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# ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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

*DIVISION OF COUNTY AUDIT*  
*JAMES R. ARNETTE*  
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*MICHAEL GUNCKEL*  
*JACOB KENNEDY*  
*State Auditors*

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

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## LINCOLN COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		6
<u>INTRODUCTORY SECTION</u>		7
Lincoln County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-12
BASIC FINANCIAL STATEMENTS:		13
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Proprietary Funds:		
Statement of Net Assets	D-1	22-23
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	24
Statement of Cash Flows	D-3	25-26
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	27
Notes to the Financial Statements		28-91
REQUIRED SUPPLEMENTARY INFORMATION:		92
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	93-95
Highway/Public Works Fund	F-2	96
Schedule of Funding Progress – Pension Plans – Primary Government, Discretely Presented Lincoln County School Department, and Lincoln County Board of Public Utilities	F-3	97

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Lincoln County School Department	F-4	98
Notes to the Required Supplementary Information		99
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		100
Nonmajor Governmental Funds:		101
Combining Balance Sheet	G-1	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	103
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	G-3	104
Drug Control Fund	G-4	105
Major Governmental Fund:		106
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	107
Fiduciary Funds:		108
Combining Statement of Fiduciary Assets and Liabilities	I-1	109
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	110-111
Component Unit:		
Discretely Presented Lincoln County School Department:		112
Statement of Activities	J-1	113
Balance Sheet – Governmental Funds	J-2	114
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	115
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	116
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	117
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	119
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	120-121
School Federal Projects Fund	J-9	122
Central Cafeteria Fund	J-10	123
Extended School Program Fund	J-11	124

	Exhibit	Page(s)
Miscellaneous Schedules:		125
Schedule of Changes in Long-term Notes and Bonds	K-1	126
Schedule of Long-term Debt Requirements by Year	K-2	127
Schedule of Notes Receivable	K-3	128
Schedule of Transfers	K-4	129
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Lincoln County School Department	K-5	130
Schedule of Detailed Revenues – All Governmental Fund Types	K-6	131-135
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-7	136-137
Schedule of Detailed Expenditures – All Governmental Fund Types	K-8	138-157
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Lincoln County School Department	K-9	158-169
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-10	170
Schedule of Utility Rates and Number of Customers – Lincoln County Board of Public Utilities	K-11	171
Schedule of Unaccounted for Water – Lincoln County Board of Public Utilities	K-12	172
 <u>SINGLE AUDIT SECTION</u>		 173
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		174-175
Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		176-178
Schedule of Expenditures of Federal Awards and State Grants		179-180
Schedule of Audit Findings Not Corrected		181
Schedule of Findings and Questioned Costs		182-185
Auditee Reporting Responsibilities		186

***Audit Highlights***  
Annual Financial Report  
Lincoln County, Tennessee  
For the Year Ended June 30, 2011

***Scope***

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2011.

***Results***

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

Our audit resulted in two findings and recommendations, which we have reviewed with Lincoln County management. The detailed findings and recommendations are included in the Single Audit section of this report.

***Findings and Best Practice***

The following are summaries of the audit findings and best practice:

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

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

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**OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**

- ◆ Duties were not segregated adequately.

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**BEST PRACTICE**

Lincoln County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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# INTRODUCTORY SECTION

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# Lincoln County Officials

## June 30, 2011

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### **Officials**

Peggy Bevels, County Mayor  
Tim Gill, Highway Superintendent  
Wanda Shelton, Director of Schools  
Mary Jane Porter, Trustee  
Tammy Moore, Assessor of Property  
Phyllis Counts, County Clerk  
Gail Corder, Circuit and General Sessions Courts Clerk  
Rebecca Bartlett, Clerk and Master  
Randy Delap, Register  
Murray Blackwelder, Sheriff  
Cole Bradford, Director of Finance

### **Board of County Commissioners**

Peggy Bevels, County Mayor, Chairperson  
R. Stephen Graham  
Randy Bradford  
J. Thomas Stevenson  
Grady Reavis  
Darrin Simms  
Ben Brown  
Anthony Taylor  
John Thorpe  
Sharon Eubanks  
David Smith  
Ray Moffett  
Ronald Jean

Chris Thornton  
Donny Ogle  
Shirley Dangerfield  
Tull Malone  
William R. Askins, Jr.  
Doug Cunningham  
Ricky Bryant  
Mark Monks  
Bill Newman  
Wayne King  
Steve Guntherberg  
Jason McCormick

### **Financial Management Committee**

Peggy Bevels, County Mayor, Chairperson  
Tim Gill, Highway Superintendent  
Wanda Shelton, Director of Schools  
Sharon Eubanks

Ben Brown  
William R. Askins, Jr.  
Mark Monks

### **Board of Education**

Jerry Pendergrass, Chairperson  
Robert Strobe  
Dexter Sullivan  
Brandon Kollé

Veronica King  
June Towry  
Brent Malone  
Thomas Stevenson

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## **FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

February 8, 2012

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

To the County Mayor and Board of County Commissioners:

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, 2011, which collectively comprise Lincoln County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lincoln County's management. 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 and the Lincoln County Board of Public Utilities, which comprise the primary government's entire business-type activities and are also major enterprise funds. In addition, we did not audit the financial statements of the Lincoln County Emergency Communications District, which represent 4.7 percent and 1.3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the financial statements insofar as they relate to the amounts included for the Lincoln County Health System, the Lincoln County Board of Public Utilities, and the Lincoln County Emergency Communications District, are based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2012, on our consideration of Lincoln County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

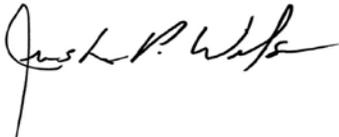
As described in Note V.B., Lincoln County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 budgetary comparison, pension, and other postemployment benefits information on pages 93 through 99 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lincoln County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lincoln County School Department (a discretely presented component unit), and the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lincoln County, Tennessee  
Statement of Net Assets  
June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln	Emergency
				School Department	Communi- cations District
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 0	\$ 6,152,438	\$ 6,152,438	\$ 1,433	\$ 725,295
Equity in Pooled Cash and Investments	11,174,661	0	11,174,661	6,428,753	0
Accounts Receivable	45,788	9,450,723	9,496,511	19,849	11,610
Allowance for Uncollectibles	(2,818)	(3,588,400)	(3,591,218)	0	0
Due from Other Governments	1,549,808	0	1,549,808	1,624,670	13,459
Due from Primary Government	0	0	0	10,129	0
Property Taxes Receivable	5,037,674	0	5,037,674	3,927,955	0
Allowance for Uncollectible Property Taxes	(93,326)	0	(93,326)	(72,767)	0
Accrued Interest Receivable	0	0	0	0	636
Prepaid Items	17,651	231,067	248,718	431,038	9,987
Deferred Charges - Debt Issuance Costs	52,600	0	52,600	0	0
Notes Receivable - Long-term	0	282,735	282,735	0	0
Other Assets	0	55,406	55,406	0	0
Inventories	0	929,527	929,527	40,998	0
Restricted Assets:					
Restricted Cash	0	9,458,605	9,458,605	0	0
Other Assets	0	526,924	526,924	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	8,650,649	1,073,754	9,724,403	895,247	171,110
Construction in Progress	37,869	424,403	462,272	83,656	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	3,109,565	34,843,104	37,952,669	20,982,639	617,390
Ground Improvements	0	1,469,901	1,469,901	0	0
Infrastructure	7,030,727	0	7,030,727	0	0
Other Capital Assets	2,648,945	4,198,516	6,847,461	2,163,116	236,275
Total Assets	<u>\$ 39,259,793</u>	<u>\$ 65,508,703</u>	<u>\$ 104,768,496</u>	<u>\$ 36,536,716</u>	<u>\$ 1,785,762</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 493,994	\$ 835,780	\$ 1,329,774	\$ 207,143	\$ 6,612
Accrued Payroll	90,975	0	90,975	885,321	0
Payroll Deductions Payable	20	0	20	0	0
Accrued Liabilities	0	1,511,675	1,511,675	0	0
Due to Component Units	10,129	0	10,129	0	0
Due to State of Tennessee	4,508	0	4,508	0	0
Due to Cities	138,919	0	138,919	0	74,020
Due to Other Taxing Units	679	0	679	0	0
Accrued Interest Payable	171,257	108,706	279,963	0	0
Other Accrued Liabilities	0	949,674	949,674	0	0
Deferred Revenue - Current Property Taxes	4,794,676	0	4,794,676	3,738,485	0
Noncurrent Liabilities:					
Due Within One Year	1,245,977	899,272	2,145,249	27,427	0
Due in More Than One Year	14,322,491	21,552,565	35,875,056	479,598	0
Total Liabilities	<u>\$ 21,273,625</u>	<u>\$ 25,857,672</u>	<u>\$ 47,131,297</u>	<u>\$ 5,337,974</u>	<u>\$ 80,632</u>

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	Lincoln County School Department	Emergency Communi- cations District
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 20,001,509	\$ 19,937,259	\$ 39,938,768	\$ 0	\$ 0
Invested in Capital Assets Restricted for:	0	0	0	24,124,658	1,024,775
Debt Service	4,939,012	1,359,270	6,298,282	0	0
Highway/Public Works	1,944,973	0	1,944,973	0	0
Public Health and Welfare	1,236,103	0	1,236,103	0	0
Administration of Justice	216,171	0	216,171	0	0
Public Safety	97,650	0	97,650	0	0
Instruction	0	0	0	189,403	0
Support Services	0	0	0	1,120	0
Operation of Non-Instructional Services	0	0	0	837,688	0
Other Purposes	56,052	71,839	127,891	0	0
Unrestricted	(10,505,302)	18,282,663	7,777,361	6,045,873	680,355
Total Net Assets	<u>\$ 17,986,168</u>	<u>\$ 39,651,031</u>	<u>\$ 57,637,199</u>	<u>\$ 31,198,742</u>	<u>\$ 1,705,130</u>

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

Exhibit B

Lincoln County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues					Primary Government Business-type Activities					Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Business-type Activities	Total	Lincoln County School Department	Emergency Communications District			
Primary Government:												
Governmental Activities:												
General Government	\$ 1,311,706	\$ 364,770	\$ 15,164	\$ 0	\$ (931,772)	\$ 0	\$ (931,772)	\$ 0	\$ 0	0		
Finance	1,002,294	706,073	0	0	(296,221)	0	(296,221)	0	0	0		
Administration of Justice	1,062,399	581,404	9,000	0	(471,995)	0	(471,995)	0	0	0		
Public Safety	4,729,245	558,365	31,047	95,625	(4,044,208)	0	(4,044,208)	0	0	0		
Public Health and Welfare	1,424,838	804,672	367,027	0	(253,139)	0	(253,139)	0	0	0		
Social, Cultural, and Recreational Services	122,042	0	1,625	0	(120,417)	0	(120,417)	0	0	0		
Agriculture and Natural Resources	160,600	0	10,915	0	(149,685)	0	(149,685)	0	0	0		
Other Operations	481,419	0	88,367	0	(393,052)	0	(393,052)	0	0	0		
Highways/Public Works	3,979,091	12,855	1,911,582	527,027	(1,527,627)	0	(1,527,627)	0	0	0		
Interest on Long-term Debt	764,090	0	0	0	(764,090)	0	(764,090)	0	0	0		
Other Debt Service	39,782	0	0	0	(39,782)	0	(39,782)	0	0	0		
Total Governmental Activities	\$ 15,077,506	\$ 3,028,139	\$ 2,434,727	\$ 622,652	\$ (8,991,988)	\$ 0	\$ (8,991,988)	\$ 0	\$ 0	0		
Business-type Activities:												
Lincoln County Health System	\$ 39,297,701	\$ 40,315,046	\$ 0	\$ 50,000	\$ 0	\$ 1,067,345	\$ 1,067,345	\$ 0	\$ 0	0		
Lincoln County Board of Public Utilities	4,273,709	4,388,878	0	101,605	0	216,774	216,774	0	0	0		
Total Business-type Activities	\$ 43,571,410	\$ 44,703,924	\$ 0	\$ 151,605	\$ 0	\$ 1,284,119	\$ 1,284,119	\$ 0	\$ 0	0		
Total Primary Government	\$ 58,648,916	\$ 47,732,063	\$ 2,434,727	\$ 774,257	\$ (8,991,988)	\$ 1,284,119	\$ (7,707,869)	\$ 0	\$ 0	0		
Component Units:												
Lincoln County School Department	\$ 30,791,556	\$ 866,263	\$ 5,329,452	\$ 119,299	\$ 0	\$ 0	\$ 0	\$ (24,476,542)	\$ 0	0		
Emergency Communications District	288,570	219,287	185,153	0	0	0	0	0	115,870	0		
Total Component Units	\$ 31,080,126	\$ 1,085,550	\$ 5,514,605	\$ 119,299	\$ 0	\$ 0	\$ 0	\$ (24,476,542)	\$ 115,870	0		

(Continued)

Exhibit B

Lincoln County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government		Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Lincoln County School Department	Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 3,884,738	\$ 0	\$ 3,756,859	\$ 0
Property Taxes Levied for Debt Service				928,179	0	0	0
Local Option Sales Taxes				1,638,983	0	2,590,852	0
Other Local Taxes:							
Wheel Tax				728,208	0	0	0
Business Tax				277,181	0	0	0
Wholesale Beer Tax				0	0	115,613	0
Mineral Severance Tax				49,971	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse				82,805	0	0	0
Litigation Tax - General				82,202	0	0	0
Litigation Tax - Courtroom Security				81,374	0	0	0
Litigation Tax - Special Purpose				73,523	0	0	0
Hotel/Motel Tax				62,606	0	0	0
Other Local Taxes				1,930	0	24	0
Grants and Contributions Not Restricted to Specific Programs				1,333,068	13,879	18,606,841	0
Unrestricted Investment Earnings				139,128	119,425	671	8,890
Miscellaneous				140,606	0	83,922	0
Total General Revenues				\$ 9,504,502	\$ 133,304	\$ 25,154,782	\$ 8,890
Change in Net Assets				\$ 512,514	\$ 1,417,423	\$ 678,240	\$ 124,760
Net Assets, July 1, 2010				17,473,654	38,233,608	30,520,502	1,580,370
Net Assets, June 30, 2011				\$ 17,986,168	\$ 39,651,031	\$ 31,198,742	\$ 1,705,130

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, 2011

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 3,470,262	\$ 1,397,816	\$ 4,796,716	\$ 1,509,867	\$ 11,174,661
Accounts Receivable	40,635	0	0	5,153	45,788
Allowance for Uncollectibles	0	0	0	(2,818)	(2,818)
Due from Other Governments	245,687	878,405	284,685	141,031	1,549,808
Property Taxes Receivable	4,239,943	744,797	52,934	0	5,037,674
Allowance for Uncollectible Property Taxes	(72,830)	(11,415)	(9,081)	0	(93,326)
Prepaid Items	17,651	0	0	0	17,651
<b>Total Assets</b>	<b>\$ 7,941,348</b>	<b>\$ 3,009,603</b>	<b>\$ 5,125,254</b>	<b>\$ 1,653,233</b>	<b>\$ 17,729,438</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 119,872	\$ 333,476	\$ 0	\$ 40,646	\$ 493,994
Accrued Payroll	77,645	11,872	0	1,458	90,975
Payroll Deductions Payable	20	0	0	0	20
Due to Component Units	10,129	0	0	0	10,129
Due to State of Tennessee	4,508	0	0	0	4,508
Due to Cities	119,799	0	0	19,120	138,919
Due to Other Taxing Units	679	0	0	0	679
Deferred Revenue - Current Property Taxes	4,060,409	719,282	14,985	0	4,794,676
Deferred Revenue - Delinquent Property Taxes	85,527	11,302	23,139	0	119,968
Other Deferred Revenues	76,828	171,847	142,396	71,715	462,786
<b>Total Liabilities</b>	<b>\$ 4,555,416</b>	<b>\$ 1,247,779</b>	<b>\$ 180,520</b>	<b>\$ 132,939</b>	<b>\$ 6,116,654</b>
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Items	\$ 17,651	\$ 0	\$ 0	\$ 0	\$ 17,651
Restricted:					
Restricted for General Government	7,777	0	0	0	7,777
Restricted for Finance	3,007	0	0	0	3,007
Restricted for Administration of Justice	144,753	0	0	71,418	216,171
Restricted for Public Safety	27,617	0	0	97,650	125,267
Restricted for Public Health and Welfare	59,638	0	0	1,351,226	1,410,864
Restricted for Highways/Public Works	0	1,761,824	0	0	1,761,824
Restricted for Debt Service	0	0	1,351	0	1,351
Committed:					
Committed for Debt Service	0	0	4,943,383	0	4,943,383
Assigned:					
Assigned for General Government	131,650	0	0	0	131,650
Assigned for Finance	1,125	0	0	0	1,125
Assigned for Administration of Justice	807	0	0	0	807
Assigned for Public Safety	8,509	0	0	0	8,509
Assigned for Public Health and Welfare	22,712	0	0	0	22,712
Assigned for Agriculture and Natural Resources	597	0	0	0	597
Unassigned	2,960,089	0	0	0	2,960,089
<b>Total Fund Balances</b>	<b>\$ 3,385,932</b>	<b>\$ 1,761,824</b>	<b>\$ 4,944,734</b>	<b>\$ 1,520,294</b>	<b>\$ 11,612,784</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,941,348</b>	<b>\$ 3,009,603</b>	<b>\$ 5,125,254</b>	<b>\$ 1,653,233</b>	<b>\$ 17,729,438</b>

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 Assets  
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 11,612,784
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 8,650,649	
Add: construction in progress	37,869	
Add: buildings and improvements net of accumulated depreciation	3,109,565	
Add: infrastructure net of accumulated depreciation	7,030,727	
Add: other capital assets net of accumulated depreciation	<u>2,648,945</u>	21,477,755
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: note payable	\$ (341,000)	
Less: bonds payable	(14,665,000)	
Add: deferred charges - debt issuance costs	52,600	
Less: compensated absences payable	(161,086)	
Less: landfill closure/postclosure care costs	(246,476)	
Less: other postemployment benefits liability	(154,906)	
Less: accrued interest on note and bonds	<u>(171,257)</u>	(15,687,125)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>582,754</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 17,986,168</u></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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,569,432	\$ 868,974	\$ 3,003,723	\$ 0	\$ 8,442,129
Licenses and Permits	84,917	0	0	0	84,917
Fines, Forfeitures, and Penalties	157,463	0	0	21,783	179,246
Charges for Current Services	77,323	0	0	796,625	873,948
Other Local Revenues	403,277	12,855	0	5,778	421,910
Fees Received from County Officials	1,241,992	0	0	0	1,241,992
State of Tennessee	2,166,147	2,429,778	0	17,926	4,613,851
Federal Government	211,063	0	0	0	211,063
Other Governments and Citizens Groups	55	0	0	0	55
<b>Total Revenues</b>	<b>\$ 8,911,669</b>	<b>\$ 3,311,607</b>	<b>\$ 3,003,723</b>	<b>\$ 842,112</b>	<b>\$ 16,069,111</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,423,978	\$ 0	\$ 0	\$ 0	\$ 1,423,978
Finance	996,321	0	0	95	996,416
Administration of Justice	1,039,119	0	0	12,730	1,051,849
Public Safety	4,162,424	0	0	26,806	4,189,230
Public Health and Welfare	613,463	0	0	778,406	1,391,869
Social, Cultural, and Recreational Services	121,416	0	0	0	121,416
Agriculture and Natural Resources	130,546	0	0	0	130,546
Other Operations	569,428	0	0	0	569,428
Highways	0	3,452,574	0	0	3,452,574
Debt Service:					
Principal on Debt	0	0	1,010,000	0	1,010,000
Interest on Debt	0	0	766,590	0	766,590
Other Debt Service	0	0	39,782	0	39,782
Capital Projects	0	0	0	12,500	12,500
<b>Total Expenditures</b>	<b>\$ 9,056,695</b>	<b>\$ 3,452,574</b>	<b>\$ 1,816,372</b>	<b>\$ 830,537</b>	<b>\$ 15,156,178</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (145,026)	\$ (140,967)	\$ 1,187,351	\$ 11,575	\$ 912,933
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 391,000	\$ 0	\$ 0	\$ 0	\$ 391,000
Transfers In	0	0	0	12,500	12,500
Transfers Out	(12,500)	0	0	0	(12,500)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 378,500</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,500</b>	<b>\$ 391,000</b>
Net Change in Fund Balances	\$ 233,474	\$ (140,967)	\$ 1,187,351	\$ 24,075	\$ 1,303,933
Fund Balance, July 1, 2010	3,152,458	1,902,791	3,757,383	1,496,219	10,308,851
<b>Fund Balance, June 30, 2011</b>	<b>\$ 3,385,932</b>	<b>\$ 1,761,824</b>	<b>\$ 4,944,734</b>	<b>\$ 1,520,294</b>	<b>\$ 11,612,784</b>

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

Exhibit C-4

Lincoln County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2011

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)		\$ 1,303,933
(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	\$ 785,826	
Less: current-year depreciation expense	<u>(1,672,699)</u>	(886,873)
(2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.		(1,894)
(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, 2011	\$ 582,754	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(1,059,951)</u>	(477,197)
(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 assets. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (391,000)	
Less: change in deferred debt issuance costs	(5,367)	
Add: principal payments on bonds	960,000	
Add: principal payments on note	<u>50,000</u>	613,633
(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	\$ 7,867	
Change in compensated absences payable	(1,459)	
Change in other postemployment benefits liability	(57,411)	
Change in landfill closure/postclosure care costs	<u>11,915</u>	(39,088)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 512,514</u>

