86,815	
Textbooks - Bound	35,935	
Other Supplies and Materials	4,866	
Fee Waivers	41,755	
Data Processing Equipment	326,084	
Furniture and Fixtures	24,935	
Regular Instruction Equipment	169,050	
Total Regular Instruction Program		\$ 14,486,982

Alternative Instruction Program

Teachers	\$ 131,898	
Career Ladder Program	1,000	
Social Security	6,098	
Pensions	9,598	
Medical Insurance	15,810	
Employer Medicare	1,820	
Instructional Supplies and Materials	498	
Total Alternative Instruction Program		166,722

Special Education Program

Teachers	\$ 1,029,530
Career Ladder Program	6,000
Educational Assistants	374,590
Speech Pathologist	90,416
Certified Substitute Teachers	1,100
Non-certified Substitute Teachers	27,200
Social Security	89,156
Pensions	113,121
Employee and Dependent Insurance	89,262

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	142,507	
Employer Medicare		20,872	
Contracts with Other Public Agencies		76,739	
Contracts with Private Agencies		34,057	
Maintenance and Repair Services - Equipment		188	
Instructional Supplies and Materials		12,348	
Other Supplies and Materials		2,292	
Special Education Equipment		296	
Total Special Education Program			\$ 2,109,674

Career and Technical Education Program

Teachers	\$	908,215	
Career Ladder Program		4,000	
Certified Substitute Teachers		1,320	
Non-certified Substitute Teachers		4,925	
Social Security		53,806	
Pensions		82,870	
Medical Insurance		103,991	
Employer Medicare		12,591	
Maintenance and Repair Services - Equipment		12,283	
Instructional Supplies and Materials		38,204	
Other Charges		26,633	
Vocational Instruction Equipment		166,724	
Total Career and Technical Education Program			1,415,562

Student Body Education Program

Salary Supplements	\$	35,718	
Other Salaries and Wages		40,915	
Social Security		4,188	
Pensions		3,811	
Employer Medicare		1,049	
Other Charges		11,369	
Total Student Body Education Program			97,050

Support Services

Attendance

Supervisor/Director	\$	80,865	
Career Ladder Program		1,000	
Other Salaries and Wages		46,396	
Social Security		7,797	
Pensions		9,002	
Employee and Dependent Insurance		6,295	
Medical Insurance		6,090	
Employer Medicare		1,823	
Travel		2,637	
Other Contracted Services		7,343	
Total Attendance			169,248

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Supervisor/Director	\$	71,847	
Medical Personnel		222,178	
Clerical Personnel		20,109	
Social Security		17,546	
Pensions		13,883	
Employee and Dependent Insurance		19,017	
Medical Insurance		11,295	
Employer Medicare		4,103	
Postal Charges		500	
Travel		6,767	
Drugs and Medical Supplies		3,561	
Other Supplies and Materials		494	
Total Health Services			\$ 391,300

Other Student Support

Guidance Personnel	\$	443,357	
School Resource Officer		77,904	
In-service Training		2,290	
Social Security		25,571	
Pensions		40,385	
Medical Insurance		65,173	
Employer Medicare		5,979	
Evaluation and Testing		13,190	
Other Contracted Services		2,700	
Other Supplies and Materials		2,595	
In Service/Staff Development		3,495	
Other Charges		19,214	
Other Equipment		9,530	
Total Other Student Support			711,383

Regular Instruction Program

Supervisor/Director	\$	164,158	
Career Ladder Program		3,000	
Librarians		349,249	
Instructional Computer Personnel		74,055	
Social Security		34,430	
Pensions		53,579	
Medical Insurance		70,426	
Employer Medicare		8,052	
Travel		13,528	
Instructional Supplies and Materials		2,737	
Library Books/Media		12,202	
In Service/Staff Development		55,681	
Other Charges		31,483	
Total Regular Instruction Program			872,580

(Continued)



Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	73,456	
Psychological Personnel		56,697	
Clerical Personnel		28,210	
Social Security		8,266	
Pensions		12,363	
Employee and Dependent Insurance		6,295	
Medical Insurance		20,434	
Employer Medicare		1,933	
Travel		2,839	
Other Supplies and Materials		902	
In Service/Staff Development		4,423	
Total Special Education Program			\$ 215,818

Career and Technical Education Program

Supervisor/Director	\$	82,465	
Clerical Personnel		19,576	
Social Security		6,196	
Pensions		8,150	
Employer Medicare		1,449	
Travel		28,033	
In Service/Staff Development		3,000	
Other Charges		2,763	
Total Career and Technical Education Program			151,632

