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# ANNUAL FINANCIAL REPORT LINCOLN COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT**  
**LINCOLN COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

*DIVISION OF LOCAL GOVERNMENT AUDIT*  
*JAMES R. ARNETTE*  
*Director*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*KENT WHITE, CPA, CGFM, CFE*  
*Auditor 4*

*SHERRIE GILL, CFE*  
*MICHAEL GUNCKEL*  
*JACOB KENNEDY*  
*State Auditors*

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

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## LINCOLN COUNTY, TENNESSEE

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***Audit Highlights***  
Annual Financial Report  
Lincoln County, Tennessee  
For the Year Ended June 30, 2012

***Scope***

We have audited the basic financial statements of Lincoln County as of and for the year ended June 30, 2012.

***Results***

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

Our audit resulted in three 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.
- 

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

- ◆ Duties were not segregated adequately.
- 

**LINCOLN COUNTY BOARD OF PUBLIC UTILITIES**

- ◆ A special report was issued on February 28, 2013, on the Lincoln County Board of Public Utilities that contained questionable practices.
- 

**BEST PRACTICE**

Lincoln County does not have an Audit Committee. The Division of Local Government 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, 2012

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

INDEPENDENT AUDITOR'S REPORT

February 19, 2013

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, 2012, 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 six percent and two 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, 2012, 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 19, 2013, 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.

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 89 through 95 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, 2012

|  | Primary Government         |                                 |                | Component Units      |                                 |
|--|----------------------------|---------------------------------|----------------|----------------------|---------------------------------|
|  | Governmental<br>Activities | Business-<br>type<br>Activities | Total          | Lincoln              | Emergency                       |
|  |                            |                                 |                | School<br>Department | Communi-<br>cations<br>District |
| <u>ASSETS</u>                              |                            |                                 |                |                      |                                 |
| Cash and Cash Equivalents                  | \$ 0                       | \$ 9,293,606                    | \$ 9,293,606   | \$ 1,013             | \$ 416,886                      |
| Equity in Pooled Cash and Investments      | 10,954,551                 | 0                               | 10,954,551     | 6,116,994            | 0                               |
| Accounts Receivable                        | 47,264                     | 8,440,557                       | 8,487,821      | 17,309               | 19,451                          |
| Allowance for Uncollectibles               | (3,024)                    | (3,003,120)                     | (3,006,144)    | 0                    | 0                               |
| Due from Other Governments                 | 1,503,846                  | 0                               | 1,503,846      | 1,075,145            | 23,048                          |
| Due from Primary Government                | 0                          | 0                               | 0              | 7,345                | 0                               |
| Property Taxes Receivable                  | 5,614,457                  | 0                               | 5,614,457      | 4,371,040            | 0                               |
| Allowance for Uncollectible Property Taxes | (96,004)                   | 0                               | (96,004)       | (74,742)             | 0                               |
| Accrued Interest Receivable                | 0                          | 0                               | 0              | 0                    | 636                             |
| Prepaid Items                              | 48,862                     | 158,682                         | 207,544        | 474,348              | 50,890                          |
| Deferred Charges - Debt Issuance Costs     | 47,233                     | 0                               | 47,233         | 0                    | 0                               |
| Notes Receivable - Long-term               | 0                          | 433,768                         | 433,768        | 0                    | 0                               |
| Other Assets                               | 0                          | 53,413                          | 53,413         | 0                    | 0                               |
| Inventories                                | 0                          | 855,509                         | 855,509        | 33,154               | 0                               |
| Restricted Assets:                         |                            |                                 |                |                      |                                 |
| Restricted Cash                            | 0                          | 9,529,013                       | 9,529,013      | 0                    | 0                               |
| Other Assets                               | 0                          | 486,531                         | 486,531        | 0                    | 149,499                         |
| Capital Assets:                            |                            |                                 |                |                      |                                 |
| Assets Not Depreciated:                    |                            |                                 |                |                      |                                 |
| Land                                       | 8,919,087                  | 1,600,849                       | 10,519,936     | 957,984              | 171,110                         |
| Construction in Progress                   | 0                          | 3,105,439                       | 3,105,439      | 0                    | 0                               |
| Assets Net of Accumulated Depreciation:    |                            |                                 |                |                      |                                 |
| Buildings and Improvements                 | 3,019,159                  | 32,898,329                      | 35,917,488     | 20,274,135           | 663,383                         |
| Ground Improvements                        | 0                          | 1,442,615                       | 1,442,615      | 0                    | 0                               |
| Infrastructure                             | 6,683,829                  | 0                               | 6,683,829      | 0                    | 0                               |
| Other Capital Assets                       | 2,602,900                  | 3,938,832                       | 6,541,732      | 2,411,561            | 614,281                         |
| Total Assets                               | \$ 39,342,160              | \$ 69,234,023                   | \$ 108,576,183 | \$ 35,665,286        | \$ 2,109,184                    |
| <u>LIABILITIES</u>                         |                            |                                 |                |                      |                                 |
| Accounts Payable                           | \$ 263,584                 | \$ 919,225                      | \$ 1,182,809   | \$ 179,573           | \$ 1,955                        |
| Accrued Payroll                            | 120,006                    | 0                               | 120,006        | 916,911              | 0                               |
| Payroll Deductions Payable                 | 0                          | 0                               | 0              | 0                    | 0                               |
| Accrued Liabilities                        | 0                          | 1,582,201                       | 1,582,201      | 0                    | 0                               |
| Contracts Payable                          | 0                          | 161,065                         | 161,065        | 0                    | 0                               |
| Retainage Payable                          | 0                          | 131,946                         | 131,946        | 0                    | 0                               |
| Due to Component Units                     | 7,345                      | 0                               | 7,345          | 0                    | 0                               |
| Due to State of Tennessee                  | 8,346                      | 0                               | 8,346          | 0                    | 0                               |
| Due to Cities                              | 106,679                    | 0                               | 106,679        | 0                    | 72,373                          |
| Accrued Interest Payable                   | 171,257                    | 104,455                         | 275,712        | 0                    | 0                               |
| Other Accrued Liabilities                  | 0                          | 1,022,617                       | 1,022,617      | 0                    | 0                               |
| Deferred Revenue - Current Property Taxes  | 5,374,214                  | 0                               | 5,374,214      | 4,184,003            | 0                               |
| Noncurrent Liabilities:                    |                            |                                 |                |                      |                                 |
| Due Within One Year                        | 1,331,033                  | 963,427                         | 2,294,460      | 30,078               | 0                               |
| Due in More Than One Year                  | 13,180,340                 | 23,246,587                      | 36,426,927     | 638,041              | 0                               |
| Total Liabilities                          | \$ 20,562,804              | \$ 28,131,523                   | \$ 48,694,327  | \$ 5,948,606         | \$ 74,328                       |

(Continued)

Exhibit A

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

|  | Primary Government         |                                 |                      | Component Units                           |  |
|--|----------------------------|---------------------------------|----------------------|---|--|
|  | Governmental<br>Activities | Business-<br>type<br>Activities | Total                | Lincoln<br>County<br>School<br>Department | Emergency<br>Communi-<br>cations<br>District |
| <u>NET ASSETS</u>                                  |                            |                                 |                      |   |  |
| Invested in Capital Assets,<br>Net of Related Debt | \$ 19,895,976              | \$ 18,496,054                   | \$ 38,392,030        | \$ 0                                      | \$ 0   |
| Invested in Capital Assets<br>Restricted for:      | 0                          | 0                               | 0                    | 23,643,680                                | 1,448,774                                    |
| General Government                                 | 8,085                      | 0                               | 8,085                | 0   | 0  |
| Finance  | 5,327                      | 0                               | 5,327                | 0   | 0  |
| Administration of Justice                          | 237,940                    | 0                               | 237,940              | 0   | 0  |
| Public Safety                                      | 108,477                    | 0                               | 108,477              | 0   | 0  |
| Public Health and Welfare                          | 976,571                    | 0                               | 976,571              | 0   | 0  |
| Highway/Public Works                               | 1,729,656                  | 0                               | 1,729,656            | 0   | 0  |
| Debt Service                                       | 24,648                     | 1,361,309                       | 1,385,957            | 0   | 0  |
| Instruction  | 0                          | 0                               | 0                    | 140,584                                   | 0  |
| Central Cafeteria                                  | 0                          | 0                               | 0                    | 437,525                                   | 0  |
| Other Purposes                                     | 0                          | 78,436                          | 78,436               | 0   | 0  |
| Unrestricted                                       | (4,207,324)                | 21,166,701                      | 16,959,377           | 5,494,891                                 | 586,082                                      |
| Total Net Assets                                   | <u>\$ 18,779,356</u>       | <u>\$ 41,102,500</u>            | <u>\$ 59,881,856</u> | <u>\$ 29,716,680</u>                      | <u>\$ 2,034,856</u>                          |