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

Exhibit D-1

Lincoln County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities		
<u>ASSETS</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,981,639	\$ 1,170,799	\$ 6,152,438
Restricted Cash	52,086	0	52,086
Accounts Receivable	9,174,255	276,468	9,450,723
Allowance for Uncollectibles	(3,586,200)	(2,200)	(3,588,400)
Inventories	768,184	161,343	929,527
Prepaid Items	227,384	3,683	231,067
Other Assets	55,406	0	55,406
Total Current Assets	<u>\$ 11,672,754</u>	<u>\$ 1,610,093</u>	<u>\$ 13,282,847</u>
Noncurrent Assets:			
Restricted Cash	\$ 0	\$ 288,879	\$ 288,879
Restricted Investments	9,117,640	0	9,117,640
Long-term Portion of Note Receivable	282,735	0	282,735
Other Assets	526,174	750	526,924
Capital Assets (Net of Accumulated Depreciation):			
Land	1,073,754	0	1,073,754
Construction in Progress	141,104	283,299	424,403
Ground Improvements	1,469,901	0	1,469,901
Buildings and Improvements	13,976,952	20,866,152	34,843,104
Machinery and Equipment	4,198,516	0	4,198,516
Total Noncurrent Assets	<u>\$ 30,786,776</u>	<u>\$ 21,439,080</u>	<u>\$ 52,225,856</u>
Total Assets	<u>\$ 42,459,530</u>	<u>\$ 23,049,173</u>	<u>\$ 65,508,703</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 767,656	\$ 68,124	\$ 835,780
Accrued Liabilities	1,417,564	68,311	1,485,875
Advance Payments from Customers	0	25,800	25,800
Accrued Interest	99,299	9,407	108,706
Accrued Leave	883,668	13,920	897,588
Current Maturities of Long-term Debt	713,598	172,289	885,887
Patient Trust Funds	52,086	0	52,086
Payable from Restricted Assets - Customer Deposits	0	13,385	13,385
Total Current Liabilities	<u>\$ 3,933,871</u>	<u>\$ 371,236</u>	<u>\$ 4,305,107</u>

(Continued)

Exhibit D-1

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

	<u>Major Funds</u>		
	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	Lincoln County Health System	Lincoln County Board of Public Utilities	Total
<u>LIABILITIES (CONT.)</u>			
Noncurrent Liabilities:			
Long-term Debt	\$ 13,842,499	\$ 7,710,066	\$ 21,552,565
Total Noncurrent Liabilities	<u>\$ 13,842,499</u>	<u>\$ 7,710,066</u>	<u>\$ 21,552,565</u>
Total Liabilities	<u>\$ 17,776,370</u>	<u>\$ 8,081,302</u>	<u>\$ 25,857,672</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 6,670,163	\$ 13,267,096	\$ 19,937,259
Restricted for Debt Service	1,083,776	275,494	1,359,270
Restricted for Other Purposes	71,839	0	71,839
Unrestricted	<u>16,857,382</u>	<u>1,425,281</u>	<u>18,282,663</u>
Total Net Assets	<u>\$ 24,683,160</u>	<u>\$ 14,967,871</u>	<u>\$ 39,651,031</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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
Lincoln County Health System	Lincoln County Board of Public Utilities		
<u>Operating Revenues</u>			
Charges for Current Services	\$ 39,469,648	\$ 4,096,003	\$ 43,565,651
Other Local Revenues	845,398	292,875	1,138,273
Total Operating Revenues	<u>\$ 40,315,046</u>	<u>\$ 4,388,878</u>	<u>\$ 44,703,924</u>
<u>Operating Expenses</u>			
Public Health and Welfare	\$ 36,317,543	\$ 3,068,047	\$ 39,385,590
Depreciation Expense	2,273,350	853,790	3,127,140
Total Operating Expenses	<u>\$ 38,590,893</u>	<u>\$ 3,921,837</u>	<u>\$ 42,512,730</u>
Operating Income (Loss)	<u>\$ 1,724,153</u>	<u>\$ 467,041</u>	<u>\$ 2,191,194</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 116,578	\$ 2,847	\$ 119,425
Interest Expense	(649,048)	(351,872)	(1,000,920)
Amortization	(48,229)	0	(48,229)
Noncapital Grants and Contributions	13,879	0	13,879
Loss on Disposal of Capital Assets	(9,531)	0	(9,531)
Total Nonoperating Revenues (Expenses)	<u>\$ (576,351)</u>	<u>\$ (349,025)</u>	<u>\$ (925,376)</u>
Income Before Contributions	\$ 1,147,802	\$ 118,016	\$ 1,265,818
Capital Contributions	50,000	101,605	151,605
Change in Net Assets	<u>\$ 1,197,802</u>	<u>\$ 219,621</u>	<u>\$ 1,417,423</u>
Net Assets, July 1, 2010	<u>23,485,358</u>	<u>14,748,250</u>	<u>38,233,608</u>
Net Assets, June 30, 2011	<u>\$ 24,683,160</u>	<u>\$ 14,967,871</u>	<u>\$ 39,651,031</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, 2011

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds		
	Lincoln County Health System	Lincoln County Board of Public Utilities	
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 41,049,787	\$ 4,281,627	\$ 45,331,414
Payments to Employees	(22,541,451)	(1,180,816)	(23,722,267)
Payments to Suppliers	(15,643,224)	(1,886,049)	(17,529,273)
Received from Operating Portions of Tap Fees	0	88,644	88,644
Customer Deposits Returned	0	(648)	(648)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,865,112</u>	<u>\$ 1,302,758</u>	<u>\$ 4,167,870</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition/Construction of Capital Assets	\$ (723,545)	\$ (731,269)	\$ (1,454,814)
Proceeds from Disposal of Capital Assets	0	16,700	16,700
Principal Advances on Bond Anticipation Notes	0	136,142	136,142
Principal Payments on Long-term Debt	(1,574,535)	(172,423)	(1,746,958)
Interest Payments on Long-term Debt	(653,075)	(351,866)	(1,004,941)
Capital Contributions	50,000	81,805	131,805
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (2,901,155)</u>	<u>\$ (1,020,911)</u>	<u>\$ (3,922,066)</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Noncapital Grants	\$ 13,879	\$ 0	\$ 13,879
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 13,879</u>	<u>\$ 0</u>	<u>\$ 13,879</u>
<u>Cash Flows from Investing Activities</u>			
Principal Received on Note Receivable	\$ 0	\$ 20,833	\$ 20,833
Investment Income	172,202	2,847	175,049
Increase in Restricted Investments	(132,235)	0	(132,235)
Net Cash Provided By (Used In) Investing Activities	<u>\$ 39,967</u>	<u>\$ 23,680</u>	<u>\$ 63,647</u>
Net Increase (Decrease) in Cash	\$ 17,803	\$ 305,527	\$ 323,330
Cash, July 1, 2010	4,963,836	1,154,151	6,117,987
Cash, June 30, 2011	<u>\$ 4,981,639</u>	<u>\$ 1,459,678</u>	<u>\$ 6,441,317</u>

(Continued)

Exhibit D-3

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

	Major Funds		
	Business-type Activities		Total
	Enterprise Funds	Lincoln	
Lincoln County Health System	County Board of Public Utilities		
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>			
Operating Income	\$ 1,724,153	\$ 467,041	\$ 2,191,194
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:			
Depreciation Expense	2,273,350	853,790	3,127,140
Provision for Bad Debts	4,560,415	0	4,560,415
Advances under Note Receivable Arrangements	(142,002)	0	(142,002)
Provision for Note Receivable Arrangements	82,553	0	82,553
Investment in Insurance Funds, Net	(33,581)	0	(33,581)
(Increase) Decrease in Accounts Receivable	(4,906,446)	(18,607)	(4,925,053)
(Increase) Decrease in Other Receivables	(252,071)	0	(252,071)
(Increase) Decrease in Inventories	2,075	(20,545)	(18,470)
(Increase) Decrease in Prepaid Items	34,495	782	35,277
(Increase) Decrease in Other Assets	(27,913)	0	(27,913)
Increase (Decrease) in Accounts Payable	(503,508)	(4,063)	(507,571)
Increase (Decrease) in Customer Deposits	0	(648)	(648)
Increase (Decrease) in Accrued Leave	0	(1,800)	(1,800)
Increase (Decrease) in Accrued Liabilities	53,592	26,808	80,400
Net Cash Provided By (Used In) Operating Activities	<u>\$ 2,865,112</u>	<u>\$ 1,302,758</u>	<u>\$ 4,167,870</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>			
Cash per Net Assets	\$ 4,981,639	\$ 1,170,799	\$ 6,152,438
Restricted Cash per Net Assets	0	288,879	288,879
Cash, June 30, 2011	<u>\$ 4,981,639</u>	<u>\$ 1,459,678</u>	<u>\$ 6,441,317</u>
<u>Noncash Investing, Capital, and Financing Activities</u>			
Capitalized Depreciation on Equipment	\$ 0	\$ 43,304	\$ 43,304
Depreciation Capitalized in Line Extensions	0	28,700	28,700
Distribution Lines Transferred to the Board by Developers	0	19,800	19,800

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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,908,422
Equity in Pooled Cash and Investments	435,483
Accounts Receivable	898
Due from Other Governments	471,006
Property Taxes Receivable	1,103,973
Allowance for Uncollectible Property Taxes	<u>(19,200)</u>
Total Assets	<u>\$ 3,900,582</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 5,112
Accrued Payroll	1,191
Due to Other Taxing Units	1,617,728
Due to Litigants, Heirs, and Others	1,908,456
Due to Joint Ventures	<u>368,095</u>
Total Liabilities	<u>\$ 3,900,582</u>

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

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

The Lincoln County School Department operates the public school system in the county, and the voters of Lincoln County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

Administrative Office:

Lincoln County Emergency  
Communications District  
607 Moyers Avenue  
Fayetteville, TN 37334

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

The government-wide financial statements (i.e., the Statement of Net Assets 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. The county did not contribute any debt proceeds to the School Department during the year ended June 30, 2011.

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, liabilities, 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 two proprietary funds (both 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.

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.

Additionally, Lincoln County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund accounts for general capital outlay expenditures.

**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, and judicial district drug grants and other revenues held for the multi-jurisdictional drug task force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

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.

**D. Assets, Liabilities, and Net Assets or Equity**

**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 assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Purpose, General Debt Service and General funds. Lincoln County (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

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

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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 deferred revenue 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 with offsetting deferred revenue 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 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. Prepaid items are offset in the nonspendable fund balance account in governmental funds.

### **4. Capital Assets**

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

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

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

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

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

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

**5. Compensated Absences**

It is the policy of the Lincoln County general government to allow two weeks 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 Lincoln County does not have 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.

**6. 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 Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line

method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized 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.

## **7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – 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 assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2011, Lincoln County had \$13,510,660 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 assets with no corresponding increase in the county's capital assets.

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.

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's Financial Management Committee and the Board of Education are authorized bodies to make assignments.

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

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

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

**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 Assets.

**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 Assets.

**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 assets 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 assets of governmental activities reported in the government-wide Statement of Activities.

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

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District Attorney General and the Constitutional Officers - Fees funds (special revenue funds), which are not budgeted, and the General Capital Projects Fund, which adopts a project length budget. 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, 2011, the Lincoln County School Department reported the following significant encumbrances:

Fund	Description	Amount
General Purpose School	Transportation Equipment	\$ 478,764
"	Capital Outlay	290,819

**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 assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

**Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at

least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

### **Investments**

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

The county had no pooled and nonpooled investments as of June 30, 2011.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 8,644,370	\$ 6,279	\$ 0	\$ 8,650,649
Construction in Progress	0	37,869	0	37,869
Total Capital Assets Not Depreciated	<u>\$ 8,644,370</u>	<u>\$ 44,148</u>	<u>\$ 0</u>	<u>\$ 8,688,518</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,153,701	\$ 92,654	\$ 0	\$ 9,246,355
Infrastructure	21,622,228	332,335	0	21,954,563
Other Capital Assets	7,172,800	316,689	(48,650)	7,440,839
Total Capital Assets Depreciated	<u>\$ 37,948,729</u>	<u>\$ 741,678</u>	<u>\$ (48,650)</u>	<u>\$ 38,641,757</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,769,983	\$ 366,807	\$ 0	\$ 6,136,790
Infrastructure	14,083,374	840,462	0	14,923,836
Other Capital Assets	4,373,220	465,430	(46,756)	4,791,894
Total Accumulated Depreciation	<u>\$ 24,226,577</u>	<u>\$ 1,672,699</u>	<u>\$ (46,756)</u>	<u>\$ 25,852,520</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,722,152</u>	<u>\$ (931,021)</u>	<u>\$ (1,894)</u>	<u>\$ 12,789,237</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,366,522</u>	<u>\$ (886,873)</u>	<u>\$ (1,894)</u>	<u>\$ 21,477,755</u>

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

**Governmental Activities:**

General Government	\$ 98,424
Administration of Justice	6,305
Public Safety	468,896
Public Health and Welfare	101,234
Agriculture and Natural Resources	19,377
Highways/Public Works	<u>978,463</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,672,699</u>

**Discretely Presented Lincoln County School Department**

**Governmental Activities:**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 895,247	\$ 0	\$ 0	\$ 895,247
Construction in Progress	25,515	137,567	(79,426)	83,656
Total Capital Assets Not Depreciated	<u>\$ 920,762</u>	<u>\$ 137,567</u>	<u>\$ (79,426)</u>	<u>\$ 978,903</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 40,452,382	\$ 269,548	\$ 0	\$ 40,721,930
Other Capital Assets	5,066,619	23,183	0	5,089,802
Total Capital Assets Depreciated	<u>\$ 45,519,001</u>	<u>\$ 292,731</u>	<u>\$ 0</u>	<u>\$ 45,811,732</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 18,508,540	\$ 1,230,751	\$ 0	\$ 19,739,291
Other Capital Assets	2,594,325	332,361	0	2,926,686
Total Accumulated Depreciation	<u>\$ 21,102,865</u>	<u>\$ 1,563,112</u>	<u>\$ 0</u>	<u>\$ 22,665,977</u>
Total Capital Assets Depreciated, Net	<u>\$ 24,416,136</u>	<u>\$ (1,270,381)</u>	<u>\$ 0</u>	<u>\$ 23,145,755</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,336,898</u>	<u>\$ (1,132,814)</u>	<u>\$ (79,426)</u>	<u>\$ 24,124,658</u>

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

**Governmental Activities:**

Support Services	\$ 310,797
Operation of Non-Instructional Services	<u>1,252,315</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,563,112</u>

**C. Construction Commitments**

At June 30, 2011, the discretely presented School Department had uncompleted construction contracts of approximately \$189,219 for roofing schools. Funding for these future expenditures has been received.

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

The composition of interfund balances as of June 30, 2011, was as follows:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: General Purpose School	Primary Government: General	\$ 10,129

**Interfund Transfer:**

Interfund transfers for the year ended June 30, 2011, consisted of the following amount:

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Funds
General Fund	\$ 12,500

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

**E. Long-term Debt**

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

**General Obligation Notes and Bonds**

The county issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and the capital outlay note are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding and the capital outlay note were issued for original terms of up to 20 years for bonds and seven years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

General obligation bonds and the capital outlay note outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds - Refunding	3.9 to 5.25 %	\$ 21,235,000	\$ 14,665,000
Capital Outlay Note	2.545	391,000	341,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 53,000	\$ 8,294	\$ 61,294
2013	54,000	7,234	61,234
2014	56,000	6,100	62,100
2015	58,000	4,812	62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 341,000	\$ 31,571	\$ 372,571

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 1,040,000	\$ 721,156	\$ 1,761,156
2013	1,120,000	676,835	1,796,835
2014	1,110,000	621,665	1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017-2021	7,745,000	1,015,016	8,760,016
Total	<u>\$ 14,665,000</u>	<u>\$ 4,078,830</u>	<u>\$ 18,743,830</u>

There is \$4,944,734 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$440, based on the 2010 federal census. Debt per capita, including bonds and the note totaled \$450, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the primary government (excluding the Lincoln County Health System and Lincoln County Board of Public Utilities, enterprise funds) for the year ended June 30, 2011, was as follows:

#### Governmental Activities:

	Bonds	Notes	Other
			Postemployment Benefits
Balance, July 1, 2010	\$ 15,625,000	\$ 0	\$ 97,495
Additions	0	391,000	68,231
Deductions	(960,000)	(50,000)	(10,820)
Balance, June 30, 2011	<u>\$ 14,665,000</u>	<u>\$ 341,000</u>	<u>\$ 154,906</u>
Balance Due Within One Year	<u>\$ 1,040,000</u>	<u>\$ 53,000</u>	<u>\$ 0</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2010	\$ 159,627	\$ 258,391
Additions	139,059	2,440
Deductions	(137,600)	(14,355)
Balance, June 30, 2011	<u>\$ 161,086</u>	<u>\$ 246,476</u>
Balance Due Within One Year	<u>\$ 144,977</u>	<u>\$ 8,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 15,568,468
Less: Balances Due Within One Year	<u>(1,245,977)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,322,491</u>

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

**Discretely Presented Lincoln County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lincoln County School Department for the year ended June 30, 2011, was as follows:

Governmental Activities:	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 30,414	\$ 373,374
Additions	38,501	285,887
Deductions	(41,488)	(179,663)
Balance, June 30, 2011	<u>\$ 27,427</u>	<u>\$ 479,598</u>
Balance Due Within One Year	<u>\$ 27,427</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 507,025
Less: Balances Due Within One Year	<u>(27,427)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 479,598</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**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Lincoln County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$313. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**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 of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2011, were \$101,467 and \$31,103, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

Lincoln County is exposed to various risks related to general liability, property, and casualty losses. The county decided it was more economically feasible to join a public entity risk pool instead of purchasing commercial insurance for general liability, property, and casualty coverage. The county joined the Local Government Property and Casualty Fund (LGPCF), which is

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

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

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

### **Discretely Presented Lincoln County School Department**

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

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

**B. Accounting Change**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Lincoln County and the Lincoln County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**C. Contingent Liabilities**

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

**D. Changes in Administration**

On August 31, 2010, Matthew Ashby left the Office of Highway Superintendent and was succeeded by Tim Gill, and Anne Underwood left the Office of County Clerk and was succeeded by Phyllis Counts.

**E. Landfill Postclosure Care Costs**

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

State and federal laws and regulations require the entities to place a final cover on their sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Lincoln County and the City of Fayetteville closed their sanitary landfill in 1995. Lincoln County and the City of Fayetteville each agreed to pay 50 percent of the

postclosure costs. The \$246,476 reported as postclosure care liability at June 30, 2011, represents the county's share based on what it would cost to perform all postclosure care in 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Ventures**

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$74,866 to the operations of the library during the year ended June 30, 2011.

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 \$81,880 to the operations of the airport during the year ended June 30, 2011.

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 Giles, Franklin, 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, 2011.

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 \$90,000 to the operations of the Industrial Development Board during the year ended June 30, 2011.

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of

the Seventeenth Judicial District, Bedford, Lincoln, Moore, and Marshall counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Lincoln County made no contribution to the DTF for the year ended June 30, 2011.

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 Giles, Franklin  
and Lincoln Counties, Tennessee  
P.O. Box 807  
Tullahoma, TN 37388

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

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

**G. Retirement Commitments**

**1. Tennessee Consolidated Retirement System**

**Employees**

**Plan Description**

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

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

**Funding Policy**

**County Plan**

Lincoln County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 6.36 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The

contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees.

Board of Public Utilities Plan

Lincoln County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.96 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

County Plan

For the year ended June 30, 2011, Lincoln County’s annual pension cost of \$1,124,223 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Lincoln County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was seven years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$1,124,223	100%	\$0
6-30-10	974,958	100	0
6-30-09	921,228	100	0

### Board of Public Utilities Plan

For the year ended June 30, 2011, Lincoln County's annual pension cost of \$109,340 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the entry age actuarial cost method. Significant actuarial assumptions used in the valuation include a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Lincoln County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 12 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

#### **Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-11	\$109,340	100%	\$0
6-30-10	128,844	100	0
6-30-09	123,042	100	0

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

##### County Plan

As of July 1, 2009, the most recent actuarial valuation date, the plan was 90.19 percent funded. The actuarial accrued liability for benefits was \$35 million, and the actuarial value of assets was \$31 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17 million, and the ratio of the UAAL to the covered payroll was 20.24 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

#### Board of Public Utilities Plan

As of July 1, 2009, the most recent actuarial valuation date, the plan was 67.35 percent funded. The actuarial accrued liability for benefits was \$2 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 51.52 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

#### School Teachers

##### **Plan Description**

Lincoln County contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the

member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Lincoln County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$1,270,558, \$935,177, and \$922,807, respectively, equal to the required contributions for each year.

### **2. Deferred Compensation**

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

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

### **Plan Description**

Lincoln County and the Lincoln County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by

Section 8-27-302, *Tennessee Code Annotated (TCA)*, for teachers and Section 8-27-207, *TCA*, for local governments. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

### Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select, ranging from \$258 to \$1,239 per month. During the year ended June 30, 2011, Lincoln County and the School Department recognized expenditures of \$10,820 and \$179,663, respectively, for postemployment health care during the year ended June 30, 2011.

### Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	<hr/>	<hr/>
ARC	\$ 285,000	\$ 68,000
Interest on the NPO	16,802	4,387
Adjustment to the ARC	(15,915)	(4,156)
Annual OPEB cost	<hr/> \$ 285,887	<hr/> \$ 68,231
Less: Amount of contribution	(179,663)	(10,820)
Increase/decrease in NPO	\$ 106,224	\$ 57,411
Net OPEB obligation, 7-1-10	<hr/> 373,374	<hr/> 97,495
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 479,598	<hr/> <hr/> \$ 154,906

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 251,719	44%	\$ 278,537
6-30-10	"	273,662	65	373,374
6-30-11	"	285,887	63	479,598
6-30-09	Local Government Group	19,822	61	41,610
6-30-10	"	66,099	15	97,495
6-30-11	"	68,231	16	154,906

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

(dollars in thousands)	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 2,659	\$ 497
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,659	\$ 497
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 18,092	\$ 4,975
UAAL as a % of covered payroll	15%	10%

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

### Actuarial Methods and Assumptions

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

are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

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

**Office of Director of Finance**

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

**J. Purchasing Law**

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

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

**A. Summary of Significant Accounting Policies**

Reporting Entity – The Lincoln County Health System is owned by Lincoln County, Tennessee, with interest vested in the Lincoln County Board of Commissioners. The health system is not a legal entity separate and apart from the primary government and accordingly, it is blended as an enterprise fund as part of the financial statements of the primary government. The health system is governed by the Lincoln County Health System Committee consisting of four members appointed from the Lincoln County Board of

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

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

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 acute care beds and ten geropsych beds. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, and personal care services. The Patrick Rehab-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 Lincoln Care Center and Donalson Care Center provide long-term health care services. Effective June 1, 2011, the care centers received approval to reduce its number of intermediate-level care beds from 145 to 115; along with retaining 125 skilled-level care beds. The Donalson Care Center is also licensed for 24 beds for assisted living services.

The medical center’s financial statements include Lincoln Medical Center Auxiliary Gift Shop (auxiliary). The auxiliary is not a separate legal entity, and it is subject to financial accountability to the committee. As of and for the year ended June 30, 2011, the auxiliary’s total assets, current assets, and net assets totaled \$71,839, and are reported as restricted for other purposes in the balance sheet. Their income from operations totaled \$8,610. During 2011, the auxiliary made noncapital and capital contributions totaling \$9,123 to the medical center. As noted above, these interdepartmental transactions have been eliminated in the financial statements.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the health system enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise

funds, subject to this same limitation. The health system has elected not to follow subsequent private-sector guidance.