Technology

Data Processing Services	\$	3,400	
Internet Connectivity		111,900	
Total Technology			115,300

Other Programs

On-behalf Payments to OPEB	\$	93,391	
Total Other Programs			93,391

Board of Education

Secretary to Board	\$	1,000	
Board and Committee Members Fees		36,219	
Social Security		2,022	
Pensions		34	
Employer Medicare		539	
Audit Services		13,200	
Data Processing Services		2,273	
Dues and Memberships		10,821	
Legal Services		6,092	
Travel		3,744	
Liability Insurance		294,930	
Trustee's Commission		124,104	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Workers' Compensation Insurance	\$	238,371	
Criminal Investigation of Applicants - TBI		3,890	
Other Charges		19,689	
Total Board of Education			\$ 756,928

Director of Schools

County Official/Administrative Officer	\$	134,483	
Career Ladder Program		1,000	
Secretary(ies)		71,708	
Other Salaries and Wages		10,114	
Social Security		11,338	
Pensions		14,900	
Employee and Dependent Insurance		6,295	
Medical Insurance		7,952	
Employer Medicare		3,188	
Communication		30,244	
Postal Charges		500	
Travel		13,823	
Office Supplies		2,382	
Total Director of Schools			307,927

Office of the Principal

Assistant(s)	\$	228,975	
Principals		572,100	
Career Ladder Program		4,000	
Clerical Personnel		296,884	
Social Security		62,988	
Pensions		82,299	
Employee and Dependent Insurance		60,033	
Medical Insurance		54,448	
Employer Medicare		14,731	
Communication		10,562	
Contributions		46,000	
Travel		6,777	
Duplicating Supplies		82,389	
Total Office of the Principal			1,522,186

Operation of Plant

Custodial Personnel	\$	467,727	
Social Security		28,167	
Pensions		11,489	
Employee and Dependent Insurance		61,860	
Employer Medicare		6,587	
Other Contracted Services		16,070	
Custodial Supplies		81,387	
Electricity		1,029,600	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	182,234	
Water and Sewer		99,761	
Other Charges		35,505	
Total Operation of Plant			\$ 2,020,387

Maintenance of Plant

Supervisor/Director	\$	77,491	
Maintenance Personnel		263,805	
Other Salaries and Wages		233,238	
Social Security		34,368	
Pensions		23,836	
Employee and Dependent Insurance		50,360	
Medical Insurance		12,180	
Employer Medicare		8,038	
Maintenance and Repair Services - Buildings		108,786	
Maintenance and Repair Services - Equipment		117,998	
General Construction Materials		30,533	
Other Supplies and Materials		30,564	
Other Charges		27,428	
Heating and Air Conditioning Equipment		20,980	
Total Maintenance of Plant			1,039,605

Transportation

Supervisor/Director	\$	79,238	
Mechanic(s)		83,756	
Bus Drivers		647,185	
Secretary(ies)		29,939	
Other Salaries and Wages		52,783	
Social Security		51,232	
Pensions		32,073	
Employee and Dependent Insurance		47,995	
Medical Insurance		9,971	
Employer Medicare		12,659	
Communication		2,763	
Medical and Dental Services		7,982	
Gasoline		217,260	
Lubricants		9,844	
Tires and Tubes		23,358	
Vehicle Parts		124,177	
Other Supplies and Materials		13,773	
Other Charges		8,796	
Transportation Equipment		417,760	
Total Transportation			1,872,544

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Maintenance and Repair Services - Equipment	\$	352	
Other Supplies and Materials		443	
Other Charges		128	
Total Food Service			\$ 923

Community Services

Teachers	\$	195,234	
Educational Assistants		26,604	
Other Salaries and Wages		37,892	
Social Security		15,134	
Pensions		18,769	
Employee and Dependent Insurance		3,865	
Employer Medicare		3,696	
Travel		1,495	
Other Supplies and Materials		1,346	
In Service/Staff Development		6,254	
Other Charges		700	
Total Community Services			310,989

Early Childhood Education

Supervisor/Director	\$	63,520	
Teachers		391,823	
Medical Personnel		8,071	
Educational Assistants		129,582	
Certified Substitute Teachers		277	
Non-certified Substitute Teachers		6,770	
Social Security		35,292	
Pensions		45,471	
Employee and Dependent Insurance		31,319	
Medical Insurance		41,170	
Employer Medicare		8,263	
Communication		1,164	
Travel		5,323	
Instructional Supplies and Materials		12,423	
In Service/Staff Development		300	
Other Equipment		7,251	
Total Early Childhood Education			788,019