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



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                           |   |   | Emergency<br>Communications<br>District |
|  | Charges<br>for<br>Services                      | Operating<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities | Business-type<br>Activities | Total          | Lincoln<br>County<br>School<br>Department | Lincoln<br>County<br>School<br>Department | Emergency<br>Communications<br>District |   |
| General Revenues:  |   |                            |  |                            |                             |                |   |   |   |   |
| Taxes:   |   |                            |  |                            |                             |                |   |   |   |   |
| Property Taxes Levied for General Purposes                   | \$ 4,862,215                                    | \$ 0                       | \$ 0                                   | \$ 4,862,215               | \$ 0                        | \$ 0           | \$ 3,808,130                              | \$ 0                                      | \$ 0                                    | \$ 0                                    |
| Property Taxes Levied for Debt Service                       | 29,315  | 0                          | 0                                      | 29,315                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Local Option Sales Tax                                       | 1,655,302                                       | 0                          | 0                                      | 1,655,302                  | 0                           | 0              | 2,587,833                                 | 0   | 0                                       | 0                                       |
| Other Local Taxes:   |   |                            |  |                            |                             |                |   |   |   |   |
| Wheel Tax  | 739,602   | 0                          | 0                                      | 739,602                    | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Business Tax   | 271,950   | 0                          | 0                                      | 271,950                    | 0                           | 0              | 112,298                                   | 0   | 0                                       | 0                                       |
| Wholesale Beer Tax   | 0   | 0                          | 0                                      | 0                          | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Mineral Severance Tax  | 40,839  | 0                          | 0                                      | 40,839                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Litigation Tax - Jail, Workhouse, or Courthouse              | 84,591  | 0                          | 0                                      | 84,591                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Litigation Tax - General                                     | 84,417  | 0                          | 0                                      | 84,417                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Litigation Tax - Courtroom Security                          | 83,496  | 0                          | 0                                      | 83,496                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Litigation Tax - Special Purpose                             | 95,276  | 0                          | 0                                      | 95,276                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Hotel/Motel Tax  | 31,889  | 0                          | 0                                      | 31,889                     | 0                           | 0              | 0   | 0   | 0                                       | 0                                       |
| Other Local Taxes  | 1,782   | 0                          | 0                                      | 1,782                      | 0                           | 0              | 1,434                                     | 0   | 0                                       | 0                                       |
| Grants and Contributions Not Restricted to Specific Programs | 1,493,499                                       | 1,434,250                  | 2,927,749                              | 1,434,250                  | 2,927,749                   | 18,817,954     | 18,817,954                                | 0   | 0                                       | 0                                       |
| Unrestricted Investment Earnings                             | 71,384  | 99,103                     | 170,487                                | 99,103                     | 170,487                     | 739            | 739                                       | 8,777                                     | 8,777                                   | 8,777                                   |
| Miscellaneous  | 47,690  | 0                          | 47,690                                 | 0                          | 47,690                      | 135,206        | 135,206                                   | 0   | 0                                       | 0                                       |
| Gain (Loss) on Disposal of Capital Assets                    | 20,155  | (327)                      | 19,828                                 | (327)                      | 19,828                      | 15,906         | 15,906                                    | 0   | 0                                       | 0                                       |
| Total General Revenues                                       | \$ 9,613,402                                    | \$ 1,533,026               | \$ 11,146,428                          | \$ 1,533,026               | \$ 11,146,428               | \$ 25,479,500  | \$ 25,479,500                             | \$ 8,777                                  | \$ 8,777                                | \$ 8,777                                |
| Change in Net Assets   | \$ 793,188                                      | \$ 1,451,469               | \$ 2,244,657                           | \$ 1,451,469               | \$ 2,244,657                | \$ (1,482,062) | \$ (1,482,062)                            | \$ 329,726                                | \$ 329,726                              | \$ 329,726                              |
| Net Assets, July 1, 2011                                     | 17,986,168                                      | 39,651,031                 | 57,637,199                             | 39,651,031                 | 57,637,199                  | 31,198,742     | 31,198,742                                | 1,705,130                                 | 1,705,130                               | 1,705,130                               |
| Net Assets, June 30, 2012                                    | \$ 18,779,356                                   | \$ 41,102,500              | \$ 59,881,856                          | \$ 41,102,500              | \$ 59,881,856               | \$ 29,716,680  | \$ 29,716,680                             | \$ 2,034,856                              | \$ 2,034,856                            | \$ 2,034,856                            |

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, 2012

|  | Major Funds         |                     |                     | Nonmajor            | Total                |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
|  | General             | Highway /           | General             | Funds               |                      |
|  |                     | Public              | Debt                | Other               |                      |
|  | Works               | Service             | Governmental        | Funds               |                      |
| <u>ASSETS</u>                                  |                     |                     |                     |                     |                      |
| Equity in Pooled Cash and Investments          | \$ 3,624,494        | \$ 984,413          | \$ 5,107,405        | \$ 1,238,239        | \$ 10,954,551        |
| Accounts Receivable                            | 43,310              | 385                 | 0                   | 3,569               | 47,264               |
| Allowance for Uncollectibles                   | 0                   | 0                   | 0                   | (3,024)             | (3,024)              |
| Due from Other Governments                     | 240,058             | 824,853             | 298,152             | 140,783             | 1,503,846            |
| Property Taxes Receivable                      | 4,559,104           | 1,039,568           | 15,785              | 0                   | 5,614,457            |
| Allowance for Uncollectible Property Taxes     | (77,958)            | (17,776)            | (270)               | 0                   | (96,004)             |
| Prepaid Items                                  | 48,862              | 0                   | 0                   | 0                   | 48,862               |
| Total Assets                                   | <u>\$ 8,437,870</u> | <u>\$ 2,831,443</u> | <u>\$ 5,421,072</u> | <u>\$ 1,379,567</u> | <u>\$ 18,069,952</u> |
| <u>LIABILITIES AND FUND BALANCES</u>           |                     |                     |                     |                     |                      |
| <u>Liabilities</u>                             |                     |                     |                     |                     |                      |
| Accounts Payable                               | \$ 133,779          | \$ 95,312           | \$ 0                | \$ 34,493           | \$ 263,584           |
| Accrued Payroll                                | 106,191             | 11,390              | 0                   | 2,425               | 120,006              |
| Due to Component Units                         | 7,345               | 0                   | 0                   | 0                   | 7,345                |
| Due to State of Tennessee                      | 8,346               | 0                   | 0                   | 0                   | 8,346                |
| Due to Cities                                  | 76,136              | 0                   | 0                   | 30,543              | 106,679              |
| Deferred Revenue - Current Property Taxes      | 4,364,019           | 995,085             | 15,110              | 0                   | 5,374,214            |
| Deferred Revenue - Delinquent Property Taxes   | 107,243             | 24,454              | 371                 | 0                   | 132,068              |
| Other Deferred Revenues                        | 121,222             | 205,341             | 147,646             | 70,360              | 544,569              |
| Total Liabilities                              | <u>\$ 4,924,281</u> | <u>\$ 1,331,582</u> | <u>\$ 163,127</u>   | <u>\$ 137,821</u>   | <u>\$ 6,556,811</u>  |
| <u>Fund Balances</u>                           |                     |                     |                     |                     |                      |
| Nonspendable:                                  |                     |                     |                     |                     |                      |
| Prepaid Items                                  | \$ 48,862           | \$ 0                | \$ 0                | \$ 0                | \$ 48,862            |
| Restricted:                                    |                     |                     |                     |                     |                      |
| Restricted for General Government              | 8,085               | 0                   | 0                   | 0                   | 8,085                |
| Restricted for Finance                         | 5,327               | 0                   | 0                   | 0                   | 5,327                |
| Restricted for Administration of Justice       | 171,777             | 0                   | 0                   | 66,163              | 237,940              |
| Restricted for Public Safety                   | 16,057              | 0                   | 0                   | 92,420              | 108,477              |
| Restricted for Public Health and Welfare       | 60,593              | 0                   | 0                   | 1,083,163           | 1,143,756            |
| Restricted for Highways/Public Works           | 0                   | 1,499,861           | 0                   | 0                   | 1,499,861            |
| Restricted for Debt Service                    | 0                   | 0                   | 24,648              | 0                   | 24,648               |
| Committed:                                     |                     |                     |                     |                     |                      |
| Committed for Debt Service                     | 0                   | 0                   | 5,233,297           | 0                   | 5,233,297            |
| Assigned:                                      |                     |                     |                     |                     |                      |
| Assigned for General Government                | 144,832             | 0                   | 0                   | 0                   | 144,832              |
| Assigned for Finance                           | 223                 | 0                   | 0                   | 0                   | 223                  |
| Assigned for Administration of Justice         | 2,054               | 0                   | 0                   | 0                   | 2,054                |
| Assigned for Public Safety                     | 8,916               | 0                   | 0                   | 0                   | 8,916                |
| Assigned for Public Health and Welfare         | 25,492              | 0                   | 0                   | 0                   | 25,492               |
| Assigned for Agriculture and Natural Resources | 216                 | 0                   | 0                   | 0                   | 216                  |
| Assigned for Other Operations                  | 350                 | 0                   | 0                   | 0                   | 350                  |
| Unassigned                                     | 3,020,805           | 0                   | 0                   | 0                   | 3,020,805            |
| Total Fund Balances                            | <u>\$ 3,513,589</u> | <u>\$ 1,499,861</u> | <u>\$ 5,257,945</u> | <u>\$ 1,241,746</u> | <u>\$ 11,513,141</u> |
| Total Liabilities and Fund Balances            | <u>\$ 8,437,870</u> | <u>\$ 2,831,443</u> | <u>\$ 5,421,072</u> | <u>\$ 1,379,567</u> | <u>\$ 18,069,952</u> |