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

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

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

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

Capital Assets – Capital assets are stated at cost, less accumulated depreciation that is computed on the straight-line method over the estimated useful life of the asset. 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, 2011.

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

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

Grants and Contributions – From time to time, the health system receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted either for

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

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

Deferred Financing Costs – Financing costs incurred for issuance of bonds are amortized over the term of the respective bond issue using the straight-line method. Amortization expense was \$48,229 for the year ended June 30, 2011.

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

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

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

Net Assets – Net assets of the health system are classified in the following components. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted spendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the health system, including amounts deposited with trustees as required by revenue bond indentures, as discussed in Note VI.E. Restricted nonspendable net assets equal the principal portion of permanent endowments of which the health system has none. Unrestricted net assets are remaining net assets that do not meet the definition of the other components.

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

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

Other operating revenues include charges for sale of medical and pharmaceutical supplies, medical transcripts, cafeteria sales, educational training services, etc.

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

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

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

**B. Designated Net Assets**

Unrestricted net assets include designated net assets by the health system totaling \$7,972,310 as of June 30, 2011, for specific purposes such as future capital improvements, insurance, and debt service, as discussed in Note VI.E. The designated funds remain under the control of the health system, which may at its discretion, later use the funds for other purposes.

**C. Charity Care**

Charges foregone for services and supplies furnished under the health system’s charity care policy totaled \$445,243 for the year ended June 30, 2011.

#### **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 based on a prospective payment system based on the patient's ambulatory patient classification group. Geropsych services, ambulance services, and rehab services related to Medicare beneficiaries are paid based upon a cost/fee screen reimbursement methodology.

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

Revenue from the Medicare program accounted for approximately 35 percent and 29 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2011. Hospital-based departments include the medical center, ambulance service, home health care, and wellness center.

Each department is reimbursed at a tentative rate with final settlement determined after submission of an annual cost report by the department and audit thereof by the Medicare fiscal intermediary. The health system's Medicare cost reports have been audited by the fiscal intermediary through June 30, 2007.

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 organization through the State of Tennessee TennCare program. Payments for medical center inpatient services are paid based either upon a prospective per diem rate or per discharge rate. Payments for hospital outpatient, ambulance, wellness center, and home health care services are paid based upon a percentage of charges or per diem.

Care center services rendered to Medicaid program beneficiaries are reimbursed at per-diem rates determined by the State of Tennessee Comptroller's Office. The rates for both intermediate care (level I) and

skilled care (level II) program beneficiaries are paid on a prospective per-diem basis subject to a statewide ceiling for each rate.

Revenue from the Medicaid program accounted for approximately ten percent and 57 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2011.

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

The medical center received \$5,891 from an endowment fund for the year ended June 30, 2011, for patient care that is included in net patient service revenue.

#### **E. Deposits and Investments**

The health system's carrying amount of deposits was \$4,981,639, and the bank balance was \$5,183,282 as of June 30, 2011. The health system's carrying amount for restricted cash and investments, excluding an amount held under an indenture agreement, was \$8,085,950, and the bank balance was \$8,073,089 as of June 30, 2011. The bank balances totaling \$13,256,371 are either insured by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool. The bank balances are not subject to custodial credit risk.

Interest Rate Risk – For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The health system has established a debt service reserve fund under an indenture agreement for repayment of the Series 1998 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, 2011, was \$1,083,776. Generally, these investments maintain a dollar weighted average maturity at 60 days or less.

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

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

Restricted investments are held as follows as of June 30, 2011:

Internally Designated for Capital Improvements, Insurance, and Debt Service	\$ 7,972,310
Restricted by Contributors	61,554
Held Under an Indenture Agreement	1,083,776
Held Under Patient Trust Fund Arrangements - Cash	52,086
Less: Amounts Reclassified to Meet Current Liabilities	<u>(52,086)</u>
 Total	 <u><u>\$ 9,117,640</u></u>

**F. Notes Receivable Arrangements**

The medical center has advanced money to physicians to assist in the establishment of their medical professional practices. Advances are to be repaid by cash or continuation of the physicians' medical practices for a certain period based upon the terms of these arrangements. Net advances to physicians totaled \$142,002 for the year ended June 30, 2011. The health system provided provisions for continuation of the medical practices under these arrangements totaling \$82,553 for 2011. As of June 30, 2011, net advances totaling \$282,735 were due under these arrangements.

**G. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 1,073,754	\$ 0	\$ 0	\$ 1,073,754
Construction in Progress	188,430	141,104	(188,430)	141,104
Total Capital Assets Not Depreciated	<u>\$ 1,262,184</u>	<u>\$ 141,104</u>	<u>\$ (188,430)</u>	<u>\$ 1,214,858</u>
Capital Assets Depreciated:				
Ground Improvements Buildings and Improvements	\$ 2,258,292	\$ 0	\$ 0	\$ 2,258,292
Equipment	27,069,198	17,382	(15,300)	27,071,280
Total Capital Assets Depreciated	<u>14,875,333</u>	<u>655,598</u>	<u>(338,677)</u>	<u>15,192,254</u>
	<u>\$ 44,202,823</u>	<u>\$ 672,980</u>	<u>\$ (353,977)</u>	<u>\$ 44,521,826</u>

Capital Assets (Cont.)	Balance			Balance
	7-1-10	Increases	Decreases	6-30-11
Less Accumulated Depreciation For:				
Ground Improvements	\$ (708,257)	\$ (80,134)	\$ 0	\$ (788,391)
Buildings and Improvements	(12,149,899)	(959,729)	15,300	(13,094,328)
Equipment	(10,187,287)	(1,233,487)	427,036	(10,993,738)
Total Accumulated Depreciation	<u>\$ (23,045,443)</u>	<u>\$ (2,273,350)</u>	<u>\$ 442,336</u>	<u>\$ (24,876,457)</u>
Capital Assets, Net	<u>\$ 22,419,564</u>	<u>\$ (1,459,266)</u>	<u>\$ (100,071)</u>	<u>\$ 20,860,227</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. Depreciation expense for the year ended June 30, 2011, totaled \$2,273,350.

A contract was signed June 27, 2011, for the roofing of Donaldson Care Center. The estimated total cost is \$76,209, and the project is expected to be completed by August 2011.

## H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2011:

	Balance		Due	
	7-1-10	Reductions	Balance 6-30-11	Within One Year
Series 1998, due in installments of \$475,000 to \$495,000 through May 2013, at interest rates ranging from 5% to 5.125%	\$ 1,420,000	\$ (450,000)	\$ 970,000	\$ 475,000
Series 2001, final installments of \$140,000 due May 2011, at interest rate of 4.45%	140,000	(140,000)	0	0
Series 2004, Hospital Facility Lease Revenue and Tax Refunding Bonds, due in installments of \$45,000 to \$800,000 through May 2023, at an interest rate of 3.875%	6,925,000	(40,000)	6,885,000	45,000
Note Payable, General Electric Capital Corporation, final installment paid October 2010, at an interest rate of 4.28%	40,392	(40,392)	0	0
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%	4,915,000	(10,000)	4,905,000	10,000

Long-term Debt (Cont.)	Balance 7-1-10	Reductions	Balance 6-30-11	Due Within One Year
Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$155,000 to \$220,000 through May 2021, at an interest rate of 3.93%	\$ 1,870,000	\$ (10,000)	\$ 1,860,000	\$ 155,000
Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%	227,934	(26,537)	201,397	28,598
General Obligation Capital Outlay Note, paid obligation in full October 2010, at an interest rate of 3.9%	857,606	(857,606)	0	0
Total long-term debt	\$ 16,395,932	<u>\$ (1,574,535)</u>	\$ 14,821,397	<u>\$ 713,598</u>
Less current maturities of long-term debt	(944,351)		(713,598)	
Less Series 2004 deferred refunding costs	(228,175)		(210,509)	
Less Series 2007 deferred refunding costs	(95,407)		(88,351)	
Add unamortized bond premium	<u>35,460</u>		<u>33,560</u>	
Total noncurrent liabilities	<u>\$ 15,163,459</u>		<u>\$ 13,842,499</u>	

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

The annual requirements to amortize all long-term debt outstanding as of June 30, 2011, are as follows:

Year Ending June 30	Bonds	
	Principal	Interest
2012	\$ 713,598	\$ 609,749
2013	740,818	574,930
2014	778,210	538,717
2015	810,788	507,145
2016	838,567	474,208
2017-2021	4,559,416	1,857,411
2022-2026	4,345,000	985,791
2027-2028	2,035,000	129,150
Total	<u>\$ 14,821,397</u>	<u>\$ 5,677,101</u>

Series 1998 – The Series 1998 Hospital Facility Lease Revenue and Tax Bonds were issued totaling \$15,000,000 to construct and purchase equipment for the new medical center built in 2001. The bonds are the ultimate obligation of Lincoln County, Tennessee. The Series 1998 bond agreement contains various covenants, including the establishment of a Debt Service Reserve Fund for repayment of the bonds and maintenance of a certain debt service coverage ratio. For the year ended June 30, 2011, the medical center

complied with the restrictive covenants, including the required debt service covenant ratio.

The bonds maturing May 1, 2010, through May 1, 2013, are not subject to optional redemption. The bonds maturing on or after May 1, 2014, have been redeemed by advance refunding in August 2004 and June 2007. See Series 2004 and Series 2007 bonds below for further information.

Series 2001 – The Series 2001 General Obligation Refunding and Public Improvement Bonds were issued totaling \$4,060,000 to purchase furniture and equipment for the medical center and to refund \$1,010,000 of the existing wellness and care centers' debt. The bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds matured May 1, 2011, without the option of prior redemption. Bonds maturing on or after May 1, 2012, have been redeemed by advance refunding in June 2007 as further described in Series 2007 bonds referenced below. The Series 2001 bonds were paid in full in the current year.

Series 2004 – In a prior year, the health system defeased a portion of the Series 1998 bonds by issuance of \$7,115,000 Series 2004 Hospital Facility Lease Revenue and Tax Refunding Bonds and placed the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2011, \$6,625,000 of the bonds outstanding is considered defeased.

The Series 2004 bonds are the ultimate obligation of Lincoln County, Tennessee. The bonds maturing May 1, 2009, through May 1, 2013, are not subject to redemption prior to maturity. The bonds maturing May 1, 2014, and thereafter are subject to redemption on or after May 1, 2013, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date. The Series 2004 bond agreement contains various covenants, including the maintenance of a certain debt service coverage ratio. For the year ended June 30, 2011, the medical center complied with the debt service coverage ratio.

Series 2007 – In a prior year, 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 placed the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2011, \$6,655,000 of the bonds outstanding are considered defeased.

Both Series 2007 bonds are the ultimate obligation of Lincoln County, Tennessee. Both Series 2007 bonds are subject to redemption prior to

maturity, as a whole or in part, at any time, at the redemption price plus interest accrued to the redemption date for bonds maturing after May 1, 2017. The Series 2007 bonds contain various covenants, including the maintenance of a certain debt service coverage ratio. The unrefunded Series 1998 and Series 2004 bonds are on a parity lien with the Series 2007 bonds. For the year ended June 30, 2011, the medical center complied with the debt service coverage ratio.

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

The capital outlay note is a general obligation of Lincoln County, Tennessee. The obligation was paid in full in the current year.

#### **I. Pension Plan**

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

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

##### **Plan Description**

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

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

### **Funding Policy**

Lincoln County requires employees to contribute five percent of earnable compensation. Plan members are required to contribute at an actuarially determined rate. The current rate is 6.36 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lincoln County is established and may be amended by the TCRS Board of Trustees. The health system contributions for participating departments for the years ended June 30, 2011, 2010, and 2009, were \$589,946, \$502,444, and \$462,425, respectively, equal to the required contributions for each year.

### **Care Centers**

The care centers adopted a defined contribution pension plan, under sections 401(a) and 457 of the Internal Revenue Code, covering all employees who are 21 years of age and have completed 1,000 hours of service. Participants become fully vested after six years (20 percent after two years plus 20 percent for each subsequent year). Participants become eligible to retire at the age of 60 or completion of five years of service, whichever is later. The plan provides for early retirement at the age of 55 and the completion of 30 years of service. Eligible participants may contribute a portion of their salary, up to the legal limit established by the Internal Revenue Code. The care centers will match up to 50 percent of the employee's contribution, up to the first three percent of gross pay. Employer and employee contributions under this plan totaled \$28,592 and \$120,064, respectively for the year ended June 30, 2011.

### **Deferred Compensation Plan**

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

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

**J. Risk Management**

The health system contracts with Blue Cross of Tennessee to provide a self-insured group health insurance plan to eligible employees and their eligible dependents, as defined in the contract. The health system has also purchased reinsurance for claims paid in any one-contract year, in excess of \$90,000 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, 2011, the health system accrued \$417,546 for an estimated claims lag. Changes in the reported liability for 2011 resulted from the following:

	<u>2011</u>
Balance, beginning of year	\$ 531,752
Current-year claims and settlements	2,237,879
Claim payments	<u>(2,352,085)</u>
Balance, end of year	<u>\$ 417,546</u>

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2011, this internally designated cash, including interest earned, totaled \$158,658.

**K. Concentrations of Credit Risk**

The health system grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements and managed care health plans. The following is a summary of the mix of accounts receivable from third-party payors and patients as of June 30, 2011:

Medicare	33 %
Medicaid	16
Other Third-party Payors	19
Patients	<u>32</u>
Total	<u><u>100 %</u></u>

**L. Management Agreement**

The health system has an agreement with Quorum Health Resources, LLC, (QHR) to provide management services and certain key personnel for a five-year period ending June 30, 2011. This agreement was renewed for a 15-month period, ending September 30, 2011, and later extended until December 31, 2011. Management fees are subject to annual adjustment by an inflation factor as defined in the agreement. Management fees paid for 2011 were \$693,638. Total payments to QHR for 2011 were \$701,352, which includes reimbursement for travel, dues, and key personnel who provide services to the health system.

**M. Contingencies and Commitments**

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

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

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

The following is a schedule by year of future minimum noncancellable lease payments as of June 30, 2011:

Year Ending June 30	Amount
2012	\$ 15,000
2013	15,000
2014	15,000
2015	15,000
2016	15,000
Later years	<u>13,750</u>
Total	<u>\$ 88,750</u>

Rental expense under all operating leases for 2011 totaled \$161,667.

The health system leases office space in its medical office building to physicians primarily under three-year lease terms and also leases office space at Lincoln Care Center. The following is a schedule by year of future minimum rentals under noncancellable leases that expire under existing terms through 2016:

Year Ending June 30	Amount
2012	\$ 157,142
2013	86,284
2014	62,225
2015	63,365
2016	<u>10,593</u>
Total	<u>\$ 379,609</u>

Rental income received for 2011 totaled \$237,528. 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 as follows:

Cost	\$ 3,569,499
Accumulated depreciation	<u>(972,301)</u>
Net book value	<u>\$ 2,597,198</u>

**N. Lincoln County Health System Foundation**

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

foundation. Accordingly, the net assets of the foundation are not reported by the health system.

However, for informational purposes only, a summary of the foundation's assets, liabilities, net assets, results of operations, and changes in net assets follows as of June 30, 2011:

Assets, cash, and cash equivalents	<u>\$ 35,416</u>
Liabilities	<u>\$ 0</u>
Unrestricted net assets	<u>\$ 35,416</u>
Support and revenue	\$ 23,430
Expenses	<u>(45,712)</u>
Deficiency of support and revenue over expenses	\$ (22,282)
Unrestricted net assets, July 1, 2010	<u>57,698</u>
Unrestricted net assets, June 30, 2011	<u>\$ 35,416</u>

**O. Pledged Revenues**

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

	Current-Year		Remaining Pledge	Commitment
	Principal and	Percent of	Based on Future	Period
Operating	Interest Paid on	Current	Principal	Through
Revenues	Revenue Bonds	Revenue	and Interest	Fiscal Year
			Requirements	
\$ 40,315,046	\$ 1,046,986	2.6%	\$ 17,963,017	2028

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

**A. Summary of Significant Accounting Policies**

Organization and Reporting Entity – The Lincoln County Board of Public Utilities is an enterprise fund established under Section 5-16-101, *Tennessee Code Annotated*, by the county. The board sells drinking water to the residents of Lincoln County and has an ongoing program to expand its distribution system in an effort to provide public water to residents of the county not served by municipal systems. The board is operated by a five-member board of commissioners appointed by the Lincoln County

Commission. The Board of Commissioners employs a superintendent who is responsible for day-to-day operations of the water system, including hiring its other employees. The board is responsible for generating its own revenue and servicing its debt. The board has the authority to acquire assets in the name of Lincoln County. The Lincoln County Commission has the authority to approve or reject budgets presented by the board and to approve bonds issued by the board. Some bonds issued for the board are secured by a pledge of the taxing authority of Lincoln County.

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

Basis of Accounting – The board is classified as a proprietary fund by the Governmental Accounting Standards Board (GASB) and is accounted for using a total economic resources measurement focus. 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 financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred. Under Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the board has elected not to follow pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

The principal operating revenues of the board are charges to customers for water sales and related services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of utility plant assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates relate to depreciation and the value of distribution lines contributed to the system.

Water Plant and Equipment, Depreciation, and Maintenance – Water plant and equipment are depreciated on the group straight-line basis over its estimated useful life. 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 Assets.

Plant assets and buildings are depreciated over 25 - 50 years, while vehicles and equipment are depreciated over six to ten years. Repairs and maintenance are expensed as incurred.

Extensions and betterments are capitalized at cost, which includes payroll and related benefits, materials, and equipment costs related to plant construction. Contributed lines are capitalized at estimated current cost of construction. The board capitalizes equipment additions with a cost in excess of \$500 and plant additions in excess of \$2,000.

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

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 contributed related to new line construction are reflected as capital contributions in the period of construction completion.

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

Construction Period Interest – Interest on costs incurred during the period of plant construction, net of interest earned on temporary investment of financing proceeds, is capitalized until such plant is substantially complete and placed into service. Interest of \$1,154 was capitalized in the year ended June 30, 2011.

Allowance for Doubtful Accounts – The board charges doubtful accounts arising from water sales receivable to bad debts when it is probable that the account will be uncollectible. Bad debts offset against water sales revenues in 2011 were \$20,351.

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.

Compensated Employee Absences – Employees accrue 12 days sick leave each year with no accumulation limit. Sick leave does not vest, and accordingly, employees can be paid sick leave only when sick. Since the employees' accumulating rights to receive compensation for future illnesses are

contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements. Employees accrue vacation leave from one to three weeks annually based on years of service. In the event of termination, an employee is reimbursed for any unused accumulated leave. Vacation leave is used or lost if not taken by each employee's anniversary date. The total accrued leave of \$13,920 at June 30, 2011, was considered a current liability.

Cash Flows – For purposes of the Statement of Cash Flows, the board considers all checking, savings, and investment accounts with original maturities of three months or less to be cash or cash equivalents.

**B. Net Assets**

Net assets are classified as follows:

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

**C. Long-term Debt**

Bonds and notes are payable from revenues of the board and also secured by Lincoln County property taxes for the Series 2002, 2004, 2007, and 2008 issues. All debt may be prepaid. Parity bonds may be issued if net revenues of the board are at least 120 percent of scheduled bond payments. The board's net revenues exceeded this requirement in the year ended June 30, 2011.