Capital Outlay

Regular Capital Outlay

Other Construction	\$	864,974	
Total Regular Capital Outlay			864,974

Total General Purpose School Fund \$ 30,481,124

(Continued)

Exhibit K-7

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	605,953	
Educational Assistants		29,748	
Certified Substitute Teachers		852	
Non-certified Substitute Teachers		6,600	
Social Security		37,102	
Pensions		55,800	
Medical Insurance		82,119	
Employer Medicare		8,695	
Instructional Supplies and Materials		23,135	
Other Charges		3,101	
Regular Instruction Equipment		5,508	
Total Regular Instruction Program			\$ 858,613

Special Education Program

Educational Assistants	\$	364,217	
Speech Pathologist		156,282	
Social Security		29,236	
Pensions		25,457	
Medical Insurance		100,702	
Employer Medicare		6,883	
Contracts with Private Agencies		12,393	
Instructional Supplies and Materials		489	
Total Special Education Program			695,659

Career and Technical Education Program

Maintenance and Repair Services - Equipment	\$	1,126	
Instructional Supplies and Materials		5,923	
Other Supplies and Materials		2,584	
Vocational Instruction Equipment		29,012	
Total Career and Technical Education Program			38,645

Support Services

Other Student Support

Guidance Personnel	\$	14,210	
Bus Drivers		1,327	
Social Security		739	
Pensions		1,280	
Medical Insurance		3,582	
Employer Medicare		174	
Evaluation and Testing		550	
Travel		11,768	
Other Supplies and Materials		454	
In Service/Staff Development		6,000	
Other Charges		7,461	
Total Other Student Support			47,545

(Continued)

Exhibit K-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	156,011	
Other Salaries and Wages		596,062	
Social Security		46,282	
Pensions		66,044	
Medical Insurance		8,173	
Employer Medicare		10,825	
Travel		1,283	
Other Contracted Services		17,464	
Other Supplies and Materials		2,488	
In Service/Staff Development		58,327	
Total Regular Instruction Program			\$ 962,959

Special Education Program

Travel	\$	2,229	
Other Contracted Services		99,724	
In Service/Staff Development		2,696	
Total Special Education Program			104,649

Career and Technical Education Program

In Service/Staff Development	\$	3,523	
Total Career and Technical Education Program			3,523

Transportation

Bus Drivers	\$	53,290	
Other Salaries and Wages		17,703	
Social Security		4,073	
Pensions		1,803	
Employer Medicare		1,029	
Contracts with Parents		6,858	
Diesel Fuel		125	
Total Transportation			84,881

Operation of Non-Instructional Services

Food Service

Food Supplies	\$	2,151	
Total Food Service			2,151

Total School Federal Projects Fund \$ 2,798,625

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	75,721	
Cafeteria Personnel		641,193	
Other Salaries and Wages		24,827	
Social Security		41,734	

(Continued)

Exhibit K-7

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Pensions	\$	27,010	
Employee and Dependent Insurance		152,019	
Medical Insurance		5,998	
Employer Medicare		10,032	
Communication		838	
Contracts with Private Agencies		98,501	
Dues and Memberships		6,601	
Maintenance and Repair Services - Equipment		34,879	
Travel		6,099	
Other Contracted Services		14,155	
Custodial Supplies		35,359	
Food Preparation Supplies		58,020	
Food Supplies		871,287	
Office Supplies		1,966	
Uniforms		1,227	
USDA - Commodities		108,295	
Other Supplies and Materials		1,339	
Refunds		1,479	
Trustee's Commission		6	
Workers' Compensation Insurance		27,283	
In Service/Staff Development		6,719	
Other Charges		2,774	
Food Service Equipment		59,958	
Total Food Service			\$ 2,315,319
Total Central Cafeteria Fund			\$ 2,315,319

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	64,350	
Social Security		3,960	
Pensions		3,501	
Employer Medicare		933	
Trustee's Commission		1,132	
Other Charges		14,913	
Other Equipment		8,850	
Total Community Services			\$ 97,639
Total Extended School Program Fund			97,639

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Trustee's Commission	\$	23,057	
Other Capital Outlay		501,128	
Total Regular Capital Outlay			\$ 524,185
Total Education Capital Projects Fund			524,185