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

Exhibit C-2

Lincoln County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2012

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)  |                  | \$ 11,513,141        |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |                  |                      |
| Add: land   | \$ 8,919,087     |                      |
| Add: buildings and improvements net of accumulated depreciation   | 3,019,159        |                      |
| Add: infrastructure net of accumulated depreciation   | 6,683,829        |                      |
| Add: other capital assets net of accumulated depreciation   | <u>2,602,900</u> | 21,224,975           |
| (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  | \$ (288,000)     |                      |
| Less: bonds payable   | (13,625,000)     |                      |
| Add: deferred charges - debt issuance costs   | 47,233           |                      |
| Less: compensated absences payable  | (165,592)        |                      |
| Less: landfill closure/postclosure care costs   | (237,545)        |                      |
| Less: other postemployment benefits liability   | (195,236)        |                      |
| Less: accrued interest on note and bonds  | <u>(171,257)</u> | (14,635,397)         |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. |                  | <u>676,637</u>       |
| Net assets of governmental activities (Exhibit A)   |                  | <u>\$ 18,779,356</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, 2012

|  | Major Funds         |                              |                            | Nonmajor<br>Funds                   | Total<br>Governmental<br>Funds |
|--|---------------------|------------------------------|----------------------------|-------------------------------------|--------------------------------|
|  | General             | Highway /<br>Public<br>Works | General<br>Debt<br>Service | Other<br>Govern-<br>mental<br>Funds |                                |
| <u>Revenues</u>                                      |                     |                              |                            |                                     |                                |
| Local Taxes  | \$ 5,238,197        | \$ 1,132,226                 | \$ 2,158,309               | \$ 0                                | \$ 8,528,732                   |
| Licenses and Permits                                 | 91,545              | 0                            | 0                          | 0                                   | 91,545                         |
| Fines, Forfeitures, and Penalties                    | 189,584             | 0                            | 0                          | 41,691                              | 231,275                        |
| Charges for Current Services                         | 81,471              | 0                            | 0                          | 834,650                             | 916,121                        |
| Other Local Revenues                                 | 245,573             | 38,233                       | 0                          | 12,044                              | 295,850                        |
| Fees Received from County Officials                  | 1,235,266           | 0                            | 0                          | 0                                   | 1,235,266                      |
| State of Tennessee                                   | 1,937,616           | 2,548,105                    | 0                          | 14,676                              | 4,500,397                      |
| Federal Government                                   | 167,483             | 107,863                      | 0                          | 0                                   | 275,346                        |
| Other Governments and Citizens Groups                | 120                 | 0                            | 0                          | 0                                   | 120                            |
| <b>Total Revenues</b>                                | <b>\$ 9,186,855</b> | <b>\$ 3,826,427</b>          | <b>\$ 2,158,309</b>        | <b>\$ 903,061</b>                   | <b>\$ 16,074,652</b>           |
| <u>Expenditures</u>                                  |                     |                              |                            |                                     |                                |
| Current:   |                     |                              |                            |                                     |                                |
| General Government                                   | \$ 1,782,506        | \$ 0                         | \$ 0                       | \$ 0                                | \$ 1,782,506                   |
| Finance  | 995,477             | 0                            | 0                          | 87                                  | 995,564                        |
| Administration of Justice                            | 1,096,580           | 0                            | 0                          | 26,994                              | 1,123,574                      |
| Public Safety  | 4,317,368           | 0                            | 0                          | 30,680                              | 4,348,048                      |
| Public Health and Welfare                            | 624,029             | 0                            | 0                          | 1,123,848                           | 1,747,877                      |
| Social, Cultural, and Recreational Services          | 151,216             | 0                            | 0                          | 0                                   | 151,216                        |
| Agriculture and Natural Resources                    | 137,543             | 0                            | 0                          | 0                                   | 137,543                        |
| Other Operations                                     | 454,479             | 0                            | 0                          | 0                                   | 454,479                        |
| Highways   | 0                   | 4,088,390                    | 0                          | 0                                   | 4,088,390                      |
| Debt Service:  |                     |                              |                            |                                     |                                |
| Principal on Debt                                    | 0                   | 0                            | 1,093,000                  | 0                                   | 1,093,000                      |
| Interest on Debt                                     | 0                   | 0                            | 729,449                    | 0                                   | 729,449                        |
| Other Debt Service                                   | 0                   | 0                            | 22,649                     | 0                                   | 22,649                         |
| <b>Total Expenditures</b>                            | <b>\$ 9,559,198</b> | <b>\$ 4,088,390</b>          | <b>\$ 1,845,098</b>        | <b>\$ 1,181,609</b>                 | <b>\$ 16,674,295</b>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures |                     |                              |                            |                                     |                                |
|  | \$ (372,343)        | \$ (261,963)                 | \$ 313,211                 | \$ (278,548)                        | \$ (599,643)                   |
| <u>Other Financing Sources (Uses)</u>                |                     |                              |                            |                                     |                                |
| Proceeds from Sale of Capital Assets                 | \$ 500,000          | \$ 0                         | \$ 0                       | \$ 0                                | \$ 500,000                     |
| <b>Total Other Financing Sources (Uses)</b>          | <b>\$ 500,000</b>   | <b>\$ 0</b>                  | <b>\$ 0</b>                | <b>\$ 0</b>                         | <b>\$ 500,000</b>              |
| Net Change in Fund Balances                          |                     |                              |                            |                                     |                                |
| Fund Balance, July 1, 2011                           | \$ 3,385,932        | \$ 1,761,824                 | \$ 4,944,734               | \$ 1,520,294                        | \$ 11,612,784                  |
| <b>Fund Balance, June 30, 2012</b>                   | <b>\$ 3,513,589</b> | <b>\$ 1,499,861</b>          | <b>\$ 5,257,945</b>        | <b>\$ 1,241,746</b>                 | <b>\$ 11,513,141</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, 2012

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)  |                    | \$ (99,643)       |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:   |                    |                   |
| Add: capital assets purchased in the current period   | \$ 1,932,488       |                   |
| Less: current-year depreciation expense   | <u>(1,688,661)</u> | 243,827           |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales and trade-ins) is to decrease net assets.  |                    |                   |
| Add: assets donated and capitalized   | \$ 19,000          |                   |
| Add: gain on disposal of capital assets   | 20,155             |                   |
| Less: proceeds from the sale of capital assets  | <u>(535,762)</u>   | (496,607)         |
| (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, 2012  | \$ 676,637         |                   |
| Less: deferred delinquent property taxes and other deferred June 30, 2011   | <u>(582,754)</u>   | 93,883            |
| (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: change in deferred debt issuance costs  | \$ (5,367)         |                   |
| Add: principal payments on bonds  | 1,040,000          |                   |
| Add: principal payments on note   | <u>53,000</u>      | 1,087,633         |
| (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 compensated absences payable  | \$ (4,506)         |                   |
| Change in other postemployment benefits liability   | (40,330)           |                   |
| Change in landfill closure/postclosure care costs   | <u>8,931</u>       | (35,905)          |
| Change in net assets of governmental activities (Exhibit B)   |                    | <u>\$ 793,188</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, 2012