The board had the following bonds and notes outstanding at June 30, 2011:

Water Revenue and Tax Bonds, Series 2010, issued February 17, 2011, quarterly interest due at 2.45% with principal due February 17, 2013	\$ 136,142
Water Revenue and Tax Bonds, Series 2007, issued April 23, 2008, due monthly to USDA in annual principal and interest amounts of \$90,360 through 2046 at 4.125%	1,667,038
Water Revenue and Tax Capital Outlay Note, Series 2008, issued May 14, 2008, due in annual principal installments of \$30,000 to \$45,000 through 2020 with interest at 3.98%	335,000
Water Revenue and Tax Bonds, Series 2004, issued September 22, 2005, due monthly to USDA in annual principal and interest amounts of \$73,308 through 2043 at 4.25%	1,283,302
Waterworks Revenue and Tax Bonds, Series 2002, issued March 27, 2003, due monthly to USDA in annual principal and interest amounts of \$21,384 through 2041 at 4.75%	339,075
Waterworks Revenue Bond, Series 2000, issued October 18, 2001, due monthly to USDA in annual principal and interest amounts of \$60,888 through 2039 at 4.375%	984,864
Waterworks Revenue Bond, Series 1998, issued January 13, 2000, due monthly to USDA in annual principal and interest amounts of \$42,756 through 2038 at 4.75%	642,037
Waterworks Revenue Bond, Series 1996, issued August 22, 1997, due monthly to USDA in annual principal and interest amounts of \$173,880 through 2035 at 4.875%	<u>2,455,521</u>
Total	\$ 7,842,979
Less current portion of long-term debt	(161,774)
Long-term portion, net	<u>\$ 7,681,205</u>

Changes in principal balances during the year ended June 30, 2011, are summarized as follows:

Beginning balance	\$ 7,863,532
Advances on bond anticipation note	136,142
Principal paid on other bonds	<u>(156,695)</u>
Total	<u>\$ 7,842,979</u>

Selected principal and interest payments on bonds and notes outstanding at June 30, 2011, are summarized as follows:

Fiscal Year	Payable Monthly to USDA	Capital Notes	Total Principal
2012	\$ 131,774	\$ 30,000	\$ 161,774
2013	138,694	35,000	173,694
2014	145,175	35,000	180,175
2015	151,961	35,000	186,961
2016	158,368	35,000	193,368
2017-2021	913,325	165,000	1,078,325
2022-2026	1,148,161	0	1,148,161
2027-2031	1,443,731	0	1,443,731
2032-2036	1,638,040	0	1,638,040
2037-2041	961,750	0	961,750
2042-2046	540,858	0	540,858
Total	\$ 7,371,837	\$ 335,000	\$ 7,706,837

Fiscal Year	Total Interest	Total Debt Service
2012	\$ 344,135	\$ 505,909
2013	336,021	509,715
2014	328,147	508,322
2015	319,968	506,929
2016	312,168	505,536
2017-2021	1,416,271	2,494,596
2022-2026	1,164,719	2,312,880
2027-2031	869,149	2,312,880
2032-2036	501,066	2,139,106
2037-2041	207,878	1,169,628
2042-2046	47,855	588,713
Total	\$ 5,847,377	\$ 13,554,214

#### D. Capital Leases

In the 2009 fiscal year, the board entered into a capital lease agreement of \$39,020 to finance the acquisition of construction equipment. During the current year, the board entered into an additional lease to finance \$43,304 of the total cost of construction equipment. The leased equipment has been capitalized and depreciated along with the board's other equipment. The leases bear interest at the rates of 5.76 percent and 3.25 percent and require 60 monthly payments of \$750 and \$781, respectively. Principal paid on capital leases in 2011 was \$15,728. Scheduled future payments on the leases are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 10,515	\$ 1,105	\$ 11,620
2013	8,559	811	9,370
2014	8,841	529	9,370
2015	9,133	237	9,370
2016	2,328	14	2,342
<b>Total</b>	<b>\$ 39,376</b>	<b>\$ 2,696</b>	<b>\$ 42,072</b>

**E. Capital Assets**

Major classes of utility plant are as follows:

	Balance				Balance
	7-1-10	Additions	Disposals	Transfers	6-30-11
Non-Depreciable:					
Land	\$ 527,695	\$ 0	\$ 0	\$ 0	\$ 527,695
Construction in Progress	306,508	638,683	0	(661,892)	283,299
<b>Total Non-Depreciable Assets</b>	<b>\$ 834,203</b>	<b>\$ 638,683</b>	<b>\$ 0</b>	<b>\$ (661,892)</b>	<b>\$ 810,994</b>
Depreciable:					
Distribution Lines and Tanks	\$ 25,782,021	\$ 0	\$ (2,100)	\$ 661,892	\$ 26,441,813
Wells and Treatment Plant	4,590,887	0	0	0	4,590,887
Buildings and Equipment	2,513,875	233,390	(194,103)	0	2,553,162
<b>Total Depreciable Assets</b>	<b>\$ 32,886,783</b>	<b>\$ 233,390</b>	<b>\$ (196,203)</b>	<b>\$ 661,892</b>	<b>\$ 33,585,862</b>
<b>Total Capital Assets</b>	<b>\$ 33,720,986</b>	<b>\$ 872,073</b>	<b>\$ (196,203)</b>	<b>\$ 0</b>	<b>\$ 34,396,856</b>

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

	Balance				Balance	
	7-1-10	Additions	Disposals			6-30-11
Distribution and Tanks	\$ 9,481,950	\$ 627,670	\$ 0			\$ 10,109,620
Wells and Treatment Plant	1,108,840	107,200	0			1,216,040
Buildings and Equipment	1,904,628	147,620	(130,503)			1,921,745
<b>Total Depreciation</b>	<b>\$ 12,495,418</b>	<b>\$ 882,490</b>	<b>\$ (130,503)</b>			<b>\$ 13,247,405</b>

**F. Restricted Assets**

Cash is held in sinking fund reserve funds, which are to be accumulated up to the maximum annual debt service and used for bond payments in the event funds are not otherwise available. These funds are mandated by bond covenants for bonds not secured by property taxes of Lincoln County. The board pays scheduled bond payments from unrestricted funds leaving bond reserve funds intact. Restricted assets also include amounts held for payment of customer deposits. Balances in the restricted funds at June 30, 2011, were:

Sinking Fund Reserve Fund - 1996 Bond	\$ 173,880
Sinking Fund Reserve Fund - 1998 Bond	42,756
Sinking Fund Reserve Fund - 2000 Bond	58,858
Customer Deposits	<u>13,385</u>
 Total	 <u><u>\$ 288,879</u></u>

**G. Deposits and Investments**

State law and bond covenants in general restrict the board's investments to either U.S. Treasury or agency obligations or to certificates of deposit insured or collateralized by direct U.S. Treasury obligations. The laws of the State of Tennessee require that collateral be pledged at 105 percent of the value of uninsured deposits. At June 30, 2011, all of the board's deposits were insured by the FDIC or on deposit with a bank that participates in the state collateral pool. In 2011, the board's interest earned was from liquid fund accounts, which were carried at cost.

**H. Pension Plan**

**Plan Description**

Effective October 1, 2001, the board's employees became members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system become vested after five years of service.

Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Lincoln County Board of Public Utilities participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

The Lincoln County Board of Public Utilities requires its employees to contribute five percent of their earnable compensation. The board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2011, was 8.96 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the board is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2011, the Lincoln County Board of Public Utilities annual pension cost of \$109,340 to TCRS was equal to the board's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increases in the Social Security wage base, and (d) projected post-retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 12 years. An actuarial valuation was performed as of July 1, 2009, which established a contribution rate effective July 1, 2010.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$ 109,340	100%	\$ 0
6-30-10	128,844	100	0
6-30-09	123,042	100	0

As of July 1, 2009, the most recent actuarial valuation date, the plan was 67.35 percent funded. The actuarial accrued liability for benefits was \$1,789,000 and the actuarial value of the assets was \$1,205,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,133,000, and the ratio of the UAAL to the covered payroll was 51.52 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

#### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009, was as follows:  
(dollars in thousands)

Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 1,789
Actuarial value of plan assets	\$ 1,205
Unfunded actuarial accrued liability (UAAL)	\$ 584
Actuarial value of assets as a % of the AAL	67%
Covered payroll (active plan members)	\$ 1,133
UAAL as a % of covered payroll	52%

**I. 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. 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.

**J. Risk Management and Liability**

The board is exposed to various risks of loss related to torts, loss of assets, errors and omissions, and employee injuries. During 2011, 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 \$4,000 (\$3,000 prior to April 1, 2011) per year per covered individual. Employees are responsible for the first \$250 of covered claims, with commercial insurance responsible for amounts over \$4,000. 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, 2011, is as follows:

Balance, June 30, 2010	\$ 3,330
Payments made	(26,545)
Incurred claims	<u>29,050</u>
Balance, June 30, 2011	<u><u>\$ 5,835</u></u>

The board continues to carry commercial insurance for other risks of loss, including employee bonds and employee health and accident losses above the \$4,000 level. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

**K. Asset Sale and Related Loan Receivable**

On July 27, 2004, the board sold its water lines located in Moore County, Tennessee, to Metropolitan Lynchburg/Moore County for \$150,000 with \$25,000 paid at closing and \$125,000 to be paid over six years with interest accruing at four percent. The final amount due under the loan of \$20,833 was collected in the year ended June 30, 2011.

**L. 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, 2011, these sales totaled \$34,675, and accounts receivable at June 30, 2011, related to these sales totaled \$1,846. During the year ended June 30, 2011, Lincoln County contributed \$13,125 towards the cost of the Smith Mill Road line extension.

**M. Current and Planned Projects**

Substantially all of the distribution line additions and improvements in 2011 were constructed by the board's employees. At June 30, 2011, construction in progress costs of \$20,983 had been incurred on two line additions.

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, 2011, the board had purchased land for \$202,000, and had recorded construction in progress costs of \$124,695 related to 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 four years.

At June 30, 2011, the board had incurred engineering, interest, and legal costs of \$137,621 on the Phase V project. The project will consist of the replacement of approximately 22 miles of waterline in Park City and the surrounding area. Construction began in July 2011 and will take approximately three years to complete. The project cost of \$6,638,000 will be funded by a Rural Utility Service bond of \$4,827,000 and a grant of \$1,811,000. Both the bond and the grant require compliance with requirements of the American Recovery and Reinvestment Act of 2009. Monthly debt service on the bond is anticipated to be approximately \$18,450. The board approved a monthly \$1.50 per customer rate increase in September 2010 and anticipates an additional \$.70 increase in the future to allow for debt service. The board will also be required to make monthly additions of \$29,000 to an asset management reserve to fund short-lived equipment and system costs that are currently paid for from current operations.

**VIII. OTHER NOTES - DISCRETELY PRESENTED LINCOLN COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Accounting Policies**

The accounting policies and the reporting requirements of the Lincoln County Emergency Communications District conform to generally accepted accounting principles as applicable to governmental entities. The district applies all

Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As allowed by GASB Statement No. 20, the board has elected not to follow pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

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

The district represents a legal entity separate and apart from Lincoln County, Tennessee (the primary government). The district's financial statements are reported as a discretely presented component unit of the primary government. The district is governed by the Lincoln County Emergency Communications District Board, which consists of eight members appointed by the Lincoln County Board of Commissioners, the chief of police of Fayetteville, Tennessee, and the sheriff of Lincoln County. Each member serves a four-year term. The directors have the authority to do all things necessary to conduct the business of the district, including appointing and fixing the salaries, benefits, and duties of employees and hiring experts and consultants. The district is restricted on the type of debt it can incur without the approval of Lincoln County, Tennessee.

Revenue Recognition – The accompanying statements are prepared on the accrual basis utilizing generally accepted accounting principles applicable to Tennessee emergency communications districts. Revenues are recognized when earned (operating revenues as described in Note VII.B. are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. Deferred revenues, primarily grant contributions, are recorded when resources have been received, but not yet earned or not considered to be available to liquidate liabilities of the current period. Operating expenses include the costs of contractual services, supplies, repairs, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Accounts Receivable – Accounts receivable represent fees collected by certain service providers that are due to the district as of year end. Uncollectible fees/revenues are accounted for as a reduction of revenues based upon periodic review of accounts receivable. As of June 30, 2011, in the opinion of management, there were no uncollectible accounts receivable.

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

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There were no capitalized interest costs on borrowed funds for the year ended June 30, 2011.

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

Deposits and Investments – Statutes authorize the district to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; (3) the Local Government Investment Pool of the State of Tennessee; and (4) obligations of the United States or its agencies under repurchase agreements with certain restrictions. In 2010, the district invested only in certificates of deposit with maturities of two to three and one-half years, which are carried at cost.

Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. At June 30, 2011, all of the district's cash was insured through participation in the State of Tennessee bank collateral pool.

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

Budgetary Basis – The district adopts a budget in accordance with the requirements of Section 7-86-120, *Tennessee Code Annotated*. The budget is adopted on another comprehensive basis of accounting, which is not in accordance with generally accepted accounting principles. The budgetary basis of accounting includes expenditures for capital assets and reduction of principal on long-term debt and does not include noncash expenses such as depreciation and amortization.

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

**B. Operations**

The district receives operating revenues from telephone service providers' customers by charging a monthly fee of \$.65 to residential and \$2 to business customers. These are the maximum charges allowed by the Emergency Communications District Law, and there are no plans to decrease them in the near future. The district has contracted for services to lease and maintain lines and equipment for approximately \$3,600 per month. The actual monthly costs vary depending on the number of users on the system.

The district also receives operating revenues from the Tennessee Emergency Communications Board (ECB). The ECB receives 25 percent of the wireless E-911 charge collected from the state's wireless/cellular telephone subscribers, and in turn remits to each E-911 district its portion of the funds collected based on that district's population.

**C. On-Behalf Payments for Dispatch Services**

The City of Fayetteville and Lincoln County provide central dispatch services for police, fire, ambulance, and the district's emergency communications, among others. These services include payments for dispatch salaries and benefits on an equal basis. Generally accepted accounting principles require disclosure of these on-behalf payments. The on-behalf payments by the city and county totaled \$605,651 for the year ended June 30, 2011. These payments include salaries, taxes, and related benefits for the year ended June 30, 2011.

**D. Property and Equipment**

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Balance 6-30-11
Land	\$ 171,110	\$ 0	\$ 171,110
Land Improvements	177,324	8,500	185,824
Building	599,767	0	599,767
Communication and Office Equipment	655,658	127,624	783,282
Vehicle	28,244	0	28,244
<b>Total</b>	<b>\$ 1,632,103</b>	<b>\$ 136,124</b>	<b>\$ 1,768,227</b>

The related activity for accumulated depreciation for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Increases	Balance 6-30-11
Land Improvements	\$ 5,911	\$ 12,105	\$ 18,016
Building	135,309	14,876	150,185
Communication Equipment	490,275	62,690	552,965
Vehicle	17,991	4,295	22,286
<b>Total</b>	<b>\$ 649,486</b>	<b>\$ 93,966</b>	<b>\$ 743,452</b>

Depreciation for the year ended June 30, 2011, totaled \$93,966.

**E. Long-term Debt**

Under a lease-purchase arrangement with the district, Lincoln County, Tennessee, issued a general obligation capital outlay note, Series 2000A of Lincoln County, Tennessee, totaling \$375,000 to construct the E911 communications center and purchase capital equipment costing approximately \$637,000. Accordingly, the related assets and liabilities for these transactions are recognized in the financial statements herein. The Series 2000A maturing December 1, 2007, and thereafter is subject to redemption prior to maturity, at the option of Lincoln County on December 1, 2004, or any date thereafter at par plus accrued interest to the redemption date. The district agreed to pay interest and principal on the capital outlay notes when due from revenues derived from its operations. The debt was fully satisfied during the year ended June 30, 2011.

Long-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Retirements	Balance 6-30-11
Capital Outlay Note Series 2000A, due in annual installments of \$30,000 to \$40,000 through December 2013, with interest of 4.91%	\$ 80,000	\$ (80,000)	\$ 0
Total	\$ 80,000	<u>\$ (80,000)</u>	0
Less: Current Maturities	<u>0</u>		<u>0</u>
Total Long-term Debt	<u>\$ 80,000</u>		<u>\$ 0</u>

**F. Current and Planned Projects**

During the year ended June 30, 2011, the installation of a new simulcast system was begun. Phase I was completed during the current year at a cost of \$46,789; Phase II installation was underway at June 30, 2011. Project completion is anticipated during the year ended June 30, 2012, at a cost of approximately \$120,200. This project is being funded by district funds.

The installation of a security system was initiated during the year ended June 30, 2011. The project was completed in July 2011 at a cost of \$74,625. This project is being funded by district funds.

Installation of a CAD system upgrade was also initiated during the year ended June 30, 2011. The system upgrade is necessary to meet Next Generation 911 project guidelines. The project is expected to cost \$513,000; project costs will be paid by a State of Tennessee grant of \$235,951 with the remainder to be funded by district funds. The State of Tennessee grant was received in July 2011. Project completion is anticipated in the year ended June 30, 2012.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,569,432	\$ 0	\$ 0	\$ 4,569,432	\$ 4,469,959	\$ 4,469,959	\$ 99,473
Licenses and Permits	84,917	0	0	84,917	73,000	73,000	11,917
Fines, Forfeitures, and Penalties	157,463	0	0	157,463	173,333	173,333	(15,870)
Charges for Current Services	77,323	0	0	77,323	61,750	61,750	15,573
Other Local Revenues	403,277	0	0	403,277	326,551	338,103	65,174
Fees Received from County Officials	1,241,992	0	0	1,241,992	1,141,500	1,141,500	100,492
State of Tennessee	2,166,147	0	0	2,166,147	1,589,486	1,705,549	460,598
Federal Government	211,063	0	0	211,063	49,284	229,402	(18,339)
Other Governments and Citizens Groups	55	0	0	55	0	0	55
<b>Total Revenues</b>	<b>\$ 8,911,669</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,911,669</b>	<b>\$ 7,884,863</b>	<b>\$ 8,192,596</b>	<b>\$ 719,073</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 143,200	\$ 0	\$ 0	\$ 143,200	\$ 140,988	\$ 150,988	\$ 7,788
County Mayor/Executive	147,486	(965)	0	146,521	160,062	161,589	15,068
County Attorney	29,150	0	0	29,150	78,643	78,643	49,493
Election Commission	282,538	(18,763)	0	263,775	316,049	316,049	52,274
Register of Deeds	184,530	(2,354)	217	182,393	203,126	208,866	26,473
Planning	17,300	0	0	17,300	21,250	21,250	3,950
County Buildings	601,819	(5,326)	14,003	610,496	650,796	661,296	50,800
Preservation of Records	17,955	0	0	17,955	20,730	23,980	6,025
<u>Finance</u>							
Accounting and Budgeting	294,359	(3,380)	870	291,849	299,313	299,890	8,041
Property Assessor's Office	187,550	(606)	221	187,165	196,338	196,738	9,573
Reappraisal Program	89,922	0	0	89,922	91,168	91,168	1,246

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 190,533	\$ (749)	35	\$ 189,819	\$ 203,569	\$ 203,569	\$ 13,750
County Clerk's Office	233,957	(706)	0	233,251	239,730	242,669	9,418
<u>Administration of Justice</u>							
Circuit Court	417,376	(1,238)	106	416,244	442,455	442,192	25,948
General Sessions Court	148,734	(110)	30	148,654	150,750	151,835	3,181
Chancery Court	228,332	(312)	392	228,412	240,307	238,917	10,505
Juvenile Court	164,478	(247)	279	164,510	159,670	170,170	5,660
Judicial Commissioners	33,975	0	0	33,975	34,484	34,484	509
Courtroom Security	46,224	0	0	46,224	49,106	49,106	2,882
<u>Public Safety</u>							
Sheriff's Department	1,862,934	(14,357)	4,435	1,853,012	1,969,419	1,990,718	137,706
Jail	1,895,874	(17,996)	2,689	1,880,567	1,984,321	1,980,307	99,740
Fire Prevention and Control	174,858	(3,802)	223	171,279	169,950	181,502	10,223
Civil Defense	228,758	(28,482)	16,421	216,697	176,907	334,108	117,411
<u>Public Health and Welfare</u>							
Local Health Center	419,825	(9,835)	100	410,090	493,566	493,566	83,476
Maternal and Child Health Services	27,500	0	0	27,500	27,500	27,500	0
Other Local Health Services	7,500	0	0	7,500	7,500	7,500	0
Regional Mental Health Center	4,000	0	0	4,000	4,000	4,000	0
Other Local Welfare Services	8,803	0	0	8,803	8,803	8,803	0
Sanitation Management	120,085	0	0	120,085	108,839	138,839	18,754
Other Public Health and Welfare	25,750	0	0	25,750	25,750	25,750	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	14,550	0	0	14,550	14,550	14,550	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services (Cont.)</u>							
Libraries	\$ 74,866	\$ 0	\$ 0	\$ 74,866	\$ 74,866	\$ 74,866	\$ 0
Parks and Fair Boards	32,000	0	0	32,000	32,000	32,000	0
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	80,022	0	0	80,022	92,322	92,322	12,300
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	48,524	(585)	597	48,536	50,670	50,670	2,134
<u>Other Operations</u>							
Industrial Development	90,000	0	0	90,000	90,000	90,000	0
Other Economic and Community Development	103,467	0	0	103,467	22,500	111,000	7,533
Airport	81,880	0	0	81,880	14,380	81,880	0
Veterans' Services	19,806	0	0	19,806	20,466	20,466	660
Contributions to Other Agencies	4,900	0	0	4,900	4,900	4,900	0
ARRA Grant No. 1	12,477	0	0	12,477	0	13,517	1,040
Miscellaneous	256,898	0	0	256,898	338,695	329,008	72,110
Total Expenditures	\$ 9,056,695	\$ (109,813)	\$ 40,618	\$ 8,987,500	\$ 9,432,438	\$ 9,853,171	\$ 865,671
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (145,026)	\$ 109,813	\$ (40,618)	\$ (75,831)	\$ (1,547,575)	\$ (1,660,575)	\$ 1,584,744
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 391,000	\$ 0	\$ 0	\$ 391,000	\$ 0	\$ 12,500	\$ 378,500
Insurance Recovery	0	0	0	0	0	4,000	(4,000)
Transfers Out	(12,500)	0	0	(12,500)	0	(12,500)	0
Total Other Financing Sources (Uses)	\$ 378,500	\$ 0	\$ 0	\$ 378,500	\$ 0	\$ 4,000	\$ 374,500
Net Change in Fund Balance	\$ 233,474	\$ 109,813	\$ (40,618)	\$ 302,669	\$ (1,547,575)	\$ (1,656,575)	\$ 1,959,244
Fund Balance, July 1, 2010	3,152,458	(109,813)	0	3,042,645	3,597,516	3,042,645	0
Fund Balance, June 30, 2011	\$ 3,385,932	\$ 0	\$ (40,618)	\$ 3,345,314	\$ 2,049,941	\$ 1,386,070	\$ 1,959,244

Exhibit F-2

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 868,974	\$ 0	\$ 0	\$ 868,974	\$ 889,958	\$ 889,958	\$ (20,984)
Other Local Revenues	12,855	0	0	12,855	2,500	2,500	10,355
State of Tennessee	2,429,778	0	0	2,429,778	1,825,169	2,587,469	(157,691)
Total Revenues	\$ 3,311,607	\$ 0	\$ 0	\$ 3,311,607	\$ 2,717,627	\$ 3,479,927	\$ (168,320)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 203,571	\$ 0	\$ 0	\$ 203,571	\$ 224,766	\$ 224,766	\$ 21,195
Highway and Bridge Maintenance	2,134,012	0	11,613	2,145,625	1,748,112	2,340,312	194,687
Operation and Maintenance of Equipment	554,593	(650)	4,977	558,920	796,932	794,432	235,512
Quarry Operations	217,469	0	175	217,644	279,470	286,970	69,326
Other Charges	108,737	0	0	108,737	124,400	124,400	15,663
Employee Benefits	71,425	0	0	71,425	80,000	80,000	8,575
Capital Outlay	162,767	0	26,346	189,113	242,000	425,150	236,037
Total Expenditures	\$ 3,452,574	\$ (650)	\$ 43,111	\$ 3,495,035	\$ 3,495,680	\$ 4,276,030	\$ 780,995
Excess (Deficiency) of Revenues Over Expenditures	\$ (140,967)	\$ 650	\$ (43,111)	\$ (183,428)	\$ (778,053)	\$ (796,103)	\$ 612,675
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (140,967)	\$ 650	\$ (43,111)	\$ (183,428)	\$ (778,053)	\$ (796,103)	\$ 612,675
	1,902,791	(650)	0	1,902,141	1,564,704	1,902,141	0
Fund Balance, June 30, 2011	\$ 1,761,824	\$ 0	\$ (43,111)	\$ 1,718,713	\$ 786,651	\$ 1,106,038	\$ 612,675

Exhibit F-3

Lincoln County, Tennessee  
Schedule of Funding Progress – Pension Plans  
Primary Government, Discretely Presented Lincoln County School Department,  
and Lincoln County Board of Public Utilities  
June 30, 2011

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
Primary Government and School Department Governmental Activities	7-1-09	\$ 31,267	\$ 34,669	\$ 3,402	90.19 %	\$ 16,810	20.24 %
"	7-1-07	28,908	30,421	1,513	95.03	15,339	9.86
Primary Government - Business-type Activities Board of Public Utilities	7-1-09	1,205	1,789	584	67.35	1,113	51.52
"	7-1-07	823	1,057	234	77.86	899	26.03

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit F-4

Lincoln County, Tennessee  
Schedule of Funding Progress -- Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Lincoln County School Department  
June 30, 2011

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 131	\$ 131	0 %	\$ 4,795	3 %
"	7-1-09	0	468	468	0	4,795	10
"	7-1-10	0	497	497	0	4,975	10
<u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	1,979	1,979	0	17,931	11
"	7-1-09	0	2,565	2,565	0	17,931	14
"	7-1-10	0	2,659	2,659	0	18,092	15

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2011**

**BUDGETARY INFORMATION**

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 Lincoln 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 Lincoln 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 generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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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.