Total Governmental Funds - Lincoln County School Department \$ 36,216,892

Exhibit K-8

Lincoln County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2018

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,233,848	\$ 1,233,848
Trustee's Collections - Prior Years	0	29,718	29,718
Trustee's Collections - Bankruptcy	0	3,907	3,907
Circuit/Clerk and Master Collections - Prior Years	0	10,681	10,681
Interest and Penalty	0	5,725	5,725
Local Option Sales Tax	2,547,636	1,028,870	3,576,506
Wholesale Beer Tax	0	37,706	37,706
Marriage Licenses	0	654	654
Income Tax	0	24,642	24,642
Beer Tax	0	4,759	4,759
Total Cash Receipts	<u>\$ 2,547,636</u>	<u>\$ 2,380,510</u>	<u>\$ 4,928,146</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,547,636	\$ 2,359,287	\$ 4,906,923
Trustee's Commission	0	26,034	26,034
Total Cash Disbursements	<u>\$ 2,547,636</u>	<u>\$ 2,385,321</u>	<u>\$ 4,932,957</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (4,811)	\$ (4,811)
Cash Balance, July 1, 2017	0	98,302	98,302
Cash Balance, June 30, 2018	<u>\$ 0</u>	<u>\$ 93,491</u>	<u>\$ 93,491</u>



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## STATUTORY SECTION

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This part of Lincoln County's annual financial report presents detailed information required by state statute for the Lincoln County Board of Public Utilities. This information is presented solely for the purposes of statutory compliance and additional analysis and is not a required part of the financial statements. This information is unaudited. It has not been subjected to any auditing procedures.

	Table(s)	Page(s)
Demographic and Economic Information:		
These schedules offer water rates and water loss reports required by state statute to help the reader understand how well the utility is performing.	1-2	226-228

Source: Lincoln County Board of Public Utility Management.

Table 1

Lincoln County, Tennessee  
Schedule of Utility Rates and Number of Customers  
Lincoln County Board of Public Utilities  
June 30, 2018

<u>Meter Type</u>	<u>Number of Customers</u>		
Residential and Commercial	9,199	Service Charge	\$ 22.81
		Per \$1,000	5.05
Multi-User (Total 515 units. Rates are based on usage per each unit.)	529	Service Charge	\$ 21.22
		Per \$1,000	5.05
 <u>Other Charges</u>			
Tap Fee - Individual - 3/4 inch	\$ 1,600		
Tap Fee - Individual - 1 inch	2,000		

Lincoln County, Tennessee  
Schedule of Unaccounted for Water  
Lincoln County Board of Public Utilities  
For the Year Ended June 30, 2018

AWWA Free Water Audit Software:

WAS v5.0  
American Water Works Association,  
Copyright © 2014, All Rights Reserved.

Reporting Worksheet

? Click to access definition  
+ Click to add a comment

Water Audit Report for: **Lincoln County Board of Public Utilities (# 0000764 & # 0000884)**  
 Reporting Year: **2018**    **7/2017 - 6/2018**

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

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

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

Master Meter and Supply Error Adjustments

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

**WATER SUPPLIED**

Volume from own sources:	+ ? 9	698.963 MG/Yr	+ ? 7	-1.00%		
Water imported:	+ ? 10	82.190 MG/Yr	+ ? 7	-1.00%		
Water exported:	+ ? n/a	0.000 MG/Yr	+ ?			

WATER SUPPLIED: 789.044 MG/Yr

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

Click here: ?  
for help using option buttons below

Pcnt: 1.25%    Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: 0.25%    Value: MG/Yr

4.50%    Value: MG/Yr

0.25%    Value: MG/Yr

---

**AUTHORIZED CONSUMPTION**

Billed metered:	+ ? 7	495.121 MG/Yr			
Billed unmetered:	+ ? n/a	0.000 MG/Yr			
Unbilled metered:	+ ? 8	2.500 MG/Yr			
Unbilled unmetered:	+ ?	9.863 MG/Yr			

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

AUTHORIZED CONSUMPTION: 507.484 MG/Yr

---

**WATER LOSSES (Water Supplied - Authorized Consumption)** 281.560 MG/Yr

**Apparent Losses**

Unauthorized consumption: + ? 1.973 MG/Yr

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

Customer metering inaccuracies: + ? 7 23.448 MG/Yr

Systematic data handling errors: + ? 1.238 MG/Yr

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

Apparent Losses: 26.658 MG/Yr

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**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses: 254.902 MG/Yr