|  | Business-type Activities -<br>Major Enterprise Funds |  |                      |
|--|--|--|----------------------|
|  | Lincoln<br>County<br>Health<br>System                | Lincoln<br>County<br>Board of<br>Public<br>Utilities | Total                |
| <u>ASSETS</u>                                      |  |  |                      |
| Current Assets:                                    |  |  |                      |
| Cash and Cash Equivalents                          | \$ 7,475,856   | \$ 1,817,750   | \$ 9,293,606         |
| Restricted Cash                                    | 42,354   | 0  | 42,354               |
| Accounts Receivable                                | 8,186,597  | 253,960  | 8,440,557            |
| Allowance for Uncollectibles                       | (3,000,920)  | (2,200)  | (3,003,120)          |
| Inventories  | 716,743  | 138,766  | 855,509              |
| Prepaid Items                                      | 154,582  | 4,100  | 158,682              |
| Other Assets                                       | 53,413   | 0  | 53,413               |
| Total Current Assets                               | <u>\$ 13,628,625</u>                                 | <u>\$ 2,212,376</u>                                  | <u>\$ 15,841,001</u> |
| Noncurrent Assets:                                 |  |  |                      |
| Restricted Cash                                    | \$ 0   | \$ 290,539   | \$ 290,539           |
| Restricted Investments                             | 9,196,120  | 0  | 9,196,120            |
| Long-term Portion of Note Receivable               | 433,768  | 0  | 433,768              |
| Other Assets                                       | 485,781  | 750  | 486,531              |
| Capital Assets (Net of Accumulated Depreciation):  |  |  |                      |
| Land   | 1,073,754  | 527,095  | 1,600,849            |
| Construction in Progress                           | 30,462   | 3,074,977  | 3,105,439            |
| Ground Improvements                                | 1,442,615  | 0  | 1,442,615            |
| Buildings and Improvements                         | 13,059,187   | 19,839,142   | 32,898,329           |
| Machinery and Equipment                            | 3,938,832  | 0  | 3,938,832            |
| Total Noncurrent Assets                            | <u>\$ 29,660,519</u>                                 | <u>\$ 23,732,503</u>                                 | <u>\$ 53,393,022</u> |
| Total Assets                                       | <u>\$ 43,289,144</u>                                 | <u>\$ 25,944,879</u>                                 | <u>\$ 69,234,023</u> |
| <u>LIABILITIES</u>                                 |  |  |                      |
| Current Liabilities:                               |  |  |                      |
| Accounts Payable                                   | \$ 868,003   | \$ 51,222  | \$ 919,225           |
| Accrued Liabilities                                | 1,502,966  | 53,435   | 1,556,401            |
| Contracts Payable                                  | 0  | 161,065  | 161,065              |
| Retainage Payable                                  | 0  | 131,946  | 131,946              |
| Advance Payments from Customers                    | 0  | 25,800   | 25,800               |
| Accrued Interest                                   | 93,836   | 10,619   | 104,455              |
| Accrued Leave                                      | 966,040  | 14,223   | 980,263              |
| Current Maturities of Long-term Debt               | 776,718  | 173,694  | 950,412              |
| Patient Trust Funds                                | 42,354   | 0  | 42,354               |
| Payable from Restricted Assets - Customer Deposits | 0  | 13,015   | 13,015               |
| Total Current Liabilities                          | <u>\$ 4,249,917</u>                                  | <u>\$ 635,019</u>                                    | <u>\$ 4,884,936</u>  |

(Continued)

Exhibit D-1

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

|   | <u>Business-type Activities -</u><br><u>Major Enterprise Funds</u> |   |                      |
|---|--|---|----------------------|
|   | <u>Lincoln</u><br><u>County</u><br><u>Health</u><br><u>System</u>  | <u>Lincoln</u><br><u>County</u><br><u>Board of</u><br><u>Public</u><br><u>Utilities</u> | <u>Total</u>         |
| <b><u>LIABILITIES (CONT.)</u></b>               |  |   |                      |
| Noncurrent Liabilities:                         |  |   |                      |
| Long-term Debt                                  | \$ 13,257,060  | \$ 9,989,527  | \$ 23,246,587        |
| Total Noncurrent Liabilities                    | <u>\$ 13,257,060</u>   | <u>\$ 9,989,527</u>   | <u>\$ 23,246,587</u> |
| Total Liabilities                               | <u>\$ 17,506,977</u>   | <u>\$ 10,624,546</u>  | <u>\$ 28,131,523</u> |
| <b><u>NET ASSETS</u></b>                        |  |   |                      |
| Invested in Capital Assets, Net of Related Debt | \$ 5,511,072   | \$ 12,984,982   | \$ 18,496,054        |
| Restricted for Debt Service                     | 1,083,785  | 277,524   | 1,361,309            |
| Restricted for Other Purposes                   | 78,436   | 0   | 78,436               |
| Unrestricted                                    | <u>19,108,874</u>  | <u>2,057,827</u>  | <u>21,166,701</u>    |
| Total Net Assets                                | <u>\$ 25,782,167</u>   | <u>\$ 15,320,333</u>  | <u>\$ 41,102,500</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, 2012

|   | Business-type Activities -<br>Major Enterprise Funds |  |                      |
|---|--|--|----------------------|
|   | Lincoln<br>County<br>Health<br>System                | Lincoln<br>County<br>Board of<br>Public<br>Utilities | Total                |
| <u>Operating Revenues</u>               |  |  |                      |
| Charges for Current Services            | \$ 39,647,879  | \$ 4,146,488   | \$ 43,794,367        |
| Other Local Revenues                    | 845,180  | 305,253  | 1,150,433            |
| Total Operating Revenues                | <u>\$ 40,493,059</u>                                 | <u>\$ 4,451,741</u>                                  | <u>\$ 44,944,800</u> |
| <u>Operating Expenses</u>               |  |  |                      |
| Public Health and Welfare               | \$ 38,111,728  | \$ 2,872,191   | \$ 40,983,919        |
| Depreciation Expense                    | 2,175,674  | 883,344  | 3,059,018            |
| Total Operating Expenses                | <u>\$ 40,287,402</u>                                 | <u>\$ 3,755,535</u>                                  | <u>\$ 44,042,937</u> |
| Operating Income (Loss)                 | <u>\$ 205,657</u>                                    | <u>\$ 696,206</u>                                    | <u>\$ 901,863</u>    |
| <u>Nonoperating Revenues (Expenses)</u> |  |  |                      |
| Investment Income                       | \$ 97,327  | \$ 1,776   | \$ 99,103            |
| Interest Expense                        | (615,471)  | (345,520)  | (960,991)            |
| Amortization                            | (48,229)   | 0  | (48,229)             |
| Noncapital Grants and Contributions     | 1,434,250  | 0  | 1,434,250            |
| Loss on Disposal of Capital Assets      | (327)  | 0  | (327)                |
| Total Nonoperating Revenues (Expenses)  | <u>\$ 867,550</u>                                    | <u>\$ (343,744)</u>                                  | <u>\$ 523,806</u>    |
| Income Before Contributions             | \$ 1,073,207   | \$ 352,462   | \$ 1,425,669         |
| Capital Contributions                   | 25,800   | 0  | 25,800               |
| Change in Net Assets                    | <u>\$ 1,099,007</u>                                  | <u>\$ 352,462</u>                                    | <u>\$ 1,451,469</u>  |
| Net Assets, July 1, 2011                | <u>24,683,160</u>                                    | <u>14,967,871</u>                                    | <u>39,651,031</u>    |
| Net Assets, June 30, 2012               | <u>\$ 25,782,167</u>                                 | <u>\$ 15,320,333</u>                                 | <u>\$ 41,102,500</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, 2012

|  | Business-type Activities -<br>Major Enterprise Funds |  |                |
|--|--|--|----------------|
|  | Lincoln<br>County<br>Health<br>System                | Lincoln<br>County<br>Board of<br>Public<br>Utilities | Total          |
| <u>Cash Flows from Operating Activities</u>                                |  |  |                |
| Receipts from Customers and Users  | \$ 42,275,258  | \$ 4,404,218   | \$ 46,679,476  |
| Payments to Employees  | (23,911,853)   | (1,083,718)  | (24,995,571)   |
| Payments to Suppliers  | (15,321,357)   | (1,797,788)  | (17,119,145)   |
| Received from Operating Portions of Tap Fees                               | 0  | 70,031   | 70,031         |
| Customer Deposits Returned   | 0  | (370)  | (370)          |
| Net Cash Provided By (Used In) Operating Activities                        | \$ 3,042,048   | \$ 1,592,373   | \$ 4,634,421   |
| <u>Cash Flows from Capital and Related Financing Activities</u>            |  |  |                |
| Acquisition/Construction of Capital Assets                                 | \$ (665,210)   | \$ (2,920,561)                                       | \$ (3,585,771) |
| Proceeds from Disposal of Capital Assets                                   | 1,000  | 38,465   | 39,465         |
| Principal Advances on Bond Anticipation Notes                              | 0  | 5,067,101  | 5,067,101      |
| Principal Payments on Long-term Debt                                       | (741,583)  | (2,786,235)  | (3,527,818)    |
| Interest Payments on Long-term Debt  | (620,934)  | (344,308)  | (965,242)      |
| Capital Contributions  | 25,800   | 0  | 25,800         |
| Net Cash Provided By (Used In)<br>Capital and Related Financing Activities | \$ (2,000,927)                                       | \$ (945,538)   | \$ (2,946,465) |
| <u>Cash Flows from Noncapital Financing Activities</u>                     |  |  |                |
| Noncapital Grants  | \$ 1,434,250   | \$ 0   | \$ 1,434,250   |
| Net Cash Provided By (Used In) Noncapital Financing Activities             | \$ 1,434,250   | \$ 0   | \$ 1,434,250   |
| <u>Cash Flows from Investing Activities</u>                                |  |  |                |
| Investment Income  | \$ 79,981  | \$ 1,776   | \$ 81,757      |
| Increase in Restricted Investments   | (61,135)   | 0  | (61,135)       |
| Net Cash Provided By (Used In) Investing Activities                        | \$ 18,846  | \$ 1,776   | \$ 20,622      |
| Net Increase (Decrease) in Cash  | \$ 2,494,217   | \$ 648,611   | \$ 3,142,828   |
| Cash, July 1, 2011   | 4,981,639  | 1,459,678  | 6,441,317      |
| Cash, June 30, 2012  | \$ 7,475,856   | \$ 2,108,289   | \$ 9,584,145   |