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.

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, and sheriff.

## Capital Projects Fund

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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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, 2011

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,342,327	\$ 96,122	\$ 71,418	\$ 1,509,867
Accounts Receivable	3,283	1,870	0	5,153
Allowance for Uncollectibles	(2,818)	0	0	(2,818)
Due from Other Governments	141,031	0	0	141,031
Total Assets	<u>\$ 1,483,823</u>	<u>\$ 97,992</u>	<u>\$ 71,418</u>	<u>\$ 1,653,233</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 40,304	\$ 342	\$ 0	\$ 40,646
Accrued Payroll	1,458	0	0	1,458
Due to Cities	19,120	0	0	19,120
Other Deferred Revenues	71,715	0	0	71,715
Total Liabilities	<u>\$ 132,597</u>	<u>\$ 342</u>	<u>\$ 0</u>	<u>\$ 132,939</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Administration of Justice	\$ 0	\$ 0	\$ 71,418	\$ 71,418
Restricted for Public Safety	0	97,650	0	97,650
Restricted for Public Health and Welfare	1,351,226	0	0	1,351,226
Total Fund Balances	<u>\$ 1,351,226</u>	<u>\$ 97,650</u>	<u>\$ 71,418</u>	<u>\$ 1,520,294</u>
Total Liabilities and Fund Balances	<u>\$ 1,483,823</u>	<u>\$ 97,992</u>	<u>\$ 71,418</u>	<u>\$ 1,653,233</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, 2011

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Total		
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0	\$ 9,569	\$ 12,214	\$ 0	\$ 21,783	\$ 0	\$ 21,783
Charges for Current Services	792,515	0	0	4,110	796,625	0	796,625
Other Local Revenues	5,778	0	0	0	5,778	0	5,778
State of Tennessee	17,926	0	0	0	17,926	0	17,926
Total Revenues	\$ 816,219	\$ 9,569	\$ 12,214	\$ 4,110	\$ 842,112	\$ 0	\$ 842,112
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 0	\$ 95	\$ 95	\$ 0	\$ 95
Administration of Justice	0	0	8,715	4,015	12,730	0	12,730
Public Safety	0	26,806	0	0	26,806	0	26,806
Public Health and Welfare	778,406	0	0	0	778,406	0	778,406
Capital Projects	0	0	0	0	0	12,500	12,500
Total Expenditures	\$ 778,406	\$ 26,806	\$ 8,715	\$ 4,110	\$ 818,037	\$ 12,500	\$ 830,537
Excess (Deficiency) of Revenues Over Expenditures	\$ 37,813	\$ (17,237)	\$ 3,499	\$ 0	\$ 24,075	\$ (12,500)	\$ 11,575
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,500	\$ 12,500
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,500	\$ 12,500
Net Change in Fund Balances	\$ 37,813	\$ (17,237)	\$ 3,499	\$ 0	\$ 24,075	\$ 0	\$ 24,075
Fund Balance, July 1, 2010	1,313,413	114,887	67,919	0	1,496,219	0	1,496,219
Fund Balance, June 30, 2011	\$ 1,351,226	\$ 97,650	\$ 71,418	\$ 0	\$ 1,520,294	\$ 0	\$ 1,520,294

Exhibit G-3

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Encumbrances 7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Revenues</u>								
Charges for Current Services	\$ 792,515	\$ 0	\$ 0	\$ 0	\$ 792,515	\$ 713,000	\$ 795,943	\$ (3,428)
Other Local Revenues	5,778	0	0	0	5,778	3,000	3,000	2,778
State of Tennessee	17,926	0	0	0	17,926	25,100	25,100	(7,174)
Total Revenues	\$ 816,219	\$ 0	\$ 0	\$ 0	\$ 816,219	\$ 741,100	\$ 824,043	\$ (7,824)
<u>Expenditures</u>								
<u>Public Health and Welfare</u>								
Sanitation Management	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000	\$ 45,000	\$ 25,000
Convenience Centers	164,830	(52,678)	317,768	429,920	285,696	487,240	57,320	57,320
Other Waste Disposal	575,734	0	0	575,734	565,634	648,577	72,843	72,843
Postclosure Care Costs	17,842	0	0	17,842	50,000	50,000	32,158	32,158
Total Expenditures	\$ 778,406	\$ (52,678)	\$ 317,768	\$ 1,043,496	\$ 921,330	\$ 1,230,817	\$ 187,321	\$ 187,321
<u>Excess (Deficiency) of Revenues</u>								
Over Expenditures	\$ 37,813	\$ 52,678	\$ (317,768)	\$ (227,277)	\$ (180,230)	\$ (406,774)	\$ 179,497	\$ 179,497
Net Change in Fund Balance	\$ 37,813	\$ 52,678	\$ (317,768)	\$ (227,277)	\$ (180,230)	\$ (406,774)	\$ 179,497	\$ 179,497
Fund Balance, July 1, 2010	1,313,413	(52,678)	0	1,260,735	1,290,206	1,260,735	0	0
Fund Balance, June 30, 2011	\$ 1,351,226	\$ 0	\$ (317,768)	\$ 1,033,458	\$ 1,109,976	\$ 853,961	\$ 179,497	\$ 179,497

Exhibit G-4

Lincoln County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Drug Control Fund  
 For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 9,569 \$	0 \$	9,569 \$	21,500 \$	21,500 \$	(11,931)
Total Revenues	\$ 9,569 \$	0 \$	9,569 \$	21,500 \$	21,500 \$	(11,931)
<u>Expenditures</u>						
<u>Public Safety</u>						
Drug Enforcement	\$ 26,806 \$	1,989 \$	28,795 \$	36,200 \$	36,200 \$	7,405
Total Expenditures	\$ 26,806 \$	1,989 \$	28,795 \$	36,200 \$	36,200 \$	7,405
Excess (Deficiency) of Revenues Over Expenditures	\$ (17,237) \$	(1,989) \$	(19,226) \$	(14,700) \$	(14,700) \$	(4,526)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (17,237) \$	(1,989) \$	(19,226) \$	(14,700) \$	(14,700) \$	(4,526)
	114,887	0	114,887	104,871	114,887	0
Fund Balance, June 30, 2011	\$ 97,650 \$	(1,989) \$	95,661 \$	90,171 \$	100,187 \$	(4,526)

# **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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,003,723	\$ 2,902,964	\$ 2,902,964	\$ 100,759
Total Revenues	\$ 3,003,723	\$ 2,902,964	\$ 2,902,964	\$ 100,759
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 142,565	\$ 57,000	\$ 149,565	\$ 7,000
Education	867,435	960,000	867,435	0
<u>Interest on Debt</u>				
General Government	54,102	20,000	69,004	14,902
Education	712,488	761,500	712,496	8
<u>Other Debt Service</u>				
General Government	39,160	30,000	40,000	840
Education	622	5,000	5,000	4,378
Total Expenditures	\$ 1,816,372	\$ 1,833,500	\$ 1,843,500	\$ 27,128
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,187,351	\$ 1,069,464	\$ 1,059,464	\$ 127,887
Net Change in Fund Balance	\$ 1,187,351	\$ 1,069,464	\$ 1,059,464	\$ 127,887
Fund Balance, July 1, 2010	3,757,383	3,730,190	3,757,383	0
Fund Balance, June 30, 2011	\$ 4,944,734	\$ 4,799,654	\$ 4,816,847	\$ 127,887

# 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, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Lincoln County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

	Agency Funds					Total
	Cities - Sales Tax	School ADA - Fayetteville	Judicial District Drug	Constitu- tional Officers - Agency		
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 864	\$ 1,907,558	\$ 1,908,422	
Equity in Pooled Cash and Investments	0	84,656	350,827	0	435,483	
Accounts Receivable	0	0	0	898	898	
Due from Other Governments	287,420	160,879	22,707	0	471,006	
Property Taxes Receivable	0	1,103,973	0	0	1,103,973	
Allowance for Uncollectible Property Taxes	0	(19,200)	0	0	(19,200)	
<b>Total Assets</b>	<b>\$ 287,420</b>	<b>\$ 1,330,308</b>	<b>\$ 374,398</b>	<b>\$ 1,908,456</b>	<b>\$ 3,900,582</b>	
<b>LIABILITIES</b>						
Accounts Payable	\$ 0	\$ 0	\$ 5,112	\$ 0	\$ 5,112	
Accrued Payroll	0	0	1,191	0	1,191	
Due to Other Taxing Units	287,420	1,330,308	0	0	1,617,728	
Due to Litigants, Heirs, and Others	0	0	0	1,908,456	1,908,456	
Due to Joint Ventures	0	0	368,095	0	368,095	
<b>Total Liabilities</b>	<b>\$ 287,420</b>	<b>\$ 1,330,308</b>	<b>\$ 374,398</b>	<b>\$ 1,908,456</b>	<b>\$ 3,900,582</b>	

## Exhibit I-2

Lincoln County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,680,073	\$ 1,680,073	\$ 0
Due from Other Governments	295,345	287,420	295,345	287,420
Total Assets	\$ 295,345	\$ 1,967,493	\$ 1,975,418	\$ 287,420
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 295,345	\$ 1,967,493	\$ 1,975,418	\$ 287,420
Total Liabilities	\$ 295,345	\$ 1,967,493	\$ 1,975,418	\$ 287,420
<u>City School ADA - Fayetteville Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 72,057	\$ 1,841,409	\$ 1,828,810	\$ 84,656
Due from Other Governments	147,327	160,879	147,327	160,879
Property Taxes Receivable	1,030,291	1,103,973	1,030,291	1,103,973
Allowance for Uncollectible Property Taxes	(21,034)	(19,200)	(21,034)	(19,200)
Total Assets	\$ 1,228,641	\$ 3,087,061	\$ 2,985,394	\$ 1,330,308
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,228,641	\$ 3,087,061	\$ 2,985,394	\$ 1,330,308
Total Liabilities	\$ 1,228,641	\$ 3,087,061	\$ 2,985,394	\$ 1,330,308
<u>Judicial District Drug Fund</u>				
<u>Assets</u>				
Cash	\$ 1,248	\$ 864	\$ 1,248	\$ 864
Equity in Pooled Cash and Investments	246,683	537,973	433,829	350,827
Due from Other Governments	32,280	22,707	32,280	22,707
Total Assets	\$ 280,211	\$ 561,544	\$ 467,357	\$ 374,398
<u>Liabilities</u>				
Accounts Payable	\$ 11,316	\$ 5,112	\$ 11,316	\$ 5,112
Accrued Payroll	1,657	1,191	1,657	1,191
Due to Joint Ventures	267,238	555,241	454,384	368,095
Total Liabilities	\$ 280,211	\$ 561,544	\$ 467,357	\$ 374,398

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,940,998	\$ 9,137,927	\$ 9,171,367	\$ 1,907,558
Accounts Receivable	758	898	758	898
Total Assets	<u>\$ 1,941,756</u>	<u>\$ 9,138,825</u>	<u>\$ 9,172,125</u>	<u>\$ 1,908,456</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 1,941,756</u>	<u>\$ 9,138,825</u>	<u>\$ 9,172,125</u>	<u>\$ 1,908,456</u>
Total Liabilities	<u>\$ 1,941,756</u>	<u>\$ 9,138,825</u>	<u>\$ 9,172,125</u>	<u>\$ 1,908,456</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,942,246	\$ 9,138,791	\$ 9,172,615	\$ 1,908,422
Equity in Pooled Cash and Investments	318,740	4,059,455	3,942,712	435,483
Account Receivable	758	898	758	898
Due from Other Governments	474,952	471,006	474,952	471,006
Property Taxes Receivable	1,030,291	1,103,973	1,030,291	1,103,973
Allowance for Uncollectible Property Taxes	(21,034)	(19,200)	(21,034)	(19,200)
Total Assets	<u>\$ 3,745,953</u>	<u>\$ 14,754,923</u>	<u>\$ 14,600,294</u>	<u>\$ 3,900,582</u>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 11,316	\$ 5,112	\$ 11,316	\$ 5,112
Accrued Payroll	1,657	1,191	1,657	1,191
Due to Other Taxing Units	1,523,986	5,054,554	4,960,812	1,617,728
Due to Litigants, Heirs, and Others	1,941,756	9,138,825	9,172,125	1,908,456
Due to Joint Ventures	267,238	555,241	454,384	368,095
Total Liabilities	<u>\$ 3,745,953</u>	<u>\$ 14,754,923</u>	<u>\$ 14,600,294</u>	<u>\$ 3,900,582</u>

# 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 and three Special Revenue Funds.

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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.

Exhibit J-1

Lincoln County, Tennessee  
Statement of Activities  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 17,608,834	\$ 0	\$ 3,170,814	\$ 0	\$ (14,438,020)
Support Services	8,614,246	51,164	369,813	8,000	(8,185,269)
Operation of Non-Instructional Services	4,568,476	815,099	1,788,825	111,299	(1,853,253)
Total Governmental Activities	\$ 30,791,556	\$ 866,263	\$ 5,329,452	\$ 119,299	\$ (24,476,542)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	\$ 3,756,859
Local Option Sales Taxes					2,590,852
Wholesale Beer Tax					115,613
Other Local Taxes					24
Grants and Contributions Not Restricted to Specific Programs					18,606,841
Unrestricted Investment Earnings					671
Miscellaneous					83,922
Total General Revenues				\$	\$ 25,154,782
Change in Net Assets				\$	\$ 678,240
Net Assets, July 1, 2010					30,520,502
Net Assets, June 30, 2011				\$	\$ 31,198,742

Exhibit J-2

Lincoln County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2011

	Major Funds		Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,433	\$ 1,433
Equity in Pooled Cash and Investments	5,876,091	113,280	439,382	6,428,753
Inventories	0	0	40,998	40,998
Accounts Receivable	420	6,382	13,047	19,849
Due from Other Governments	1,617,782	6,584	304	1,624,670
Due from Primary Government	10,129	0	0	10,129
Property Taxes Receivable	3,927,955	0	0	3,927,955
Allowance for Uncollectible Property Taxes	(72,767)	0	0	(72,767)
Prepaid Items	431,038	0	0	431,038
Total Assets	<u>\$ 11,790,648</u>	<u>\$ 126,246</u>	<u>\$ 495,164</u>	<u>\$ 12,412,058</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 205,972	\$ 276	\$ 895	\$ 207,143
Accrued Payroll	767,094	80,304	37,923	885,321
Deferred Revenue - Current Property Taxes	3,738,485	0	0	3,738,485
Deferred Revenue - Delinquent Property Taxes	93,541	0	0	93,541
Other Deferred Revenues	548,455	0	0	548,455
Total Liabilities	<u>\$ 5,353,547</u>	<u>\$ 80,580</u>	<u>\$ 38,818</u>	<u>\$ 5,472,945</u>
<u>Fund Balances</u>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 40,998	\$ 40,998
Prepaid Items	431,038	0	0	431,038
Restricted:				
Restricted for Instruction	65,888	45,666	0	111,554
Restricted for Support Services	1,120	0	0	1,120
Restricted for Operation of Non-Instructional Services	4,202	0	361,450	365,652
Committed:				
Committed for Instruction	23,951	0	53,898	77,849
Assigned:				
Assigned for Instruction	132,081	0	0	132,081
Assigned for Support Services	495,264	0	0	495,264
Assigned for Operation of Non-Instructional Services	290,859	0	0	290,859
Unassigned	4,992,698	0	0	4,992,698
Total Fund Balances	<u>\$ 6,437,101</u>	<u>\$ 45,666</u>	<u>\$ 456,346</u>	<u>\$ 6,939,113</u>
Total Liabilities and Fund Balances	<u>\$ 11,790,648</u>	<u>\$ 126,246</u>	<u>\$ 495,164</u>	<u>\$ 12,412,058</u>

Exhibit J-3

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Lincoln County School Department  
June 30, 2011

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 6,939,113
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 895,247	
Add: construction in progress	83,656	
Add: building and improvements net of accumulated depreciation	20,982,639	
Add: other capital assets net of accumulated depreciation	<u>2,163,116</u>	24,124,658
(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	\$ (479,598)	
Less: compensated absences payable	<u>(27,427)</u>	(507,025)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>641,996</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 31,198,742</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, 2011

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 6,487,802	\$ 0	\$ 0	\$ 6,487,802
Licenses and Permits	2,145	0	0	2,145
Charges for Current Services	66,122	0	800,141	866,263
Other Local Revenues	77,091	0	7,369	84,460
State of Tennessee	19,552,176	0	0	19,552,176
Federal Government	123,395	3,205,269	1,279,999	4,608,663
Other Governments and Citizens Groups	500	0	0	500
Total Revenues	<u>\$ 26,309,231</u>	<u>\$ 3,205,269</u>	<u>\$ 2,087,509</u>	<u>\$ 31,602,009</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,535,377	\$ 2,639,978	\$ 0	\$ 17,175,355
Support Services	8,125,873	530,916	0	8,656,789
Operation of Non-Instructional Services	1,257,015	0	2,026,425	3,283,440
Capital Outlay	241,196	0	0	241,196
Total Expenditures	<u>\$ 24,159,461</u>	<u>\$ 3,170,894</u>	<u>\$ 2,026,425</u>	<u>\$ 29,356,780</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,149,770</u>	<u>\$ 34,375</u>	<u>\$ 61,084</u>	<u>\$ 2,245,229</u>
Net Change in Fund Balances	\$ 2,149,770	\$ 34,375	\$ 61,084	\$ 2,245,229
Fund Balance, July 1, 2010	4,287,331	11,291	395,262	4,693,884
Fund Balance, June 30, 2011	<u>\$ 6,437,101</u>	<u>\$ 45,666</u>	<u>\$ 456,346</u>	<u>\$ 6,939,113</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, 2011

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)		\$ 2,245,229
(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	\$ 231,573	
Less: current-year depreciation expense	<u>(1,563,112)</u>	(1,331,539)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		119,299
(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, 2011	\$ 641,996	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(893,508)</u>	(251,512)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (106,224)	
Change in compensated absences payable	<u>2,987</u>	<u>(103,237)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 678,240</u>

Exhibit J-6

Lincoln County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Central</u>	<u>Extended</u>	<u>Nonmajor</u>
	<u>Cafeteria</u>	<u>School</u>	<u>Governmental</u>
		<u>Program</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 1,433	\$ 0	\$ 1,433
Equity in Pooled Cash and Investments	395,631	43,751	439,382
Inventories	40,998	0	40,998
Accounts Receivable	3,204	9,843	13,047
Due from Other Governments	0	304	304
Total Assets	<u>\$ 441,266</u>	<u>\$ 53,898</u>	<u>\$ 495,164</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 895	\$ 0	\$ 895
Accrued Payroll	37,923	0	37,923
Total Liabilities	<u>\$ 38,818</u>	<u>\$ 0</u>	<u>\$ 38,818</u>
<u>Fund Balances</u>			
Nonspendable:			
Inventory	\$ 40,998	\$ 0	\$ 40,998
Restricted:			
Restricted for Operation of Non-Instructional Services	361,450	0	361,450
Committed:			
Committed for Instruction	0	53,898	53,898
Total Fund Balances	<u>\$ 402,448</u>	<u>\$ 53,898</u>	<u>\$ 456,346</u>
Total Liabilities and Fund Balances	<u>\$ 441,266</u>	<u>\$ 53,898</u>	<u>\$ 495,164</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, 2011

	<u>Special Revenue Funds</u>		Total
	Central	Extended	Nonmajor
	Cafeteria	School	Governmental
		Program	Funds
<u>Revenues</u>			
Charges for Current Services	\$ 723,333	\$ 76,808	\$ 800,141
Other Local Revenues	7,369	0	7,369
Federal Government	1,279,999	0	1,279,999
Total Revenues	<u>\$ 2,010,701</u>	<u>\$ 76,808</u>	<u>\$ 2,087,509</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 1,948,251	\$ 78,174	\$ 2,026,425
Total Expenditures	<u>\$ 1,948,251</u>	<u>\$ 78,174</u>	<u>\$ 2,026,425</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 62,450</u>	<u>\$ (1,366)</u>	<u>\$ 61,084</u>
Net Change in Fund Balances	\$ 62,450	\$ (1,366)	\$ 61,084
Fund Balance, July 1, 2010	<u>339,998</u>	<u>55,264</u>	<u>395,262</u>
Fund Balance, June 30, 2011	<u>\$ 402,448</u>	<u>\$ 53,898</u>	<u>\$ 456,346</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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,487,802	\$ 0	\$ 0	\$ 6,487,802	\$ 6,382,487	\$ 6,562,486	\$ (74,684)
Licenses and Permits	2,145	0	0	2,145	2,200	2,200	(55)
Charges for Current Services	66,122	0	0	66,122	100,338	100,338	(34,216)
Other Local Revenues	77,091	0	0	77,091	37,000	37,000	40,091
State of Tennessee	19,552,176	0	0	19,552,176	17,700,510	19,081,063	471,113
Federal Government	123,395	0	0	123,395	0	129,673	(6,278)
Other Governments and Citizens Groups	500	0	0	500	10,703	10,703	(10,203)
Total Revenues	\$ 26,309,231	\$ 0	\$ 0	\$ 26,309,231	\$ 24,233,238	\$ 25,923,463	\$ 385,768
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,528,171	\$ (121,387)	\$ 132,064	\$ 11,538,848	\$ 12,760,473	\$ 12,571,945	\$ 1,033,097
Alternative Instruction Program	174,537	0	0	174,537	186,381	190,081	15,544
Special Education Program	1,629,783	0	18	1,629,801	1,630,295	1,676,735	46,934
Vocational Education Program	1,148,975	(3,634)	0	1,145,341	1,101,180	1,164,730	19,389
Student Body Education Program	53,911	0	0	53,911	101,338	101,338	47,427
<u>Support Services</u>							
Attendance	129,456	0	0	129,456	118,877	131,549	2,093
Health Services	237,928	0	0	237,928	200,152	241,652	3,724
Other Student Support	788,394	(47,681)	1,120	741,833	595,720	757,031	15,198
Regular Instruction Program	845,344	(1,067)	616	844,893	860,750	860,250	15,357
Special Education Program	67,664	0	0	67,664	80,728	75,660	7,996
Vocational Education Program	94,818	(2,474)	0	92,344	112,969	100,969	8,625
Other Programs	132,570	0	0	132,570	0	132,570	0