WATER LOSSES: 281.560 MG/Yr

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**NON-REVENUE WATER**

NON-REVENUE WATER: 293.923 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

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**SYSTEM DATA**

Length of mains: + ? 8 737.0 miles

Number of active AND inactive service connections: + ? 8 9,410

Service connection density: ? 13 conn./mile main

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

Average length of customer service line: + ? 0 (Average length of customer service line has been set to zero and a data grading score of 10 has been applied)

Average operating pressure: + ? 5 75.0 psi

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**COST DATA**

Total annual cost of operating water system: + ? 10 \$4,880,529 \$/Year

Customer retail unit cost (applied to Apparent Losses): + ? 9 \$4.93 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): + ? 7 \$1,062.17 \$/Million gallons     Use Customer Retail Unit Cost to value real losses

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\*\*\* YOUR SCORE IS: 80 out of 100 \*\*\*

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

**PRIORITY AREAS FOR ATTENTION:**

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


1: Volume from own sources

2: Billed metered

3: Unauthorized consumption

227

Lincoln County, Tennessee  
 Schedule of Unaccounted for Water  
 Lincoln County Board of Public Utilities  
 For the Year Ended June 30, 2018



**AWWA Free Water Audit Software:**  
**System Attributes and Performance Indicators**

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014, All Rights Reserved.

**Water Audit Report for:** Lincoln County Board of Public Utilities (# 0000764 & # 0000884)

**Reporting Year:** 2018 7/2017 - 6/2018

\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 80 out of 100 \*\*\*

**System Attributes:**

	Apparent Losses:	26.658	MG/Yr
	+ Real Losses:	254.902	MG/Yr
	= <b>Water Losses:</b>	<b>281.560</b>	MG/Yr
<div style="display: flex; justify-content: space-between;"> <span style="color: blue; font-weight: bold;">?</span> Unavoidable Annual Real Losses (UARL):                             <span style="border: 1px solid black; padding: 2px;">147.79</span> MG/Yr                         </div>			
	Annual cost of Apparent Losses:	\$131,426	
	Annual cost of Real Losses:	\$270,749	Valued at <b>Variable Production Cost</b>
			Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	37.3%
		Non-revenue water as percent by cost of operating system:	8.5%
			Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	7.76
		Real Losses per service connection per day:	N/A
		Real Losses per length of main per day*:	947.57
		Real Losses per service connection per day per psi pressure:	N/A
		From Above, Real Losses = Current Annual Real Losses (CARL):	254.90
		<span style="color: blue; font-weight: bold;">?</span> Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.72

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

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## SINGLE AUDIT SECTION

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JUSTIN P. WILSON  
Comptroller

JASON E. MUMPOWER  
Deputy Comptroller

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements, and have issued our report thereon dated February 14, 2019. Our report includes a reference to other auditors who audited the financial statements of the Lincoln County Health System and the Lincoln County Board of Public Utilities as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

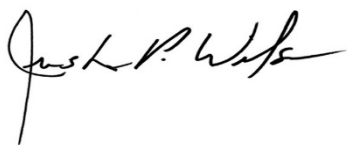
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

February 14, 2019

JPW/tg



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

**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 the Uniform Guidance**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

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

We have audited Lincoln County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lincoln County's major federal programs for the year ended June 30, 2018. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lincoln County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

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

In our opinion, Lincoln County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lincoln County's 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over compliance.

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

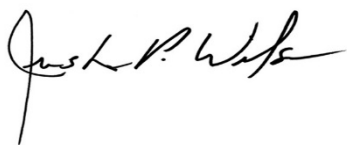
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements. We issued our report thereon dated February 14, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

February 14, 2019

JPW/tg

Lincoln County, Tennessee, and the Lincoln County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2)  
For the Year Ended June 30, 2018