(Continued)

Exhibit D-3

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

|   | <u>Business-type Activities -</u><br><u>Major Enterprise Funds</u> |  |                     |
|---|--|--|---------------------|
|   | Lincoln<br>County<br>Health<br>System                              | Lincoln<br>County<br>Board of<br>Public<br>Utilities | Total               |
| <u>Reconciliation of Net Operating Income (Loss)</u><br><u>to Net Cash Provided By (Used In) Operating Activities</u> |  |  |                     |
| Operating Income  | \$ 205,657   | \$ 696,206   | \$ 901,863          |
| Adjustments to Reconcile Net Operating Income to<br>Net Cash Provided By (Used In) Operating Activities:              |  |  |                     |
| Depreciation Expense  | 2,175,674  | 883,344  | 3,059,018           |
| Provision for Bad Debts   | 5,422,842  | 0  | 5,422,842           |
| Advances Under Note Receivable Arrangements   | (248,400)  | 0  | (248,400)           |
| Provision for Note Receivable Arrangements  | 97,367   | 0  | 97,367              |
| Investment in Insurance Funds, Net  | 15,016   | 0  | 15,016              |
| (Increase) Decrease in Accounts Receivable  | (4,772,180)  | 22,508   | (4,749,672)         |
| (Increase) Decrease in Other Receivables  | (196,789)  | 0  | (196,789)           |
| (Increase) Decrease in Inventories  | 51,441   | 22,577   | 74,018              |
| (Increase) Decrease in Prepaid Items  | 72,802   | (417)  | 72,385              |
| (Increase) Decrease in Other Assets   | 1,993  | 0  | 1,993               |
| Increase (Decrease) in Accounts Payable   | 100,347  | (16,902)   | 83,445              |
| Increase (Decrease) in Customer Deposits  | 0  | (370)  | (370)               |
| Increase (Decrease) in Accrued Leave  | 0  | 303  | 303                 |
| Increase (Decrease) in Accrued Liabilities  | 116,278  | (14,876)   | 101,402             |
| Net Cash Provided By (Used In) Operating Activities   | <u>\$ 3,042,048</u>  | <u>\$ 1,592,373</u>                                  | <u>\$ 4,634,421</u> |
| <u>Reconciliation of Cash With Statement of Net Assets</u>  |  |  |                     |
| Cash Per Net Assets   | \$ 7,475,856   | \$ 1,817,750   | \$ 9,293,606        |
| Restricted Cash Per Net Assets  | 0  | 290,539  | 290,539             |
| Cash, June 30, 2012   | <u>\$ 7,475,856</u>  | <u>\$ 2,108,289</u>                                  | <u>\$ 9,584,145</u> |
| <u>Noncash Investing, Capital, and Financing Activities</u>   |  |  |                     |
| Capital Lease Obligation Issued to Acquire Equipment  | \$ 196,413   | \$ 0   | \$ 196,413          |
| Depreciation Capitalized in Line Extensions   | 0  | 33,436   | 33,436              |
| Contractor Payable and Retainage Payable on Construction in Progress  | 0  | 293,011  | 293,011             |

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, 2012

|  | <u>Agency<br/>Funds</u> |
|--|-------------------------|
| <u>ASSETS</u>                              |                         |
| Cash                                       | \$ 1,687,002            |
| Equity in Pooled Cash and Investments      | 417,430                 |
| Investments                                | 350,378                 |
| Accounts Receivable                        | 24,069                  |
| Due from Other Governments                 | 481,260                 |
| Property Taxes Receivable                  | 1,243,417               |
| Allowance for Uncollectible Property Taxes | <u>(21,296)</u>         |
| Total Assets                               | <u>\$ 4,182,260</u>     |
| <u>LIABILITIES</u>                         |                         |
| Accounts Payable                           | \$ 9,406                |
| Accrued Payroll                            | 1,613                   |
| Due to Other Taxing Units                  | 1,771,933               |
| Due to Litigants, Heirs, and Others        | 2,046,216               |
| Due to Joint Ventures                      | <u>353,092</u>          |
| Total Liabilities                          | <u>\$ 4,182,260</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, 2012**

**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, 2012.

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 type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lincoln County, the city school system’s share of educational revenues, 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 fund:

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

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

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

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.

**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 neither Lincoln County nor the School Department has a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**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, 2012, Lincoln County had \$12,566,855 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.

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

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

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

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

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

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

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

**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. 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, 2012, the Lincoln County School Department reported the following significant encumbrances:

| Fund                   | Description  | Amount     |
|------------------------|--------------|------------|
| General Purpose School | School buses | \$ 491,994 |

**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, 2012.

**Investment Balances.** As of June 30, 2012, Lincoln County had the following investments carried at cost.

| Investment                             | Maturities | Cost                     |
|--|------------|--------------------------|
| Nonpooled:                             |            |                          |
| Constitutional Officers - Agency Fund: |            |                          |
| Clerk and Master:                      |            |                          |
| Long-term Certificates of Deposit      | 10-12-40   | \$ 349,675               |
| Mutual Funds                           | none       | <u>703</u>               |
| Total Nonpooled                        |            | <u><u>\$ 350,378</u></u> |

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments, as previously disclosed. Lincoln County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lincoln County has no investment policy that would further limit its investment choices.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

|                                      | Balance<br>7-1-11    | Increases           | Decreases           | Balance<br>6-30-12   |
|--------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Capital Assets Not Depreciated:      |                      |                     |                     |                      |
| Land                                 | \$ 8,650,649         | \$ 768,460          | \$ (500,022)        | \$ 8,919,087         |
| Construction in Progress             | 37,869               | 321,478             | (359,347)           | 0                    |
| Total Capital Assets Not Depreciated | <u>\$ 8,688,518</u>  | <u>\$ 1,089,938</u> | <u>\$ (859,369)</u> | <u>\$ 8,919,087</u>  |
| Capital Assets Depreciated:          |                      |                     |                     |                      |
| Buildings and Improvements           | \$ 9,246,355         | \$ 279,719          | \$ 0                | \$ 9,526,074         |
| Infrastructure                       | 21,954,563           | 491,490             | 0                   | 22,446,053           |
| Other Capital Assets                 | 7,440,839            | 449,688             | (162,145)           | 7,728,382            |
| Total Capital Assets Depreciated     | <u>\$ 38,641,757</u> | <u>\$ 1,220,897</u> | <u>\$ (162,145)</u> | <u>\$ 39,700,509</u> |

**Governmental Activities (Cont.):**

|  | Balance              |                     |                     | Balance              |
|--|----------------------|---------------------|---------------------|----------------------|
|  | 7-1-11               | Increases           | Decreases           | 6-30-12              |
| Less Accumulated<br>Depreciation For:          |                      |                     |                     |                      |
| Buildings and<br>Improvements                  | \$ 6,136,790         | \$ 370,125          | \$ 0                | \$ 6,506,915         |
| Infrastructure                                 | 14,923,836           | 838,388             | 0                   | 15,762,224           |
| Other Capital Assets                           | 4,791,894            | 480,148             | (146,560)           | 5,125,482            |
| Total Accumulated<br>Depreciation              | <u>\$ 25,852,520</u> | <u>\$ 1,688,661</u> | <u>\$ (146,560)</u> | <u>\$ 27,394,621</u> |
| Total Capital Assets<br>Depreciated, Net       | <u>\$ 12,789,237</u> | <u>\$ (467,764)</u> | <u>\$ (15,585)</u>  | <u>\$ 12,305,888</u> |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 21,477,755</u> | <u>\$ 622,174</u>   | <u>\$ (874,954)</u> | <u>\$ 21,224,975</u> |

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

**Governmental Activities:**

|   |                     |
|---|---------------------|
| General Government                                      | \$ 95,550           |
| Administration of Justice                               | 6,305               |
| Public Safety   | 465,213             |
| Public Health and Welfare                               | 114,053             |
| Agriculture and Natural Resources                       | 19,377              |
| Highways/Public Works                                   | 988,163             |
| Total Depreciation Expense -<br>Governmental Activities | <u>\$ 1,688,661</u> |

**Discretely Presented Lincoln County School Department****Governmental Activities:**

|   | Balance           |                   |                     | Balance           |
|---|-------------------|-------------------|---------------------|-------------------|
|   | 7-1-11            | Increases         | Decreases           | 6-30-12           |
| Capital Assets Not Depreciated:         |                   |                   |                     |                   |
| Land                                    | \$ 895,247        | \$ 62,737         | \$ 0                | \$ 957,984        |
| Construction in Progress                | 83,656            | 107,879           | (191,535)           | 0                 |
| Total Capital Assets<br>Not Depreciated | <u>\$ 978,903</u> | <u>\$ 170,616</u> | <u>\$ (191,535)</u> | <u>\$ 957,984</u> |