(Continued)

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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 615,818	\$ (3,906)	\$ 1,200	\$ 613,112	\$ 670,851	\$ 670,851	\$ 57,739
Director of Schools	239,877	0	0	239,877	253,820	255,589	15,712
Office of the Principal	1,109,669	0	0	1,109,669	1,012,456	1,129,856	20,187
Operation of Plant	2,037,880	(1,521)	1,590	2,037,949	2,223,446	2,240,146	202,197
Maintenance of Plant	666,451	(15,575)	13,094	663,970	597,097	675,962	11,992
Transportation	1,160,004	(4,693)	478,764	1,634,075	1,729,240	1,675,740	41,665
<u>Operation of Non-Instructional Services</u>							
Food Service	98,725	0	0	98,725	99,630	100,805	2,080
Community Services	507,395	(4,033)	4,201	507,563	10,703	527,603	20,040
Early Childhood Education	650,895	(398)	40	650,537	0	668,381	17,844
<u>Capital Outlay</u>							
Regular Capital Outlay	241,196	(86,971)	290,819	445,044	515,000	453,000	7,956
Total Expenditures	\$ 24,159,461	\$ (293,340)	\$ 923,526	\$ 24,789,647	\$ 24,861,106	\$ 26,402,443	\$ 1,612,796
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 2,149,770	\$ 293,340	\$ (923,526)	\$ 1,519,584	\$ (627,868)	\$ (478,980)	\$ 1,998,564
Net Change in Fund Balance	\$ 2,149,770	\$ 293,340	\$ (923,526)	\$ 1,519,584	\$ (627,868)	\$ (478,980)	\$ 1,998,564
Fund Balance, July 1, 2010	4,287,331	(293,340)	0	3,993,991	3,596,839	3,757,383	236,608
Fund Balance, June 30, 2011	\$ 6,437,101	\$ 0	\$ (923,526)	\$ 5,513,575	\$ 2,968,971	\$ 3,278,403	\$ 2,235,172

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 3,205,269 \$	0 \$	0 \$	3,205,269 \$	3,771,122 \$	3,771,644 \$	(566,375)
Total Revenues	\$ 3,205,269 \$	0 \$	0 \$	3,205,269 \$	3,771,122 \$	3,771,644 \$	(566,375)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,590,409 \$	0 \$	20,853 \$	1,611,262 \$	1,844,158 \$	1,892,552 \$	281,290
Alternative Instruction Program	23,456	0	0	23,456	42,922	42,922	19,466
Special Education Program	965,631	(112)	0	965,519	1,097,212	1,129,666	164,147
Vocational Education Program	60,482	0	0	60,482	61,140	61,140	658
<u>Support Services</u>							
Health Services	5,292	0	0	5,292	37,230	5,298	6
Other Student Support	96,760	0	1,714	98,474	191,127	166,195	67,721
Regular Instruction Program	293,016	0	0	293,016	394,626	355,958	62,942
Special Education Program	39,647	0	0	39,647	66,725	66,725	27,078
Vocational Education Program	3,657	0	0	3,657	4,000	4,000	343
Transportation	92,544	0	0	92,544	115,975	115,975	23,431
Total Expenditures	\$ 3,170,894 \$	(112) \$	22,567 \$	3,193,349 \$	3,855,115 \$	3,840,431 \$	647,082
Excess (Deficiency) of Revenues Over Expenditures	\$ 34,375 \$	112 \$	(22,567) \$	11,920 \$	(83,993) \$	(68,787) \$	80,707
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0 \$	0 \$	0 \$	0 \$	155,705 \$	140,500 \$	(140,500)
Transfers Out	0	0	0	0	(140,561)	(140,561)	140,561
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	15,144 \$	(61) \$	61
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 34,375 \$	112 \$	(22,567) \$	11,920 \$	(68,849) \$	(68,848) \$	80,768
	11,291	(112)	0	11,179	68,849	68,848	(57,669)
Fund Balance, June 30, 2011	\$ 45,666 \$	0 \$	(22,567) \$	23,099 \$	0 \$	0 \$	23,099

Exhibit J-10

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 723,333	\$ 0	\$ 0	\$ 723,333	\$ 831,000	\$ 831,000	\$ (107,667)
Other Local Revenues	7,369	0	0	7,369	2,000	2,000	5,369
Federal Government	1,279,999	0	0	1,279,999	1,169,010	1,169,010	110,989
Total Revenues	\$ 2,010,701	\$ 0	\$ 0	\$ 2,010,701	\$ 2,002,010	\$ 2,002,010	\$ 8,691
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Food Service	\$ 1,948,251	\$ (9,588)	\$ 16,656	\$ 1,955,319	\$ 2,041,952	\$ 2,041,952	\$ 86,633
Total Expenditures	\$ 1,948,251	\$ (9,588)	\$ 16,656	\$ 1,955,319	\$ 2,041,952	\$ 2,041,952	\$ 86,633
Excess (Deficiency) of Revenues Over Expenditures	\$ 62,450	\$ 9,588	\$ (16,656)	\$ 55,382	\$ (39,942)	\$ (39,942)	\$ 95,324
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 62,450	\$ 9,588	\$ (16,656)	\$ 55,382	\$ (39,942)	\$ (39,942)	\$ 95,324
	339,998	(9,588)	0	330,410	219,241	330,410	0
Fund Balance, June 30, 2011	\$ 402,448	\$ 0	\$ (16,656)	\$ 385,792	\$ 179,299	\$ 290,468	\$ 95,324

Exhibit J-11

Lincoln County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Lincoln County School Department  
Extended School Program Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 76,808 \$	0 \$	0 \$	76,808 \$	110,000 \$	110,000 \$	(33,192)
Total Revenues	\$ 76,808 \$	0 \$	0 \$	76,808 \$	110,000 \$	110,000 \$	(33,192)
<u>Expenditures</u>							
<u>Operation of Non-Instructional Services</u>							
Community Services	\$ 78,174 \$	(4,707) \$	2,463 \$	75,930 \$	110,000 \$	110,000 \$	34,070
Total Expenditures	\$ 78,174 \$	(4,707) \$	2,463 \$	75,930 \$	110,000 \$	110,000 \$	34,070
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,366) \$	4,707 \$	(2,463) \$	878 \$	0 \$	0 \$	878
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (1,366) \$	4,707 \$	(2,463) \$	878 \$	0 \$	0 \$	878
	55,264	(4,707)	0	50,557	93,924	50,557	0
Fund Balance, June 30, 2011	\$ 53,898 \$	0 \$	(2,463) \$	51,435 \$	93,924 \$	50,557 \$	878

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Lincoln County, Tennessee  
Schedule of Changes in Long-term Notes and Bonds  
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>NOTE PAYABLE</u>								
<u>Payable through General Debt Service Fund</u> Courthouse HVAC System	\$ 391,000	2.545 %	10-13-10	5-1-17	\$ 0	\$ 391,000	\$ 50,000	\$ 341,000
Total Bonds Payable					\$ 0	\$ 391,000	\$ 50,000	\$ 341,000
<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	\$ 12,190,000	\$ 0	\$ 705,000	\$ 11,485,000
General Obligation Refunding	6,470,000	3.9	6-12-07	5-1-21	3,435,000	0	255,000	3,180,000
Total Bonds Payable					\$ 15,625,000	\$ 0	\$ 960,000	\$ 14,665,000

Exhibit K-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2012	\$ 53,000	\$ 8,294	\$ 61,294
2013	54,000	7,234	61,234
2014	56,000	6,100	62,100
2015	58,000	4,812	62,812
2016	59,000	3,362	62,362
2017	61,000	1,769	62,769
Total	\$ 341,000	\$ 31,571	\$ 372,571

Year Ending June 30	Bonds		Total
	Principal	Interest	
2012	\$ 1,040,000	\$ 721,156	\$ 1,761,156
2013	1,120,000	676,835	1,796,835
2014	1,110,000	621,665	1,731,665
2015	1,795,000	567,218	2,362,218
2016	1,855,000	476,940	2,331,940
2017	1,965,000	383,645	2,348,645
2018	1,775,000	284,706	2,059,706
2019	1,730,000	195,941	1,925,941
2020	1,400,000	109,736	1,509,736
2021	875,000	40,988	915,988
Total	\$ 14,665,000	\$ 4,078,830	\$ 18,743,830

Exhibit K-3

Lincoln County, Tennessee  
Schedule of Notes Receivable  
June 30, 2011

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Notes</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
<u>Lincoln County Health System Fund</u> Advances to Physicians	Physicians	Varies	Varies	Varies	Varies	\$ 282,735

Exhibit K-4

Lincoln County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Capital Projects	Operations	\$ 12,500
Total Transfers			\$ 12,500

Exhibit K-5

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 71,322	\$ 50,000	RLI Insurance Company
Highway Superintendent:				
Matthew Ashby (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,321	100,000	"
Tim Gill (9-1-10 through 6-30-11)	Section 8-24-102, TCA	56,606	100,000	"
Director of Schools	State Board of Education and Local Board of Education	98,785 (1)	50,000	"
Trustee	Section 8-24-102, TCA	61,751	1,109,000	"
Assessor of Property	Section 8-24-102, TCA	61,751	25,000	"
County Clerk:				
Anne Underwood (7-1-10 through 8-31-10)	Section 8-24-102, TCA	10,292	50,000	"
Phyllis Counts (9-1-10 through 6-30-11)	Section 8-24-102, TCA	51,459	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,751	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Judge	61,751 (2)	50,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	67,927 (3)	25,000	"
Director of Finance	County Commission	71,751 (4)	50,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Local Government Property and Casualty Fund
Public Employee Dishonesty - School Departments			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000. Does not include a travel allowance of \$400 per month.
- (2) Does not include special commissioner fees of \$4,015.
- (3) Does not include a law enforcement training supplement of \$600.
- (4) Includes \$10,000 for serving as solid waste administrative officer.

Exhibit K-6

Lincoln County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2011

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,270,780	\$ 0	\$ 0	\$ 0	\$ 0	\$ 431,988	\$ 884,555	\$ 4,587,323	
Trustee's Collections - Prior Year	109,141	0	0	0	0	14,415	29,516	153,072	
Trustee's Collections - Bankruptcy	465	0	0	0	0	61	126	652	
Circuit/Clerk and Master Collections - Prior Years	41,847	0	0	0	0	5,611	11,489	58,947	
Interest and Penalty	21,382	0	0	0	0	2,824	5,782	29,988	
Payments in-Lieu-of Taxes - T.V.A.	2,733	0	0	0	0	0	0	2,733	
Payments in-Lieu-of Taxes - Local Utilities	186,461	0	0	0	0	0	0	186,461	
Payments in-Lieu-of Taxes - Other	304,424	0	0	0	0	0	0	304,424	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	1,649,660	1,649,660	
Hotel/Motel Tax	62,606	0	0	0	0	0	0	62,606	
Wheel Tax	0	0	0	0	0	364,104	364,104	728,208	
Litigation Tax - General	82,202	0	0	0	0	0	0	82,202	
Litigation Tax - Special Purpose	73,523	0	0	0	0	0	0	73,523	
Litigation Tax - Jail, Workhouse, or Courthouse	26,356	0	0	0	0	0	56,449	82,805	
Litigation Tax - Courtroom Security	81,374	0	0	0	0	0	0	81,374	
Business Tax	278,736	0	0	0	0	0	0	278,736	
Mineral Severance Tax	0	0	0	0	0	49,971	0	49,971	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	27,402	0	0	0	0	0	0	27,402	
Interstate Telecommunications Tax	0	0	0	0	0	0	2,042	2,042	
Total Local Taxes	\$ 4,569,432	\$ 0	\$ 0	\$ 0	\$ 0	\$ 868,974	\$ 3,003,723	\$ 8,442,129	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 82,052	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,052	
<u>Permits</u>									
Other Permits	2,865	0	0	0	0	0	0	2,865	
Total Licenses and Permits	\$ 84,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 84,917	

(Continued)

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5	0	0	0	0	0	0	5
Officers Costs	4,118	0	0	0	0	0	0	4,118
Drug Control Fines	0	0	1,120	0	0	0	0	1,120
Jail Fees	1,379	0	0	0	0	0	0	1,379
District Attorney General Fees	0	0	0	6,827	0	0	0	6,827
Judicial Commissioner Fees	24	0	0	0	0	0	0	24
DUI Treatment Fines	100	0	0	0	0	0	0	100
Data Entry Fee - Circuit Court	482	0	0	0	0	0	0	482
Courtroom Security Fee	789	0	0	0	0	0	0	789
<u>General Sessions Court</u>								
Fines	17,398	0	0	0	0	0	0	17,398
Officers Costs	39,238	0	0	0	0	0	0	39,238
Game and Fish Fines	718	0	0	0	0	0	0	718
Drug Control Fines	1,650	0	6,779	0	0	0	0	8,429
Jail Fees	43,649	0	0	0	0	0	0	43,649
Judicial Commissioner Fees	2,860	0	0	0	0	0	0	2,860
DUI Treatment Fines	6,575	0	0	0	0	0	0	6,575
Data Entry Fee - General Sessions Court	6,891	0	0	0	0	0	0	6,891
Courtroom Security Fee	4,696	0	0	0	0	0	0	4,696
<u>Chancery Court</u>								
Officers Costs	5,455	0	0	0	0	0	0	5,455
Data Entry Fee - Chancery Court	1,490	0	0	0	0	0	0	1,490
Courtroom Security Fee	22	0	0	0	0	0	0	22
<u>Other Courts - In-county</u>								
Fines	19,924	0	0	0	0	0	0	19,924
<u>Courts in Other District Counties</u>								
District Attorney General Fees	0	0	0	5,387	0	0	0	5,387
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	1,670	0	0	0	0	1,670
Total Fines, Forfeitures, and Penalties	\$ 157,463	0	9,569	12,214	0	0	0	179,246

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<b>Charges for Current Services</b>									
<b>General Service Charges</b>									
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 26,349	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,349
Residential Waste Collection Charge	0	766,166	0	0	0	0	0	0	766,166
Patient Charges	1,605	0	0	0	0	0	0	0	1,605
<b>Fees</b>									
Copy Fees	906	0	0	0	0	0	0	0	906
Greenbelt Late Application Fee	50	0	0	0	0	0	0	0	50
Telephone Commissions	50,739	0	0	0	0	0	0	0	50,739
Vending Machine Collections	54	0	0	0	0	0	0	0	54
Constitutional Officers' Fees and Commissions	0	0	0	0	95	0	0	0	95
Special Commissioner Fees/Special Master Fees	0	0	0	0	4,015	0	0	0	4,015
Data Processing Fee - Register	11,294	0	0	0	0	0	0	0	11,294
Data Processing Fee - Sheriff	4,418	0	0	0	0	0	0	0	4,418
Sexual Offender Registration Fees - Sheriff	3,900	0	0	0	0	0	0	0	3,900
Data Processing Fee - County Clerk	2,586	0	0	0	0	0	0	0	2,586
<b>Other Charges for Services</b>									
Other Charges for Services	1,771	0	0	0	0	0	0	0	1,771
Total Charges for Current Services	\$ 77,323	\$ 792,515	\$ 0	\$ 0	\$ 4,110	\$ 0	\$ 0	\$ 0	\$ 873,948
<b>Other Local Revenues</b>									
<b>Recurring Items</b>									
Investment Income	\$ 139,128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 139,128
Lease/Rentals	126,545	0	0	0	0	0	0	0	126,545
Sale of Materials and Supplies	0	672	0	0	0	12,855	0	0	13,527
Commissary Sales	1,502	0	0	0	0	0	0	0	1,502
Miscellaneous Refunds	124,944	5,106	0	0	0	0	0	0	130,050
<b>Nonrecurring Items</b>									
Sale of Property	11,158	0	0	0	0	0	0	0	11,158
Total Other Local Revenues	\$ 403,277	\$ 5,778	\$ 0	\$ 0	\$ 0	\$ 12,855	\$ 0	\$ 0	\$ 421,910

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works		
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 368,880	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 368,880	
Circuit Court Clerk	83,748	0	0	0	0	0	83,748	
General Sessions Court Clerk	199,927	0	0	0	0	0	199,927	
Clerk and Master	114,367	0	0	0	0	0	114,367	
Register	136,610	0	0	0	0	0	136,610	
Sheriff	6,688	0	0	0	0	0	6,688	
Trustee	331,772	0	0	0	0	0	331,772	
<b>Total Fees Received from County Officials</b>	<b>\$ 1,241,992</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,241,992</b>	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
On-Behalf Contributions for OPEB	313	0	0	0	0	0	313	
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	15,000	0	0	0	0	0	15,000	
<u>Health and Welfare Grants</u>								
Health Department Programs	354,518	0	0	0	0	0	354,518	
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	0	0	
Litter Program	23,614	0	0	0	527,027	0	23,614	
<u>Other State Revenues</u>								
Alcoholic Beverage Tax	60,048	0	0	0	0	0	60,048	
State Revenue Sharing - T.V.A.	749,557	0	0	0	0	0	749,557	
Contracted Prisoner Boarding	485,800	0	0	0	0	0	485,800	
Gasoline and Motor Fuel Tax	0	0	0	0	1,877,582	0	1,877,582	
Petroleum Special Tax	0	0	0	0	25,169	0	25,169	
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164	
State Shared Sales Tax - Cities	2,351	0	0	0	0	0	2,351	
Other State Grants	0	17,926	0	0	0	0	17,926	
Other State Revenues	450,782	0	0	0	0	0	450,782	
<b>Total State of Tennessee</b>	<b>\$ 2,166,147</b>	<b>\$ 17,926</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,429,778</b>	<b>\$ 0</b>	<b>\$ 4,613,851</b>	

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney / General	Constitu- tional Officers - Fees	Highway / Public Works		General Debt Service
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 95,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95,625
ARRA Grant No. 1	8,318	0	0	0	0	0	0	8,318
Other Federal through State	98,987	0	0	0	0	0	0	98,987
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	8,133	0	0	0	0	0	0	8,133
Total Federal Government	\$ 211,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 211,063
<u>Other Governments and Citizens Groups</u>								
<u>Citizens Groups</u>								
Donations	\$ 55	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55
Total Other Governments and Citizens Groups	\$ 55	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55
Total	\$ 8,911,669	\$ 816,219	\$ 9,569	\$ 12,214	\$ 4,110	\$ 3,311,607	\$ 3,003,723	\$ 16,069,111

Exhibit K-7

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 3,576,652	\$ 0	\$ 0	\$ 0	\$ 3,576,652
Trustee's Collections - Prior Year	123,841	0	0	0	123,841
Trustee's Collections - Bankruptcy	527	0	0	0	527
Circuit/Clerk and Master Collections - Prior Years	47,062	0	0	0	47,062
Interest and Penalty	23,825	0	0	0	23,825
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,600,282	0	0	0	2,600,282
<u>Statutory Local Taxes</u>					
Wholesale Beer Tax	114,295	0	0	0	114,295
Interstate Telecommunications Tax	1,318	0	0	0	1,318
<b>Total Local Taxes</b>	<b>\$ 6,487,802</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,487,802</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,145	\$ 0	\$ 0	\$ 0	\$ 2,145
<b>Total Licenses and Permits</b>	<b>\$ 2,145</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,145</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 430,005	\$ 0	\$ 430,005
Lunch Payments - Adults	0	0	52,039	0	52,039
Income from Breakfast	0	0	137,228	0	137,228
Special Milk Sales	0	0	5,556	0	5,556
A la carte Sales	0	0	98,505	0	98,505
Receipts from Individual Schools	51,164	0	0	0	51,164
Community Service Fees - Children	117	0	0	76,808	76,925
<u>Other Charges for Services</u>					
Other Charges for Services	14,841	0	0	0	14,841
<b>Total Charges for Current Services</b>	<b>\$ 66,122</b>	<b>\$ 0</b>	<b>\$ 723,333</b>	<b>\$ 76,808</b>	<b>\$ 866,263</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 671	\$ 0	\$ 671
Refund of Telecommunication and Internet Fees (E-Rate)	19,993	0	0	0	19,993
Miscellaneous Refunds	57,073	0	6,698	0	63,771
<u>Nonrecurring Items</u>					
Sale of Equipment	25	0	0	0	25
<b>Total Other Local Revenues</b>	<b>\$ 77,091</b>	<b>\$ 0</b>	<b>\$ 7,369</b>	<b>\$ 0</b>	<b>\$ 84,460</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 132,570	\$ 0	\$ 0	\$ 0	\$ 132,570
<u>State Education Funds</u>					
Basic Education Program	15,851,919	0	0	0	15,851,919
Basic Education Program - ARRA	1,791,080	0	0	0	1,791,080
Early Childhood Education	650,731	0	0	0	650,731
School Food Service	21,769	0	0	0	21,769
Energy Efficient School Initiative	76,948	0	0	0	76,948

(Continued)

Exhibit K-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	Extended School Program	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
Driver Education	\$ 17,579	\$ 0	\$ 0	\$ 0	\$ 17,579
Other State Education Funds	457,274	0	0	0	457,274
Coordinated School Health - ARRA	104,717	0	0	0	104,717
Internet Connectivity - ARRA	12,028	0	0	0	12,028
Family Resource Centers - ARRA	17,064	0	0	0	17,064
Statewide Student Management System (SSMS) - ARRA	10,202	0	0	0	10,202
Career Ladder Program	159,496	0	0	0	159,496
Career Ladder - Extended Contract - ARRA	133,121	0	0	0	133,121
<u>Other State Revenues</u>					
Income Tax	83,820	0	0	0	83,820
Beer Tax	14,874	0	0	0	14,874
Safe Schools - ARRA	16,894	0	0	0	16,894
Other State Revenues	90	0	0	0	90
Total State of Tennessee	\$ 19,552,176	\$ 0	\$ 0	\$ 0	\$ 19,552,176
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 979,576	\$ 0	\$ 979,576
Breakfast	0	0	284,866	0	284,866
USDA - Other	0	0	15,557	0	15,557
Vocational Education - Basic Grants to States	0	82,890	0	0	82,890
Title I Grants to Local Education Agencies	0	764,669	0	0	764,669
Special Education - Grants to States	0	1,081,850	0	0	1,081,850
Special Education Preschool Grants	0	48,522	0	0	48,522
English Language Acquisition Grants	0	4,008	0	0	4,008
Eisenhower Professional Development State Grants	0	177,481	0	0	177,481
Race-to-the-Top - ARRA	0	79,957	0	0	79,957
Other Federal through State	123,395	965,892	0	0	1,089,287
Total Federal Government	\$ 123,395	\$ 3,205,269	\$ 1,279,999	\$ 0	\$ 4,608,663
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 500	\$ 0	\$ 0	\$ 0	\$ 500
Total Other Governments and Citizens Groups	\$ 500	\$ 0	\$ 0	\$ 0	\$ 500
Total	\$ 26,309,231	\$ 3,205,269	\$ 2,010,701	\$ 76,808	\$ 31,602,009