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Soil and Water Conservation	10.902	N/A	\$ 9,522
Passed-through State Department of Education:			
Child Nutrition Cluster: (4)			
School Breakfast Program	10.553	(3)	439,274
National School Lunch Program	10.555	(3)	896,491 (5)
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (4)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(3)	108,295 (5)
Child Nutrition Discretionary Grants Limited Availability	10.579	(3)	24,875
Total U.S. Department of Agriculture			<u>\$ 1,478,457</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Safety Cluster: (4)			
State and Community Highway Safety	20.600	(3)	\$ 3,039
National Priority Safety Programs	20.616	(3)	9,358
Alcohol Open Container Requirements	20.607	(3)	6,279
Total U.S. Department of Transportation			<u>\$ 18,676</u>
U.S. Environmental Protection Agency:			
Passed-through State Department of Environment and Conservation:			
Clean Water State Revolving Fund Cluster:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	\$ 228,375
Total U.S. Environmental Protection Agency			<u>\$ 228,375</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 790,532
Special Education Cluster: (4)			
Special Education - Grants to States	84.027	N/A	848,290
Special Education - Preschool Grants	84.173	N/A	35,802
Career and Technical Education - Basic Grants to States	84.048	N/A	61,264
Supporting Effective Instruction State Grants	84.367	N/A	139,282
Teacher and School Leader Incentive Grants	84.374	N/A	833,294
Student Support and Academic Enrichment Program	84.424	N/A	19,984
Passed-through Lawrence County:			
English Language Acquisition State Grants	84.365	N/A	4,801
Total U.S. Department of Education			<u>\$ 2,733,249</u>
U.S. Election Assistance Commission:			
Passed-through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(3)	\$ 209,000
Total U.S. Election Assistance Commission			<u>\$ 209,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Small Rural Hospital Improvement Grant Program	93.301	(3)	\$ 8,158
Passed-through State Department of Education:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	(3)	\$ 65,376
Total U.S. Department of Health and Human Services			<u>\$ 73,534</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 49,850
Homeland Security Grant Program	97.067	(3)	28,638
Total U.S. Department of Homeland Security			<u>\$ 78,488</u>
Total Expenditures of Federal Awards			<u>\$ 4,819,779</u>

(Continued)

Lincoln County, Tennessee, and the Lincoln County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Health Department Programs - State Department of Health	N/A	(3)	\$ 319,361
Early Childhood Education - State Department of Education	N/A	(3)	686,995
Lottery for Education Afterschool Program - State Department of Education	N/A	(3)	257,309
ConnectTN - State Department of Education	N/A	(3)	9,962
Coordinated School Health - State Department of Education	N/A	(3)	105,000
Family Resource Center - State Department of Education	N/A	(3)	29,612
Teacher Leader District Grant - State Department of Education	N/A	(3)	4,989
Safe Schools Act of 2003 - State Department of Education	N/A	(3)	22,166
Kindergarten Entry Inventory - State Department of Education	N/A	(3)	4,900
Youth Risk Behavior Survey - State Department of Education	N/A	(3)	750
Career and Technical Equipment Grant - State Department of Education	N/A	(3)	135,908
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(3)	2,700
Tennessee Early Literacy Network - State Department of Education	N/A	(3)	2,500
Class 1 Old Closed Landfill Grant - State Department of Environment and Conservation	N/A	(3)	1,861
Juvenile Justice - State Commission on Children and Youth	N/A	(3)	9,000
Acquire Voting Systems Grant - Tennessee Secretary of State	N/A	(3)	11,000
Archives Development Grant - Tennessee Secretary of State	N/A	(3)	1,000
Roadside Litter Pickup - State Department of Transportation	N/A	(3)	45,158
Litter Removal Grant - State Department of Transportation	N/A	(3)	24,671
Multimodal Access Grant - State Department of Transportation	N/A	(3)	247,760
Total State Grants			<u>\$ 1,922,602</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) Lincoln County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Child Nutrition Cluster total is \$1,440,060; Highway Safety Cluster total is \$12,397; and Special Education Cluster total is \$884,092.
- (5) Total CFDA 10.555 is \$1,004,786.

Lincoln County, Tennessee  
Summary Schedule of Prior-year Findings  
For the Year Ended June 30, 2018

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2018.

***Prior-year Financial Statement Findings***

There were no prior-year financial statement findings to report.

***Prior-year Federal Award Findings***

There were no prior-year federal award findings to report.

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**LINCOLN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2018**

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

**Financial Statements:**

1. Our report on the financial statements of Lincoln County is unmodified.
2. Internal Control Over Financial Reporting:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **NO**
3. Noncompliance material to the financial statements noted? **NO**

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
  - \* CFDA Numbers: 10.553 and 10.555 Nutrition Cluster: School Breakfast Program and National School Lunch Program
  - \* CFDA Number: 84.374 Teacher and School Leader Incentive Grants
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

There were no findings and recommendations, as a result of our audit of the financial statements of Lincoln County, Tennessee.

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

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.



**Lincoln County, Tennessee**  
**Management's Corrective Action Plan**  
**For the Year Ended June 30, 2018**

The audit of Lincoln County did not report any findings and recommendations. Therefore, no management responses are required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).