**Governmental Activities (Cont.):**

|                                    | Balance<br>7-1-11 | Increases    | Decreases    | Balance<br>6-30-12 |
|------------------------------------|-------------------|--------------|--------------|--------------------|
| Capital Assets Depreciated:        |                   |              |              |                    |
| Buildings and Improvements         | \$ 40,721,930     | \$ 516,793   | \$ 0         | \$ 41,238,723      |
| Other Capital Assets               | 5,089,802         | 640,189      | (380,443)    | 5,349,548          |
| Total Capital Assets               |                   |              |              |                    |
| Depreciated                        | \$ 45,811,732     | \$ 1,156,982 | \$ (380,443) | \$ 46,588,271      |
| Less Accumulated Depreciation For: |                   |              |              |                    |
| Buildings and Improvements         | \$ 19,739,291     | \$ 1,225,297 | \$ 0         | \$ 20,964,588      |
| Other Capital Assets               | 2,926,686         | 361,894      | (350,593)    | 2,937,987          |
| Total Accumulated                  |                   |              |              |                    |
| Depreciation                       | \$ 22,665,977     | \$ 1,587,191 | \$ (350,593) | \$ 23,902,575      |
| Total Capital Assets               |                   |              |              |                    |
| Depreciated, Net                   | \$ 23,145,755     | \$ (430,209) | \$ (29,850)  | \$ 22,685,696      |
| Governmental Activities            |                   |              |              |                    |
| Capital Assets, Net                | \$ 24,124,658     | \$ (259,593) | \$ (221,385) | \$ 23,643,680      |

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

**Governmental Activities:**

|   |                     |
|---|---------------------|
| Support Services  | \$ 344,132          |
| Operation of Non-Instructional Services                 | 1,243,059           |
| Total Depreciation Expense -<br>Governmental Activities | <u>\$ 1,587,191</u> |

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

The composition of interfund balances as of June 30, 2012, was as follows:

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

| Receivable Fund                           | Payable Fund                   | Amount   |
|---|--------------------------------|----------|
| Component Unit:<br>General Purpose School | Primary Government:<br>General | \$ 7,345 |

**Interfund Transfer:**

Interfund transfers for the year ended June 30, 2012, consisted of the following amount:

**Discretely Presented Lincoln County School Department**

| Transfer Out         | Transfer In<br>Nonmajor<br>Governmental<br>Funds |
|----------------------|--|
| General Purpose Fund | \$ 50,000  |

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. The General Purpose School Fund made a one-time transfer of \$50,000 to the School Federal Projects Fund for cash flow.

**D. 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, 2012, will be retired from the General Debt Service Fund.

General obligation bonds and the capital outlay note outstanding as of June 30, 2012, for governmental activities are as follows:

| Type                                 | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-12 |
|--------------------------------------|---------------|----------------|--------------------------|-----------------|
| General Obligation Bonds - Refunding | 3.9 to 5.25 % | 5-1-21         | \$ 21,235,000            | \$ 13,625,000   |
| Capital Outlay Note                  | 2.545         | 5-1-17         | 391,000                  | 288,000         |

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

| Year Ending<br>June 30 | Note       |           |            |
|------------------------|------------|-----------|------------|
|                        | Principal  | Interest  | Total      |
| 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                  | \$ 288,000 | \$ 23,277 | \$ 311,277 |

| Year Ending<br>June 30 | Bonds         |              |               |
|------------------------|---------------|--------------|---------------|
|                        | Principal     | Interest     | Total         |
| 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                  | \$ 13,625,000 | \$ 3,357,674 | \$ 16,982,674 |

There is \$5,257,945 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$408, based on the 2010 federal census. Debt per capita, including bonds and the note totaled \$417, 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, 2012, was as follows:

Governmental Activities:

|                             | Bonds         | Notes      | Other<br>Postemployment<br>Benefits |
|-----------------------------|---------------|------------|-------------------------------------|
| Balance, July 1, 2011       | \$ 14,665,000 | \$ 341,000 | \$ 154,906                          |
| Additions                   | 0             | 0          | 46,619                              |
| Reductions                  | (1,040,000)   | (53,000)   | (6,289)                             |
| Balance, June 30, 2012      | \$ 13,625,000 | \$ 288,000 | \$ 195,236                          |
| Balance Due Within One Year | \$ 1,120,000  | \$ 54,000  | \$ 0                                |

|                             | Compensated<br>Absences | Landfill<br>Postclosure<br>Care<br>Costs |
|-----------------------------|-------------------------|--|
| Balance, July 1, 2011       | \$ 161,086              | \$ 246,476                               |
| Additions                   | 142,546                 | 5,568                                    |
| Reductions                  | (138,040)               | (14,499)                                 |
| Balance, June 30, 2012      | \$ 165,592              | \$ 237,545                               |
| Balance Due Within One Year | \$ 149,033              | \$ 8,000                                 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |                      |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2012                       | \$ 14,511,373        |
| Less: Balances Due Within One Year                                | <u>(1,331,033)</u>   |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | <u>\$ 13,180,340</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, 2012, was as follows:

| Governmental Activities:    | Compensated<br>Absences | Other<br>Postemployment<br>Benefits |
|-----------------------------|-------------------------|-------------------------------------|
| Balance, July 1, 2011       | \$ 27,427               | \$ 479,598                          |
| Additions                   | 45,717                  | 322,821                             |
| Reductions                  | (43,066)                | (164,378)                           |
| Balance, June 30, 2012      | <u>\$ 30,078</u>        | <u>\$ 638,041</u>                   |
| Balance Due Within One Year | <u>\$ 30,078</u>        | <u>\$ 0</u>                         |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |                   |
|---|-------------------|
| Total Noncurrent Liabilities, June 30, 2012                       | \$ 668,119        |
| Less: Balances Due Within One Year                                | <u>(30,078)</u>   |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | <u>\$ 638,041</u> |

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

**E. On-Behalf Payments**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the 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, 2012, were \$100,908 and \$27,951, 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. Subsequent Event**

Assessor of Property Tammy Moore resigned on August 31, 2012, and was succeeded by Paul Braden effective September 1, 2012.

**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. 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 \$237,545 reported as postclosure care liability at June 30, 2012, represents the county's share based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Ventures**

The Fayetteville-Lincoln County Public Library is a joint venture of Lincoln County and the City of Fayetteville and is operated by an appointed board. The board comprises seven members, with one member each selected by the Lincoln County Commission and the City of Fayetteville, and other members selected by the existing board of directors subject to the approval of the city and county. Lincoln County has control over budgeting and financing of the joint venture only to the extent of representation by appointed board members. Lincoln County contributed \$74,866 to the operations of the library during the year ended June 30, 2012.

The Fayetteville-Lincoln County Regional Airport Authority is jointly owned by Lincoln County and the City of Fayetteville and is governed by a five-member board. Two members are appointed by the City of Fayetteville, two by the Lincoln County Commission, and one is jointly appointed by the other four board members. The airport is operated through a lease with a private vendor. Lincoln County contributed \$10,992 to the operations of the airport during the year ended June 30, 2012.

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, 2012.

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, 2012.

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, 2012.

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

**F. Retirement Commitments**

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

**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 <http://www.tn.gov/treasury/tcrs/PS/>.

### **Funding Policy**

Lincoln County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 6.36 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2012, the county's annual pension cost of \$1,214,403 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 frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected 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 total investments over a ten-year period. The 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, 2011, which established contribution rates effective July 1, 2012.

### **Trend Information**

| Fiscal<br>Year<br>Ended | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-12                 | \$1,214,403                     | 100%                                | \$0                          |
| 6-30-11                 | 974,958                         | 100                                 | 0                            |
| 6-30-10                 | 1,124,223                       | 100                                 | 0                            |

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

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.09 percent funded. The actuarial accrued liability for benefits was \$40.03 million, and the actuarial value of assets was \$39.26 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.77 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.59 million, and the ratio of the UAAL to the covered payroll was 4.35 percent.

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

## **SCHOOL TEACHERS**

### **Plan Description**

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

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

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

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were \$1,312,332, \$1,270,558, and \$935,177, 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.