Exhibit K-8

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	93,807	
Social Security		5,816	
Employer Medicare		1,360	
Contributions		10,129	
Dues and Memberships		2,328	
Postal Charges		1,303	
Other Charges		28,457	
Total County Commission			\$ 143,200

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Secretary(ies)		19,452	
Clerical Personnel		23,059	
Other Salaries and Wages		674	
Social Security		6,689	
State Retirement		6,003	
Medical Insurance		5,203	
Employer Medicare		1,564	
Communication		2,022	
Dues and Memberships		2,364	
Legal Notices, Recording, and Court Costs		92	
Postal Charges		771	
Travel		1,791	
Duplicating Supplies		1,452	
Office Supplies		3,022	
Periodicals		1,266	
In Service/Staff Development		740	
Total County Mayor/Executive			147,486

County Attorney

County Official/Administrative Officer	\$	25,214	
Social Security		1,563	
Employer Medicare		366	
Other Contracted Services		507	
Other Charges		1,500	
Total County Attorney			29,150

Election Commission

County Official/Administrative Officer	\$	55,576
Deputy(ies)		46,299

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	11,373	
Election Workers		66,624	
Social Security		7,308	
State Retirement		6,579	
Medical Insurance		5,943	
Employer Medicare		1,709	
Communication		3,501	
Data Processing Services		3,832	
Legal Notices, Recording, and Court Costs		8,323	
Maintenance Agreements		12,667	
Postal Charges		4,730	
Printing, Stationery, and Forms		10,988	
Other Contracted Services		24,355	
Duplicating Supplies		897	
Office Supplies		1,845	
Other Supplies and Materials		3,138	
In Service/Staff Development		6,600	
Office Equipment		251	
Total Election Commission			\$ 282,538

Register of Deeds

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		63,791	
Part-time Personnel		4,705	
Social Security		7,942	
State Retirement		7,445	
Medical Insurance		11,230	
Employer Medicare		1,860	
Communication		940	
Data Processing Services		14,725	
Dues and Memberships		547	
Postal Charges		726	
Duplicating Supplies		1,357	
Office Supplies		4,529	
In Service/Staff Development		1,982	
Office Equipment		1,000	
Total Register of Deeds			184,530

Planning

Board and Committee Members Fees	\$	6,050	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Contracts with Government Agencies	\$ 11,250	
Total Planning		\$ 17,300

County Buildings

Custodial Personnel	\$ 27,269	
Social Security	1,691	
State Retirement	813	
Employer Medicare	395	
Communication	4,224	
Janitorial Services	29,701	
Maintenance and Repair Services - Buildings	36,669	
Maintenance and Repair Services - Equipment	39,828	
Pest Control	884	
Other Contracted Services	1,242	
Custodial Supplies	12,110	
Electricity	85,212	
Natural Gas	13,142	
Water and Sewer	4,790	
Building and Contents Insurance	298,151	
Other Construction	45,698	
Total County Buildings		601,819

Preservation of Records

Board and Committee Members Fees	\$ 3,000	
Social Security	186	
Employer Medicare	44	
Other Contracted Services	14,600	
Office Supplies	125	
Total Preservation of Records		17,955

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$ 61,751
Accountants/Bookkeepers	144,010
Social Security	12,290
State Retirement	13,086
Medical Insurance	11,245
Employer Medicare	2,874
Communication	4,514
Contracts with Government Agencies	9,402

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Data Processing Services	\$	6,660	
Dues and Memberships		880	
Legal Notices, Recording, and Court Costs		2,974	
Maintenance Agreements		2,715	
Maintenance and Repair Services - Office Equipment		500	
Postal Charges		4,761	
Printing, Stationery, and Forms		3,589	
Travel		402	
Duplicating Supplies		2,396	
Office Supplies		4,426	
Other Supplies and Materials		2,574	
In Service/Staff Development		639	
Office Equipment		2,671	
Total Accounting and Budgeting			\$ 294,359

Property Assessor's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		45,111	
Other Salaries and Wages		16,516	
Board and Committee Members Fees		2,860	
Social Security		7,496	
State Retirement		6,796	
Medical Insurance		12,084	
Employer Medicare		1,753	
Communication		995	
Contracts with Private Agencies		11,455	
Data Processing Services		4,400	
Dues and Memberships		1,500	
Legal Notices, Recording, and Court Costs		464	
Maintenance Agreements		3,198	
Postal Charges		2,396	
Travel		898	
Duplicating Supplies		3,593	
Gasoline		2,261	
Office Supplies		1,425	
Office Equipment		598	
Total Property Assessor's Office			187,550

Reappraisal Program

Secretary(ies)	\$	27,926	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Other Salaries and Wages	\$	37,771	
Social Security		3,921	
State Retirement		4,178	
Medical Insurance		11,995	
Employer Medicare		917	
Maintenance Agreements		3,214	
Total Reappraisal Program			\$ 89,922

County Trustee's Office

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		57,995	
Other Salaries and Wages		9,765	
Social Security		7,654	
State Retirement		7,616	
Medical Insurance		5,953	
Employer Medicare		1,863	
Communication		1,586	
Contracts with Government Agencies		13,138	
Data Processing Services		4,700	
Dues and Memberships		667	
Legal Notices, Recording, and Court Costs		58	
Maintenance Agreements		3,445	
Postal Charges		6,761	
Duplicating Supplies		592	
Office Supplies		3,270	
In Service/Staff Development		3,219	
Office Equipment		500	
Total County Trustee's Office			190,533

County Clerk's Office

County Official/Administrative Officer	\$	61,751
Deputy(ies)		98,173
Social Security		9,716
State Retirement		9,646
Medical Insurance		16,779
Employer Medicare		2,272
Communication		1,157
Data Processing Services		8,455
Dues and Memberships		682
Maintenance Agreements		6,094

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Postal Charges	\$	6,207	
Printing, Stationery, and Forms		3,433	
Duplicating Supplies		810	
Office Supplies		1,260	
In Service/Staff Development		2,333	
Office Equipment		5,189	
Total County Clerk's Office			\$ 233,957

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Clerical Personnel		221,553	
Other Salaries and Wages		3,650	
Jury and Witness Expense		4,094	
Social Security		17,418	
State Retirement		18,018	
Medical Insurance		35,235	
Employer Medicare		4,074	
Communication		2,924	
Contracts with Private Agencies		7,802	
Data Processing Services		6,623	
Dues and Memberships		672	
Evaluation and Testing		650	
Legal Notices, Recording, and Court Costs		405	
Maintenance Agreements		7,213	
Maintenance and Repair Services - Office Equipment		754	
Postal Charges		3,247	
Printing, Stationery, and Forms		3,705	
Travel		502	
Other Contracted Services		2,150	
Duplicating Supplies		2,283	
Office Supplies		8,083	
In Service/Staff Development		726	
Office Equipment		3,844	
Total Circuit Court			417,376

General Sessions Court

Judge(s)	\$	124,307
Social Security		6,675
State Retirement		7,906

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Medical Insurance	\$	5,110	
Employer Medicare		1,705	
Communication		923	
Travel		1,587	
Office Supplies		521	
Total General Sessions Court			\$ 148,734

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		99,060	
Other Salaries and Wages		3,250	
Jury and Witness Expense		130	
Social Security		9,972	
State Retirement		10,228	
Medical Insurance		18,037	
Employer Medicare		2,332	
Communication		2,018	
Data Processing Services		4,200	
Dues and Memberships		622	
Legal Notices, Recording, and Court Costs		1,870	
Maintenance Agreements		307	
Maintenance and Repair Services - Office Equipment		135	
Postal Charges		2,268	
Printing, Stationery, and Forms		1,154	
Duplicating Supplies		1,348	
Office Supplies		4,874	
In Service/Staff Development		3,307	
Office Equipment		1,469	
Total Chancery Court			228,332

Juvenile Court

Assistant(s)	\$	35,976	
Youth Service Officer(s)		34,687	
Salary Supplements		10,000	
Other Salaries and Wages		21,624	
Social Security		6,237	
State Retirement		6,506	
Medical Insurance		5,953	
Employer Medicare		1,459	
Communication		2,056	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Postal Charges	\$	216	
Travel		2,931	
Other Contracted Services		24,571	
Office Supplies		2,046	
Other Charges		10,216	
Total Juvenile Court			\$ 164,478

Judicial Commissioners

Other Salaries and Wages	\$	29,108	
Social Security		1,805	
Employer Medicare		422	
Communication		760	
In Service/Staff Development		1,880	
Total Judicial Commissioners			33,975

Courtroom Security

Deputy(ies)	\$	35,393	
Social Security		2,129	
State Retirement		2,251	
Medical Insurance		5,953	
Employer Medicare		498	
Total Courtroom Security			46,224

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		45,056	
Deputy(ies)		423,547	
Investigator(s)		158,864	
Sergeant(s)		158,846	
Accountants/Bookkeepers		29,144	
Salary Supplements		15,000	
School Resource Officer		14,387	
Overtime Pay		65,151	
Social Security		62,442	
State Retirement		61,886	
Medical Insurance		105,579	
Employer Medicare		14,603	
Communication		10,587	
Contracts with Government Agencies		270,433	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Contributions	\$	5,000	
Dues and Memberships		2,625	
Maintenance and Repair Services - Equipment		2,960	
Maintenance and Repair Services - Office Equipment		3,267	
Maintenance and Repair Services - Vehicles		36,639	
Medical and Dental Services		16,770	
Postal Charges		2,566	
Tow-in Services		2,300	
Other Contracted Services		1,417	
Duplicating Supplies		2,080	
Gasoline		101,720	
Law Enforcement Supplies		11,969	
Office Supplies		4,432	
Uniforms		17,578	
Other Supplies and Materials		2,640	
In Service/Staff Development		7,067	
Other Charges		3,688	
Communication Equipment		1,431	
Motor Vehicles		131,205	
Office Equipment		2,128	
Total Sheriff's Department			\$ 1,862,934

Jail

Supervisor/Director	\$	38,280
Lieutenant(s)		34,996
Sergeant(s)		155,637
Guards		596,266
Cafeteria Personnel		57,688
Maintenance Personnel		25,767
Overtime Pay		61,141
Social Security		58,709
State Retirement		57,971
Medical Insurance		118,963
Employer Medicare		13,730
Communication		3,513
Data Processing Services		7,369
Legal Services		836
Maintenance and Repair Services - Buildings		23,614
Maintenance and Repair Services - Equipment		27,264
Maintenance and Repair Services - Vehicles		14,058

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Medical and Dental Services	\$	139,330	
Pest Control		540	
Postal Charges		2,000	
Transportation - Other than Students		7,699	
Custodial Supplies		39,830	
Drugs and Medical Supplies		16,361	
Duplicating Supplies		1,247	
Electricity		61,645	
Food Supplies		195,438	
Gasoline		20,815	
Natural Gas		18,403	
Office Supplies		7,516	
Prisoners Clothing		6,238	
Uniforms		13,575	
Water and Sewer		38,819	
Other Supplies and Materials		8,211	
In Service/Staff Development		5,743	
Other Charges		1,200	
Communication Equipment		4,358	
Maintenance Equipment		425	
Office Equipment		10,679	
Total Jail			\$ 1,895,874

Fire Prevention and Control

Dues and Memberships	\$	265
Maintenance and Repair Services - Buildings		3,153
Maintenance and Repair Services - Equipment		12,161
Maintenance and Repair Services - Vehicles		24,584
Postal Charges		88
Travel		229
Electricity		19,801
Gasoline		15,310
Natural Gas		16,636
Office Supplies		479
Uniforms		4,050
Water and Sewer		3,815
Other Supplies and Materials		11,275
Liability Insurance		3,588
In Service/Staff Development		2,217
Other Equipment		1,484

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Capital Outlay	\$ 55,723	
Total Fire Prevention and Control		\$ 174,858

Civil Defense

Supervisor/Director	\$ 43,401	
Deputy(ies)	33,570	
Part-time Personnel	20,787	
Social Security	5,985	
State Retirement	4,895	
Medical Insurance	5,943	
Employer Medicare	1,400	
Communication	4,017	
Data Processing Services	15,772	
Dues and Memberships	150	
Legal Notices, Recording, and Court Costs	37	
Maintenance and Repair Services - Buildings	204	
Maintenance and Repair Services - Equipment	3,157	
Maintenance and Repair Services - Office Equipment	135	
Maintenance and Repair Services - Vehicles	6,792	
Pest Control	168	
Postal Charges	148	
Custodial Supplies	208	
Duplicating Supplies	1,028	
Electricity	5,329	
Gasoline	5,414	
Natural Gas	3,380	
Office Supplies	405	
Water and Sewer	726	
Other Supplies and Materials	2,922	
In Service/Staff Development	200	
Other Charges	459	
Office Equipment	195	
Other Capital Outlay	61,931	
Total Civil Defense		228,758

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 256,509
Social Security	15,840
State Retirement	13,186

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Medical Insurance	\$	5,953	
Employer Medicare		3,704	
Communication		2,984	
Contracts with Government Agencies		33,625	
Janitorial Services		46,860	
Maintenance and Repair Services - Equipment		5,550	
Pest Control		216	
Travel		8,802	
Electricity		13,436	
Natural Gas		1,225	
Office Supplies		397	
Periodicals		200	
Water and Sewer		1,578	
Other Supplies and Materials		8,910	
In Service/Staff Development		50	
Other Charges		800	
Total Local Health Center			\$ 419,825

Maternal and Child Health Services

Contracts with Other Public Agencies	\$	22,500	
Contributions		5,000	
Total Maternal and Child Health Services			27,500

Other Local Health Services

Contributions	\$	7,500	
Total Other Local Health Services			7,500

Regional Mental Health Center

Contributions	\$	4,000	
Total Regional Mental Health Center			4,000

Other Local Welfare Services

Contracts with Other Public Agencies	\$	8,803	
Total Other Local Welfare Services			8,803

Sanitation Management

Salary Supplements	\$	1,200	
Other Salaries and Wages		27,360	
Social Security		1,704	
State Retirement		1,816	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Medical Insurance	\$	5,953	
Employer Medicare		398	
Contracts with Private Agencies		65,380	
Instructional Supplies and Materials		9,965	
Other Charges		6,309	
Total Sanitation Management			\$ 120,085

Other Public Health and Welfare

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

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	14,550	
Total Adult Activities			14,550

Libraries

Contributions	\$	74,866	
Total Libraries			74,866

Parks and Fair Boards

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

Agriculture and Natural Resources

Agriculture Extension Service

Board and Committee Members Fees	\$	850	
Communication		1,543	
Contracts with Other Public Agencies		68,866	
Travel		4,000	
Duplicating Supplies		1,392	
Office Supplies		539	
Office Equipment		2,832	
Total Agriculture Extension Service			80,022

Forest Service

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	19,879	
Other Salaries and Wages		19,557	
Social Security		2,438	
State Retirement		2,437	
Medical Insurance		755	
Employer Medicare		570	
Other Charges		2,888	
Total Soil Conservation			\$ 48,524

Other Operations

Industrial Development

Contributions	\$	90,000	
Total Industrial Development			90,000

Other Economic and Community Development

Contributions	\$	12,500	
Travel		2,600	
Other Charges		88,367	
Total Other Economic and Community Development			103,467

Airport

Airport Improvement	\$	81,880	
Total Airport			81,880

Veterans' Services

Clerical Personnel	\$	11,983	
Part-time Personnel		1,425	
Social Security		831	
Employer Medicare		194	
Communication		627	
Postal Charges		92	
Travel		737	
Gasoline		3,852	
Office Supplies		65	
Total Veterans' Services			19,806

Contributions to Other Agencies

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

ARRA Grant No. 1

Communication	\$ 12,477	
Total ARRA Grant No. 1		\$ 12,477

Miscellaneous

Unemployment Compensation	\$ 16,779	
On-Behalf Payments to OPEB	313	
Communication	643	
Dues and Memberships	6,228	
Medical and Dental Services	8,400	
Pauper Burials	600	
Premiums on Corporate Surety Bonds	17,689	
Trustee's Commission	93,904	
Workers' Compensation Insurance	88,079	
Other Charges	24,263	
Total Miscellaneous		<u>256,898</u>

Total General Fund		\$ 9,056,695
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Contributions	\$ 20,000	
Total Sanitation Management		\$ 20,000

Convenience Centers

Part-time Personnel	\$ 34,135	
Social Security	2,116	
Employer Medicare	495	
Communication	613	
Contracts with Other Public Agencies	56,500	
Maintenance and Repair Services - Equipment	1,267	
Electricity	1,916	
Water and Sewer	285	
Other Supplies and Materials	220	
Other Construction	32,104	
Other Capital Outlay	35,179	
Total Convenience Centers		164,830

Other Waste Disposal

County Official/Administrative Officer	\$ 10,000	
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(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal (Cont.)

Clerical Personnel	\$	24,860	
Social Security		1,969	
State Retirement		2,217	
Medical Insurance		3,776	
Employer Medicare		453	
Contracts with Government Agencies		80,338	
Contracts with Other Public Agencies		371,466	
Travel		100	
Disposal Fees		45,613	
Trustee's Commission		7,197	
Other Charges		127	
Motor Vehicles		27,618	
Total Other Waste Disposal			\$ 575,734

Postclosure Care Costs

Contracts for Postclosure Care Costs	\$	17,842	
Total Postclosure Care Costs			<u>17,842</u>

Total Solid Waste/Sanitation Fund \$ 778,406

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Tow-in Services		650	
Other Contracted Services		3,880	
Animal Food and Supplies		855	
Law Enforcement Supplies		11,602	
Trustee's Commission		106	
In Service/Staff Development		600	
Other Charges		939	
Motor Vehicles		3,174	
Total Drug Enforcement			<u>\$ 26,806</u>

Total Drug Control Fund 26,806

District Attorney General Fund

Administration of Justice

District Attorney General

Dues and Memberships	\$	1,745	
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(Continued)

Exhibit K-8

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

District Attorney General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General (Cont.)

Travel	\$	2,242	
Other Contracted Services		1,154	
Periodicals		75	
Trustee's Commission		122	
Other Charges		1,769	
Office Equipment		1,608	
Total District Attorney General			\$ 8,715

Total District Attorney General Fund \$ 8,715

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Bank Charges	\$	46	
Total County Trustee's Office			\$ 46

County Clerk's Office

Bank Charges	\$	49	
Total County Clerk's Office			49

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,015	
Total Chancery Court			4,015

Total Constitutional Officers - Fees Fund 4,110

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,927	
Assistant(s)		45,260	
Accountants/Bookkeepers		37,676	
Social Security		9,355	
State Retirement		7,539	
Medical Insurance		8,362	
Employer Medicare		2,197	
Communication		5,847	
Dues and Memberships		4,526	
Janitorial Services		2,080	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Legal Services	\$	406	
Legal Notices, Recording, and Court Costs		1,197	
Maintenance and Repair Services - Office Equipment		780	
Postal Charges		440	
Travel		1,654	
Electricity		5,393	
Office Supplies		680	
Water and Sewer		1,852	
Office Equipment		400	
Total Administration			\$ 203,571

Highway and Bridge Maintenance

Foremen	\$	100,114	
Equipment Operators		180,587	
Truck Drivers		150,053	
Laborers		153,926	
Social Security		35,381	
State Retirement		35,409	
Medical Insurance		76,958	
Employer Medicare		8,266	
Other Contracted Services		20,951	
Asphalt		748,236	
Asphalt - Hot Mix		514,459	
Concrete		1,448	
Crushed Stone		24,993	
Garage Supplies		1,500	
General Construction Materials		6,496	
Pipe - Metal		55,029	
Road Signs		19,012	
Wood Products		1,194	
Total Highway and Bridge Maintenance			2,134,012

Operation and Maintenance of Equipment

Mechanic(s)	\$	77,849	
Social Security		4,782	
State Retirement		4,882	
Medical Insurance		3,806	
Employer Medicare		1,118	
Laundry Service		1,029	
Maintenance and Repair Services - Equipment		38,164	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Diesel Fuel	\$	173,611	
Equipment and Machinery Parts		135,967	
Garage Supplies		18,853	
Gasoline		34,448	
Lubricants		16,309	
Propane Gas		4,291	
Small Tools		1,446	
Tires and Tubes		34,250	
Other Supplies and Materials		350	
Communication Equipment		3,438	
Total Operation and Maintenance of Equipment			\$ 554,593

Quarry Operations

Foremen	\$	35,462	
Equipment Operators		37,041	
Truck Drivers		25,129	
Social Security		5,893	
State Retirement		5,662	
Medical Insurance		13,020	
Employer Medicare		1,378	
Explosive and Drilling Services		28,394	
Maintenance and Repair Services - Equipment		34,235	
Electricity		28,992	
Water and Sewer		1,263	
In Service/Staff Development		1,000	
Total Quarry Operations			217,469

Other Charges

Electricity	\$	425	
Trustee's Commission		32,412	
Vehicle and Equipment Insurance		75,900	
Total Other Charges			108,737

Employee Benefits

Unemployment Compensation	\$	3,788	
Workers' Compensation Insurance		67,637	
Total Employee Benefits			71,425

Capital Outlay

Engineering Services	\$	350	
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(Continued)

Exhibit K-8

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Highways (Cont.)</u>		
<u>Capital Outlay (Cont.)</u>		
Bridge Construction	\$ 39,055	
Highway Equipment	<u>123,362</u>	
Total Capital Outlay		<u>\$ 162,767</u>
Total Highway/Public Works Fund		\$ 3,452,574
<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 92,565	
Principal on Notes	<u>50,000</u>	
Total General Government		\$ 142,565
<u>Education</u>		
Principal on Bonds	<u>\$ 867,435</u>	
Total Education		867,435
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 49,004	
Interest on Notes	<u>5,098</u>	
Total General Government		54,102
<u>Education</u>		
Interest on Bonds	<u>\$ 712,488</u>	
Total Education		712,488
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	<u>\$ 39,160</u>	
Total General Government		39,160
<u>Education</u>		
Other Debt Issuance Charges	<u>\$ 622</u>	
Total Education		<u>622</u>
Total General Debt Service Fund		1,816,372
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Heating and Air Conditioning Equipment	<u>\$ 12,500</u>	
Total General Administration Projects		<u>\$ 12,500</u>
Total General Capital Projects Fund		<u>12,500</u>
Total Governmental Funds - Primary Government		<u>\$ 15,156,178</u>

Exhibit K-9

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,753,366	
Career Ladder Program	97,940	
Career Ladder Extended Contracts	59,000	
Educational Assistants	359,447	
Other Salaries and Wages	1,171	
Certified Substitute Teachers	23,675	
Non-certified Substitute Teachers	98,238	
Social Security	495,224	
State Retirement	736,096	
Employee and Dependent Insurance	50,941	
Medical Insurance	863,056	
Unemployment Compensation	71,077	
Employer Medicare	116,154	
Maintenance and Repair Services - Equipment	25,955	
Tuition	10,236	
Other Contracted Services	4,048	
Instructional Supplies and Materials	137,112	
Textbooks	276,781	
In Service/Staff Development	2,822	
Fee Waivers	52,868	
Other Charges	46	
Furniture and Fixtures	46,359	
Regular Instruction Equipment	234,298	
Other Equipment	12,261	
Total Regular Instruction Program		\$ 11,528,171

Alternative Instruction Program

Teachers	\$ 137,955	
Career Ladder Program	1,000	
Social Security	8,402	
State Retirement	12,575	
Medical Insurance	12,640	
Employer Medicare	1,965	
Total Alternative Instruction Program		174,537

Special Education Program

Teachers	\$ 933,680
Career Ladder Program	6,995
Educational Assistants	152,767

(Continued)

Exhibit K-9

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.)