## **G. 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. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of 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 \$1,299 per month. During the year ended June 30, 2012, Lincoln County and the School Department recognized expenditures of \$6,289 and \$164,378, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

|                              | Local<br>Education<br>Group<br>Plan | Local<br>Government<br>Group<br>Plan |
|------------------------------|-------------------------------------|--------------------------------------|
| ARC                          | \$ 324,000                          | \$ 47,000                            |
| Interest on the NPO          | 19,184                              | 6,196                                |
| Adjustment to the ARC        | (20,363)                            | (6,577)                              |
| Annual OPEB cost             | \$ 322,821                          | \$ 46,619                            |
| Less: Amount of contribution | (164,378)                           | (6,289)                              |
| Increase/decrease in NPO     | \$ 158,443                          | \$ 40,330                            |
| Net OPEB obligation, 7-1-11  | 479,598                             | 154,906                              |
| Net OPEB obligation, 6-30-12 | \$ 638,041                          | \$ 195,236                           |

| Fiscal Year Ended | Plans                  | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|-------------------|------------------------|------------------|--|---------------------------------|
| 6-30-10           | Local Education Group  | \$ 273,662       | 65%  | \$ 373,374                      |
| 6-30-11           | "                      | 285,887          | 63   | 479,598                         |
| 6-30-12           | "                      | 322,821          | 51   | 638,041                         |
| 6-30-10           | Local Government Group | 66,099           | 15   | 97,495                          |
| 6-30-11           | "                      | 68,231           | 16   | 154,906                         |
| 6-30-12           | "                      | 46,619           | 13   | 195,236                         |

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

| (dollars in thousands)                      | Local Education Group Plan | Local Government Group Plan |
|---|----------------------------|-----------------------------|
| Actuarial valuation date                    | 7-1-11                     | 7-1-11                      |
| Actuarial accrued liability (AAL)           | \$ 2,756                   | \$ 279                      |
| Actuarial value of plan assets              | \$ 0                       | \$ 0                        |
| Unfunded actuarial accrued liability (UAAL) | \$ 2,756                   | \$ 279                      |
| Actuarial value of assets as a % of the AAL | 0%                         | 0%                          |
| Covered payroll (active plan members)       | \$ 17,428                  | \$ 5,191                    |
| UAAL as a % of covered payroll              | 16%                        | 5%                          |

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, 2011, actuarial valuation for the Local Education Plan and the Local Government Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

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

##### **Office of Director of Finance**

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

#### **I. Purchasing Law**

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

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

#### **A. Summary of Significant Accounting Policies**

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

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

The medical center provides general acute health care services for Lincoln County and surrounding areas. It is licensed for 49 acute care beds and ten geropsych beds. The ambulance service provides emergency medical transportation services. The home health care provides skilled nursing, therapy, and personal care services. The wellness center provides centralized rehabilitation, health education, therapy, and other related programs and services to other departments of the health system and to local businesses, industries, and residents. The care centers provide long-term health care services. Effective June 1, 2011, the care centers received approval to reduce the 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, 2012, the auxiliary’s total assets, current assets, and net assets totaled \$78,436, and are reported as restricted for other purposes in the balance sheet. Their income from operations totaled \$6,597. During 2012, the auxiliary did not make noncapital and capital contributions to the medical center.

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. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the established useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest cost capitalized on borrowed funds for the year ended June 30, 2012.

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, 2012.

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 expendable 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, contributions and incentive payments received for purposes other than capital asset acquisition, are reported as nonoperating revenues. During the current year the health system received unrestricted payments to provide meaningful use electronic health records as further described in Note VI.P.

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 \$8,041,943 as of June 30, 2012, 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 \$997,969 for the year ended June 30, 2012.

#### **D. Net Patient Service Revenue**

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

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

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

Revenue from the Medicare program accounted for approximately 31 percent and 28 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2012.

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 seven percent and 58 percent of the hospital-based departments' and care centers' net patient revenue, respectively, for the year ended June 30, 2012.

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 \$7,206 from an endowment fund for the year ended June 30, 2012, for patient care that is included in net patient service revenue.

**E. Deposits and Investments**

The health system's carrying amount of deposits was \$7,475,856, and the bank balance was \$7,628,565 as of June 30, 2012. The health system's carrying amount for restricted cash and investments, excluding an amount held under an indenture agreement, was \$8,154,689, and the bank balance was \$8,069,306 as of June 30, 2012. The bank balances totaling \$15,697,871 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, 2012, was \$1,083,785. 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, 2012:

|  |                            |
|--|----------------------------|
| Internally Designated for Capital Improvements,<br>Insurance, and Debt Service | \$ 8,041,943               |
| Restricted by Contributors   | 70,392                     |
| Held Under an Indenture Agreement  | 1,083,785                  |
| Held Under Patient Trust Fund Arrangements - Cash                              | 42,354                     |
| Less: Amounts Reclassified to Meet Current Liabilities                         | <u>(42,354)</u>            |
| Total  | <u><u>\$ 9,196,120</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 \$248,400 for the year ended June 30, 2012. Net repayments, primarily from amortization of advances to physicians, totaled \$97,367 for the year ended June 30, 2012. As of June 30, 2012, net advances totaling \$433,768 were due under these arrangements.

**G. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

|   | Balance<br>7-1-11      | Increases             | Decreases           | Balance<br>6-30-12     |
|---|------------------------|-----------------------|---------------------|------------------------|
| Capital Assets Not Depreciated:             |                        |                       |                     |                        |
| Land  | \$ 773,754             | \$ 0                  | \$ 0                | \$ 773,754             |
| Property under Capitalized Lease            | 300,000                | 0                     | 0                   | 300,000                |
| Construction in Progress                    | 0                      | 25,262                | 0                   | 25,262                 |
| Other Assets not in Service                 | 141,104                | 0                     | (135,904)           | 5,200                  |
| <b>Total Capital Assets Not Depreciated</b> | <b>\$ 1,214,858</b>    | <b>\$ 25,262</b>      | <b>\$ (135,904)</b> | <b>\$ 1,104,216</b>    |
| Capital Assets Depreciated:                 |                        |                       |                     |                        |
| Ground Improvements                         | \$ 2,258,292           | \$ 49,750             | \$ 0                | \$ 2,308,042           |
| Buildings and Improvements                  | 27,071,280             | 97,292                | 0                   | 27,168,572             |
| Equipment                                   | 15,192,254             | 825,225               | (153,640)           | 15,863,839             |
| <b>Total Capital Assets Depreciated</b>     | <b>\$ 44,521,826</b>   | <b>\$ 972,267</b>     | <b>\$ (153,640)</b> | <b>\$ 45,340,453</b>   |
| Less Accumulated Depreciation For:          |                        |                       |                     |                        |
| Ground Improvements                         | \$ (788,391)           | \$ (77,036)           | \$ 0                | \$ (865,427)           |
| Buildings and Improvements                  | (13,094,328)           | (1,015,057)           | 0                   | (14,109,385)           |
| Equipment                                   | (10,993,738)           | (1,083,581)           | 152,312             | (11,925,007)           |
| <b>Total Accumulated Depreciation</b>       | <b>\$ (24,876,457)</b> | <b>\$ (2,175,674)</b> | <b>\$ 152,312</b>   | <b>\$ (26,899,819)</b> |
| <b>Capital Assets, Net</b>                  | <b>\$ 20,860,227</b>   | <b>\$ (1,178,145)</b> | <b>\$ (137,232)</b> | <b>\$ 19,544,850</b>   |

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 and equipment under capital lease. Depreciation and amortization expense for the year ended June 30, 2012, totaled \$2,175,674. Accumulated amortization for equipment under capital lease obligations was \$145,694 at June 30, 2012.

During the current year, the health system completed a roofing project at Donalson Care Center and incurred planning costs for (1) the feasibility of expansion of the Emergency and Operating rooms at the medical center; (2) parking lot and entrance renovation at the wellness center.

## H. Long-term Debt

The following is a schedule of long-term debt activity for the year ended June 30, 2012:

|  | Balance<br>7-1-11    | Additions         | Reductions          | Balance<br>6-30-12   | Due<br>Within<br>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%   | \$ 970,000           | \$ 0              | \$ (475,000)        | \$ 495,000           | \$ 495,000                |
| 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% | 6,885,000            | 0                 | (45,000)            | 6,840,000            | 45,000                    |
| 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% | 4,905,000            | 0                 | (10,000)            | 4,895,000            | 10,000                    |
| Series 2007, General Obligation Refunding Bonds, due in monthly installments of \$155,000 to \$220,000 through May 2021, at an interest rate of 3.93%              | 1,860,000            | 0                 | (155,000)           | 1,705,000            | 160,000                   |
| Capital Lease Obligation, due in monthly installments of \$3,561 through April 2017, at an interest rate of 7.5%   | 201,397              | 0                 | (28,598)            | 172,799              | 30,818                    |
| Capital Lease Obligation, due in monthly installments of \$3,917 through August 2016, at an interest rate of 5.45%   | 0                    | 196,413           | (27,985)            | 168,428              | 35,900                    |
| Total long-term debt   | \$ 14,821,397        | <u>\$ 196,413</u> | <u>\$ (741,583)</u> | \$ 14,276,227        | <u>\$ 776,718</u>         |
| Less current maturities of long-term debt  | (713,598)            |                   |                     | (776,718)            |                           |
| Less Series 2004 deferred refunding costs  | (210,509)            |                   |                     | (192,845)            |                           |
| Less Series 2007 deferred refunding costs  | (88,351)             |                   |                     | (81,294)             |                           |
| Add unamortized bond premium   | <u>33,560</u>        |                   |                     | <u>31,690</u>        |                           |
| Total noncurrent liabilities   | <u>\$ 13,842,499</u> |                   |                     | <u>\$ 13,257,060</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, 2012, are as follows:

| Year Ending<br>June 30 | Bonds                |                     |
|------------------------|----------------------|---------------------|
|                        | Principal            | Interest            |
| 2013                   | \$ 776,718           | \$ 586,034          |
| 2014                   | 816,819              | 547,112             |
| 2015                   | 852,310              | 512,627             |
| 2016                   | 883,222              | 476,557             |
| 2017                   | 877,158              | 440,198             |
| 2018-2022              | 4,475,000            | 1,680,146           |
| 2023-2027              | 4,555,000            | 808,420             |
| 2028                   | 1,040,000            | 43,680              |
| Total                  | <u>\$ 14,276,227</u> | <u>\$ 5,094,774</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, 2012, the medical center complied with the restrictive covenants, including the required debt service covenant ratio.