Speech Pathologist	\$	108,197	
Certified Substitute Teachers		1,838	
Non-certified Substitute Teachers		23,068	
Social Security		72,377	
State Retirement		101,997	
Employee and Dependent Insurance		45,856	
Medical Insurance		132,747	
Employer Medicare		16,943	
Contracts with Other Public Agencies		8,871	
Contracts with Private Agencies		224	
Maintenance and Repair Services - Equipment		2,470	
Instructional Supplies and Materials		16,572	
Special Education Equipment		5,181	
Total Special Education Program			\$ 1,629,783

Vocational Education Program

Teachers	\$	838,441	
Career Ladder Program		8,000	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		2,916	
Social Security		50,588	
State Retirement		76,603	
Medical Insurance		97,456	
Employer Medicare		11,832	
Maintenance and Repair Services - Equipment		11,110	
Instructional Supplies and Materials		40,435	
Vocational Instruction Equipment		11,539	
Total Vocational Education Program			1,148,975

Student Body Education Program

Other Salaries and Wages	\$	43,340	
Social Security		2,584	
State Retirement		2,194	
Employer Medicare		614	
Other Charges		5,179	
Total Student Body Education Program			53,911

(Continued)

Exhibit K-9

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

Attendance

Supervisor/Director	\$	65,514	
Career Ladder Program		1,000	
Other Salaries and Wages		28,233	
Social Security		5,848	
State Retirement		7,815	
Medical Insurance		5,257	
Employer Medicare		1,368	
Contracts with Private Agencies		10,202	
Travel		4,219	
Total Attendance			\$ 129,456

Health Services

Medical Personnel	\$	195,777	
Social Security		11,595	
State Retirement		11,965	
Employee and Dependent Insurance		13,567	
Employer Medicare		2,708	
Travel		380	
Drugs and Medical Supplies		1,936	
Total Health Services			237,928

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		401,229	
Social Workers		17,000	
Clerical Personnel		15,691	
School Resource Officer		49,576	
Other Salaries and Wages		56,724	
Social Security		29,757	
State Retirement		44,018	
Medical Insurance		57,137	
Employer Medicare		6,959	
Evaluation and Testing		44,937	
Travel		5,349	
Other Supplies and Materials		42,365	
In Service/Staff Development		4,823	
Other Charges		3,936	
Other Equipment		3,893	
Total Other Student Support			788,394

(Continued)

Exhibit K-9

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.)

Regular Instruction Program

Supervisor/Director	\$	144,301	
Career Ladder Program		6,000	
Librarians		348,364	
Instructional Computer Personnel		71,755	
Other Salaries and Wages		40,656	
Social Security		36,452	
State Retirement		54,209	
Employee and Dependent Insurance		4,448	
Medical Insurance		62,847	
Employer Medicare		8,525	
Travel		5,986	
Instructional Supplies and Materials		3,495	
Library Books/Media		13,106	
In Service/Staff Development		30,738	
Other Charges		14,462	
Total Regular Instruction Program			\$ 845,344

Special Education Program

Supervisor/Director	\$	43,163	
Clerical Personnel		1,407	
Social Security		2,742	
State Retirement		3,996	
Medical Insurance		5,257	
Employer Medicare		641	
Travel		5,073	
Other Supplies and Materials		2,467	
In Service/Staff Development		2,918	
Total Special Education Program			67,664

Vocational Education Program

Supervisor/Director	\$	32,659	
Career Ladder Program		1,000	
Clerical Personnel		23,496	
Social Security		3,561	
State Retirement		4,540	
Medical Insurance		619	
Employer Medicare		833	
Travel		21,122	
In Service/Staff Development		1,988	

(Continued)

Exhibit K-9

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.)

Vocational Education Program (Cont.)

Other Charges	\$ 5,000	
Total Vocational Education Program		\$ 94,818

Other Programs

On-Behalf Payments to OPEB	\$ 132,570	
Total Other Programs		132,570

Board of Education

Secretary to Board	\$ 750	
Other Salaries and Wages	7,292	
Board and Committee Members Fees	29,910	
Social Security	2,349	
State Retirement	685	
Employer Medicare	550	
Audit Services	9,872	
Dues and Memberships	7,609	
Legal Services	3,766	
Travel	2,060	
Liability Insurance	206,534	
Trustee's Commission	134,824	
Workers' Compensation Insurance	173,369	
Criminal Investigation of Applicants - TBI	5,696	
Other Charges	30,552	
Total Board of Education		615,818

Director of Schools

County Official/Administrative Officer	\$ 98,785	
Secretary(ies)	50,814	
Other Salaries and Wages	3,761	
Social Security	9,740	
State Retirement	12,947	
Employee and Dependent Insurance	4,608	
Medical Insurance	5,687	
Employer Medicare	2,278	
Communication	23,397	
Postal Charges	1,020	
Travel	6,773	
Office Supplies	5,523	
Other Charges	202	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Administration Equipment	\$ 14,342	
Total Director of Schools		\$ 239,877

Office of the Principal

Assistant(s)	\$ 182,227	
Principals	473,086	
Career Ladder Program	10,500	
Clerical Personnel	187,612	
Social Security	50,910	
State Retirement	71,564	
Employee and Dependent Insurance	9,600	
Medical Insurance	61,569	
Employer Medicare	12,049	
Communication	13,168	
Contributions	35,000	
Travel	2,384	
Total Office of the Principal		1,109,669

Operation of Plant

Custodial Personnel	\$ 426,512	
Social Security	25,416	
State Retirement	22,122	
Employee and Dependent Insurance	69,916	
Employer Medicare	5,944	
Other Contracted Services	11,380	
Custodial Supplies	69,883	
Electricity	1,076,771	
Natural Gas	238,897	
Water and Sewer	80,967	
Other Charges	10,072	
Total Operation of Plant		2,037,880

Maintenance of Plant

Supervisor/Director	\$ 77,443
Maintenance Personnel	136,042
Other Salaries and Wages	73,302
Social Security	17,444
State Retirement	19,469
Employee and Dependent Insurance	17,951

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Medical Insurance	\$	7,578	
Employer Medicare		4,080	
Maintenance and Repair Services - Buildings		104,504	
Maintenance and Repair Services - Equipment		112,088	
General Construction Materials		25,113	
Other Supplies and Materials		48,960	
Other Charges		22,477	
Total Maintenance of Plant			\$ 666,451

Transportation

Supervisor/Director	\$	32,659	
Mechanic(s)		95,521	
Bus Drivers		465,526	
Other Salaries and Wages		23,310	
Social Security		34,230	
State Retirement		34,043	
Employee and Dependent Insurance		52,160	
Employer Medicare		8,809	
Communication		1,042	
Medical and Dental Services		5,613	
Gasoline		290,739	
Lubricants		2,326	
Tires and Tubes		17,944	
Vehicle Parts		69,440	
Other Supplies and Materials		7,848	
Other Charges		9,103	
Motor Vehicles		9,691	
Total Transportation			1,160,004

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	72,018	
Social Security		4,439	
State Retirement		6,518	
Medical Insurance		5,257	
Employer Medicare		1,038	
Maintenance and Repair Services - Equipment		249	
Travel		2,992	
Other Contracted Services		1,485	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$	2,008	
In Service/Staff Development		655	
Other Charges		2,066	
Total Food Service			\$ 98,725

Community Services

Teachers	\$	184,074	
Educational Assistants		56,315	
Other Salaries and Wages		70,761	
Social Security		18,472	
State Retirement		22,816	
Employer Medicare		4,487	
Communication		252	
Maintenance and Repair Services - Equipment		4,294	
Postal Charges		1,074	
Travel		8,419	
Textbooks		30,045	
Other Supplies and Materials		65,812	
In Service/Staff Development		10,272	
Other Charges		2,020	
Other Equipment		28,282	
Total Community Services			507,395

Early Childhood Education

Teachers	\$	271,066	
Educational Assistants		121,670	
Other Salaries and Wages		60,389	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		12,330	
Social Security		27,870	
State Retirement		35,860	
Employee and Dependent Insurance		24,191	
Medical Insurance		33,679	
Employer Medicare		6,518	
Postal Charges		308	
Travel		10,262	
Instructional Supplies and Materials		23,679	
Textbooks		2,821	
In Service/Staff Development		1,460	

(Continued)

Exhibit K-9

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Other Equipment	\$ 18,737	
Total Early Childhood Education		\$ 650,895
 <u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Other Construction	\$ 241,196	
Total Regular Capital Outlay		<u>241,196</u>
 Total General Purpose School Fund		 \$ 24,159,461
 <u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 1,139,548	
Educational Assistants	76,470	
Certified Substitute Teachers	522	
Non-certified Substitute Teachers	6,108	
Social Security	73,556	
State Retirement	106,498	
Medical Insurance	111,516	
Employer Medicare	17,240	
Instructional Supplies and Materials	2,500	
Regular Instruction Equipment	<u>56,451</u>	
Total Regular Instruction Program		\$ 1,590,409
 <u>Alternative Instruction Program</u>		
Teachers	\$ 16,979	
Social Security	955	
State Retirement	1,537	
Medical Insurance	3,762	
Employer Medicare	<u>223</u>	
Total Alternative Instruction Program		23,456
 <u>Special Education Program</u>		
Educational Assistants	\$ 486,273	
Speech Pathologist	87,160	
Other Salaries and Wages	67,411	
Social Security	37,849	
State Retirement	41,247	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	58,331	
Employer Medicare		8,852	
Contracts with Other Public Agencies		137,281	
Contracts with Private Agencies		36,400	
Instructional Supplies and Materials		4,827	
Total Special Education Program			\$ 965,631

Vocational Education Program

Other Supplies and Materials	\$	20,482	
Vocational Instruction Equipment		40,000	
Total Vocational Education Program			60,482

Support Services

Health Services

Medical Personnel	\$	4,647	
Social Security		297	
State Retirement		275	
Employer Medicare		73	
Total Health Services			5,292

Other Student Support

Other Salaries and Wages	\$	54,330	
Social Security		2,978	
State Retirement		4,837	
Medical Insurance		9,375	
Employer Medicare		697	
Evaluation and Testing		7,621	
Travel		5,611	
In Service/Staff Development		7,750	
Other Charges		3,561	
Total Other Student Support			96,760

Regular Instruction Program

Supervisor/Director	\$	76,900	
Secretary(ies)		25,700	
In-Service Training		4,800	
Social Security		6,613	
State Retirement		9,103	
Medical Insurance		9,783	

(Continued)

Exhibit K-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	1,547	
Travel		2,871	
Other Contracted Services		46,987	
Other Supplies and Materials		1,401	
In Service/Staff Development		102,590	
Other Charges		286	
Other Equipment		4,435	
Total Regular Instruction Program			\$ 293,016

Special Education Program

Supervisor/Director	\$	8,633	
Clerical Personnel		12,698	
Social Security		1,318	
State Retirement		1,589	
Employer Medicare		308	
Travel		8,366	
In Service/Staff Development		6,735	
Total Special Education Program			39,647

Vocational Education Program

Travel	\$	1,657	
In Service/Staff Development		2,000	
Total Vocational Education Program			3,657

Transportation

Bus Drivers	\$	54,277	
Other Salaries and Wages		15,440	
Social Security		3,941	
State Retirement		3,542	
Medical Insurance		4,480	
Employer Medicare		988	
Contracts with Parents		9,876	
Total Transportation			92,544

Total School Federal Projects Fund \$ 3,170,894

(Continued)

Exhibit K-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	624,922	
Other Salaries and Wages		15,755	
Social Security		38,116	
State Retirement		37,390	
Employee and Dependent Insurance		74,108	
Employer Medicare		8,934	
Communication		3,765	
Contracts with Private Agencies		71,237	
Dues and Memberships		4,840	
Maintenance and Repair Services - Equipment		30,248	
Other Contracted Services		23,637	
Custodial Supplies		19,099	
Food Preparation Supplies		39,656	
Food Supplies		883,692	
Office Supplies		3,739	
Uniforms		1,538	
USDA - Commodities		19,037	
Other Supplies and Materials		62	
Refunds		811	
Trustee's Commission		6	
Workers' Compensation Insurance		14,168	
In Service/Staff Development		5,414	
Other Charges		1,393	
Food Service Equipment		26,684	
Total Food Service			\$ 1,948,251

Total Central Cafeteria Fund \$ 1,948,251

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	6,401	
Other Salaries and Wages		53,949	
Social Security		3,742	
State Retirement		4,317	
Employer Medicare		875	
Other Charges		8,890	
Total Community Services			\$ 78,174

Total Extended School Program Fund 78,174

Total Governmental Funds - Lincoln County School Department \$ 29,356,780

Exhibit K-10

Lincoln County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2011

	Cities - Sales Tax Fund	City School ADA - Fayetteville Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 1,007,698	\$ 1,007,698
Trustee's Collections - Prior Years	0	29,232	29,232
Trustee's Collections - Bankruptcy	0	124	124
Circuit/Clerk and Master Collections - Prior Years	0	13,121	13,121
Interest and Penalty	0	6,164	6,164
Local Option Sales Tax	1,680,073	724,290	2,404,363
Wholesale Beer Tax	0	32,290	32,290
Interstate Telecommunications Tax	0	453	453
Marriage Licenses	0	633	633
Income Tax	0	23,555	23,555
Beer Tax	0	3,849	3,849
Total Cash Receipts	<u>\$ 1,680,073</u>	<u>\$ 1,841,409</u>	<u>\$ 3,521,482</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,680,073	\$ 1,809,760	\$ 3,489,833
Trustee's Commission	0	19,050	19,050
Total Cash Disbursements	<u>\$ 1,680,073</u>	<u>\$ 1,828,810</u>	<u>\$ 3,508,883</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 12,599	\$ 12,599
Cash Balance, July 1, 2010	0	72,057	72,057
Cash Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 84,656</u>	<u>\$ 84,656</u>

Exhibit K-11

Lincoln County, Tennessee  
Schedule of Utility Rates and Number of Customers  
Lincoln County Board of Public Utilities  
June 30, 2011

Meter Type	Number of Customers	Gallons	Rate
Residential and Commercial	8534	First 1000	\$ 23.99 minimum
		Next 4000	4.02 per 1,000 gallons
		Over 5000	4.05 per 1,000 gallons
Multi-User (Total 456 units. Rates are based on usage per each unit.)	132	First 1000	19.99 minimum
		Next 4000	4.02 per 1,000 gallons
		Over 5000	4.05 per 1,000 gallons

Other Charges

Tap Fee - Individual	\$ 1,100
Tap Fee - Subdivision lot	1,200
Service Fee - Individual	100
Service Fee - Subdivision lot	200

Exhibit K-12

Lincoln County, Tennessee  
Schedule of Unaccounted for Water  
Lincoln County Board of Public Utilities  
For the Year Ended June 30, 2011

(amounts in gallons)

Water Treated and Purchased:		
Water Pumped (potable)	732,032,409	
Water Purchased	<u>96,932,910</u>	
Total Water Treated and Purchased		828,965,319
Accounted for Water:		
Water Sold	494,541,564	
Metered for Consumption (in-house usage)	162,070	
Fire Departments Usage	320,230	
Flushing	2,437,120	
Tank Filling/Cleaning	0	
Street Cleaning	0	
Bulk Sales	0	
Water Bill Adjustments	<u>8,637,871</u>	
Total Accounted for Water		<u>506,098,855</u>
Unaccounted for Water		<u><u>322,866,464</u></u>
Percentage Unaccounted for Water		38.9%

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

Gallonge information is based on readings from the board's and supplier's meters.

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## **SINGLE AUDIT SECTION**

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

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

February 8, 2012

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

To the County Mayor and Board of County Commissioners:

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, 2011, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated February 8, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lincoln County Health System, Lincoln County Board of Public Utilities, and the discretely presented Lincoln County Emergency Communications District as described in our report on Lincoln County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lincoln County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: 11.02. 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.

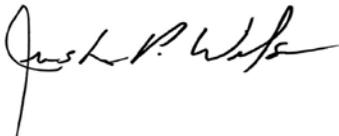
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County's financial statements are free of 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item 11.01.

We also noted certain matters that we reported to management of Lincoln County in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, director of finance, Financial Management Committee, Board of County Commissioners, Board of Education, others within Lincoln County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 8, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Lincoln County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln County's management. Our responsibility is to express an opinion on Lincoln County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our

audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lincoln County's compliance with those requirements.

In our opinion, Lincoln County complied, in all material respects, with the 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, 2011.

#### Internal Control Over Compliance

The management of Lincoln County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lincoln County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

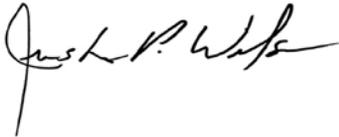
#### Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, finance director, Financial Management Committee, Board of County Commissioners, Board of Education, others within Lincoln County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Lincoln County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	\$ 284,866
National School Lunch Program	10.555	(2)	850,274 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	144,859 (4)
Water and Waste Disposal Systems for Rural Communities	10.760	(2)	136,142
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	(2)	137,621 (5)
Total U.S. Department of Agriculture			<u>\$ 1,553,762</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-07-05	\$ 88,367
Total U.S. Department of Housing and Urban Development			<u>\$ 88,367</u>
U.S. Department of Justice:			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant (JAG) State Criminal Alien Assistance Program, Recovery Act	16.606	N/A	\$ 3,390
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, Recovery Act	16.804	N/A	11,437
Passed-through Tennessee Administrative Office of the Courts:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	8,995
Total U.S. Department of Justice			<u>\$ 23,822</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 737,690
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	25,228
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	873,274
Special Education - Preschool Grants	84.173	N/A	32,971
Special Education - Grants to States, Recovery Act	84.391	N/A	204,796
Special Education - Preschool Grants, Recovery Act	84.392	N/A	15,526
Career and Technical Education - Basic Grants to States	84.048	N/A	77,501
Education Technology Cluster:			
Educational Technology State Grants	84.318	(2)	8,281
Educational Technology State Grants, Recovery Act	84.386	(2)	25,744
English Language Acquisition Grants	84.365	N/A	4,008
Improving Teacher Quality State Grants	84.367	N/A	171,378
State Fiscal Stabilization Funds Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	(2)	1,791,080
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	(2)	250,757
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Recovery Act	84.395	(2)	58,009
Education Jobs Fund	84.410	(2)	936,488
Total U.S. Department of Education			<u>\$ 5,212,731</u>

(Continued)

Lincoln County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
National Archives and Records Administration:			
Passed-through Tennessee Secretary of State:			
National Historical Publications and Records Grants	89.003	30504-00610-14	\$ 1,625
Total National Archives and Records Administration			<u>\$ 1,625</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 94,179
Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program, Recovery Act	93.714	(2)	29,673
Total U.S. Department of Health and Human Services			<u>\$ 123,852</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	GG-08-26107-00	\$ 13,165
Homeland Security Grant Program	97.067	(3)	82,460
Total U.S. Department of Homeland Security			<u>\$ 95,625</u>
Total Expenditures of Federal Awards			<u>\$ 7,099,784</u>
<u>State Grants</u>			
		Contract Number	
Health Department Programs - State Department of Health	N/A	GG-11-32038-00	\$ 316,537
Early Childhood Education - State Department of Education	N/A	(2)	650,731
Lottery for Education Afterschool Program - State Department of Education	N/A	(2)	364,795
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-212944-02	14,491
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	12507	9,000
Litter Program - State Department of Transportation	N/A	Z-11-LIT052-00	28,224
Total State Grants			<u>\$ 1,383,778</u>

CFDA - Catalog of Federal Domestic Assistance  
N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information was not available.
- (3) GG-07-11336-86: \$18,850; 34101-0000000462: \$36,780; 34101-11910: \$26,830.
- (4) Total for CFDA No. 10.555 is \$995,133.
- (5) During the year, the Lincoln County Board of Public Utilities received a loan of \$4,287,000 from the U.S. Department of Agriculture. During the year, the utility expended \$137,621 and had an outstanding loan balance of \$4,689,379 at June 30, 2011.

Lincoln County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2011

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are the findings from the Annual Financial Report for Lincoln County, Tennessee, for the year ended June 30, 2010, that have not been corrected.

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.01	181	The office did not deposit some funds within three days of collection

**OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.04	182	Duties were not segregated adequately

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**LINCOLN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2011**

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

1. Our report on the financial statements of Lincoln County is unqualified.
2. The audit of the financial statements of Lincoln County disclosed a significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lincoln County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); the State Fiscal Stabilization Funds Cluster: State Fiscal Stabilization Funds – Education State Grants Recovery Act and State Fiscal Stabilization Funds – Government Services Recovery Act (CFDA Nos. 84.394 and 84.397); and the Education Jobs Fund (CFDA No. 84.410) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lincoln County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

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

### **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 11.01      **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION****  
(Noncompliance Under *Government Auditing Standards*)

In some instances, the office did not deposit funds to the Circuit and General Sessions Courts' office bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit.

#### **RECOMMENDATION**

The clerk should ensure that all funds are deposited to the office bank accounts within three days of collection as required by state statute.

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### **OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**

**FINDING 11.02      **DUTIES WERE NOT SEGREGATED ADEQUATELY****  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

#### **RECOMMENDATION**

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

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## **BEST PRACTICE**

### **LINCOLN COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Lincoln County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**LINCOLN COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2011**

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