The bonds maturing 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, were 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 2011 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, 2012, \$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 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, 2012, the medical center complied with the debt service coverage ratio.

Series 2007 – The health system defeased portions of the Series 1998 and Series 2001 bonds by issuance of \$4,960,000 Series 2007 Hospital Facility Lease Revenue and Tax Refunding Bonds and \$1,905,000 Series 2007 General Obligation Refunding Bonds and placing the proceeds of the bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the health system's financial statements. At June 30, 2012, \$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, 2012, 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.

## I. Pension Plan

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

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

#### **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.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at [www.treasury.state.tn.us/tcrs/PS](http://www.treasury.state.tn.us/tcrs/PS).

#### **Funding Policy**

Lincoln County requires employees to contribute five percent of their 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, 2012, 2011, and 2010, were \$679,037, \$589,946, and \$502,444, 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 \$29,133 and \$132,026, respectively, for the year ended June 30, 2012.

#### 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, 2012, the health system accrued \$305,464 for an estimated claims lag. Changes in the reported liability for 2012 resulted from the following:

|                                     | <u>2012</u>        |
|-------------------------------------|--------------------|
| Balance, beginning of year          | \$ 417,546         |
| Current-year claims and settlements | 2,645,854          |
| Claim payments                      | <u>(2,757,936)</u> |
| Balance, end of year                | <u>\$ 305,464</u>  |

The committee has internally designated cash to use for payment of future insurance premiums. As of June 30, 2012, this internally designated cash, including interest earned, totaled \$159,055.

**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, 2012:

|                          |              |
|--------------------------|--------------|
| Medicare                 | 30 %         |
| Medicaid                 | 19           |
| Other Third-party Payors | 26           |
| Patients                 | <u>25</u>    |
| Total                    | <u>100 %</u> |

**L. Management Agreement**

Effective March 1, 2012, the health system entered into an agreement with Quorum Health Resources, LLC, (QHR) to provide management services and certain special personnel, as defined in the agreement. The agreement is for a three-year term that expires February 28, 2015, with a two-year “opt out provision” after its effective date. The annual management fee is \$310,752 payable in monthly installments, subject to annual adjustments by an inflation factor of the lessor of five percent or percentage increase in the Medical Component of the Consumer Price Index, as defined in the agreement. The annual fee is in addition to payments for special personnel and reimbursements. Prior to this date, the health system operated under an interim agreement with QHR. Management fees paid for 2012 were \$703,627. Total payments to QHR for 2012 were \$714,825, which includes

reimbursement for travel, dues, and special 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, 2012:

| Year Ending<br>June 30 | Amount           |
|------------------------|------------------|
| 2013                   | \$ 15,000        |
| 2014                   | 15,000           |
| 2015                   | 15,000           |
| 2016                   | 15,000           |
| 2017                   | <u>13,750</u>    |
| Total                  | <u>\$ 73,750</u> |

Rental expense under all operating leases for 2012 totaled \$221,059.

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<br>June 30 | Amount            |
|------------------------|-------------------|
| 2013                   | \$ 86,284         |
| 2014                   | 62,225            |
| 2015                   | 63,365            |
| 2016                   | <u>10,593</u>     |
| Total                  | <u>\$ 222,467</u> |

Rental income received for 2012 totaled \$244,108. Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the medical office building is included in property and equipment (see Note VI.G.) as follows:

|                          |                     |
|--------------------------|---------------------|
| Cost                     | \$ 3,569,499        |
| Accumulated depreciation | <u>(1,087,371)</u>  |
| Net book value           | <u>\$ 2,482,128</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, 2012:

|   |                  |
|---|------------------|
| Assets, Cash, and Cash Equivalents              | <u>\$ 48,038</u> |
| Liabilities                                     | <u>\$ 0</u>      |
| Unrestricted Net Assets                         | <u>\$ 48,038</u> |
| Support and Revenue                             | \$ 29,626        |
| Expenses  | <u>(17,004)</u>  |
| Deficiency of Support and Revenue over Expenses | \$ 12,622        |
| Unrestricted Net Assets, July 1, 2011           | <u>35,416</u>    |
| Unrestricted Net Assets, June 30, 2012          | <u>\$ 48,038</u> |

**O. Pledged Revenues**

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

| Operating Revenues | Current-Year                                 |                            | Remaining Pledge                                    |                                       |
|--------------------|--|----------------------------|---|---------------------------------------|
|                    | Principal and Interest Paid on Revenue Bonds | Percent of Current Revenue | Based on Future Principal and Interest Requirements | Commitment Period Through Fiscal Year |
| \$ 40,493,059      | \$ 1,052,516                                 | 2.6%                       | \$ 16,910,501                                       | 2028                                  |

**P. Electronic Health Record Incentive Payments**

The health system received \$1,421,395 in Medicare and Medicaid Electronic Health Record (EHR) unrestricted incentive payments for the year ended June 30, 2012, which is reported as nonoperating revenue. The Health Information Technology for Economic and Clinical Health Act (HITECH Act) established programs under Medicare and Medicaid to provide incentive payments for the meaningful use of certified EHR technology. The health system anticipates receiving additional incentive payments totaling \$1.6 million through 2015.

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

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

Basis of Accounting – The board 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 waterlines 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 \$35,682 was capitalized in the year ended June 30, 2012.

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 2012 were \$24,319.

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 \$14,223 at June 30, 2012, 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.

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 and notes 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.

**B. Long-term Debt**

Bonds and notes are payable from revenues of the board and are also secured by Lincoln County property taxes for the Series 2002, 2004, 2007, 2008, and 2010 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, 2012.

The board had the following bonds and notes outstanding at June 30, 2012:

|   |               |
|---|---------------|
| Interim Certificate of Indebtedness Series, 2010, issued<br>June 18, 2012, with interest of 2.75% and principal due<br>February 17, 2015  | \$ 2,619,000  |
| Water Revenue and Tax Bonds, Series 2007, issued<br>April 23, 2008, due monthly to USDA in annual principal<br>and interest amounts of \$90,360 through 2046 at 4.125%              | 1,645,033     |
| Water Revenue and Tax Capital Outlay Note, Series 2008, issued<br>May 14, 2008, due in annual principal installments<br>of \$30,000 to \$45,000 through 2020 with interest at 3.98% | 305,000       |
| Water Revenue and Tax Bonds, Series 2004, issued<br>September 22, 2005, due monthly to USDA in annual principal<br>and interest amounts of \$73,308 through 2043 at 4.25%           | 1,264,167     |
| Waterworks Revenue and Tax Bonds, Series 2002, issued<br>March 27, 2003, due monthly to USDA in annual principal<br>and interest amounts of \$21,384 through 2041 at 4.75%          | 333,681       |
| Waterworks Revenue Bond, Series 2000, issued<br>October 18, 2001, due monthly to USDA in annual principal<br>and interest amounts of \$60,888 through 2039 at 4.375%                | 966,704       |
| Waterworks Revenue Bond, Series 1998, issued<br>January 13, 2000, due monthly to USDA in annual principal<br>and interest amounts of \$42,756 through 2038 at 4.75%                 | 629,509       |
| Waterworks Revenue Bond, Series 1996, issued<br>August 22, 1997, due monthly to USDA in annual principal<br>and interest amounts of \$173,880 through 2035 at 4.875%                | 2,400,127     |
| Total   | \$ 10,163,221 |
| Less: current portion of long-term debt   | (173,694)     |
| Long-term portion, net  | \$ 9,989,527  |

Changes in principal balances during the year ended June 30, 2012, are summarized as follows:

|   |                                 |
|---|---------------------------------|
| Beginning balance                               | \$ 7,842,979                    |
| Advances on bond anticipation note              | 2,448,101                       |
| Payoff on bond anticipation notes               | (2,584,243)                     |
| Issuance of interim certificate of indebtedness | 2,619,000                       |
| Principal paid on other bonds                   | <u>(162,616)</u>                |
| <br>Total                                       | <br><u><u>\$ 10,163,221</u></u> |

On February 17, 2011, the board issued a bank bond anticipation note to provide funding for the Phase V. construction project. On June 18, 2012, the bank bond anticipation note was paid off with the proceeds of a USDA interim certificate of indebtedness. The interim certificate of indebtedness has a total principal amount of \$4,702,000, accrues interest at 2.75 percent, and is payable from the proceeds of the Water Revenue and Tax Bond, Series 2010. The bond has a maximum principal amount of \$4,827,000, a maximum interest rate of 2.75 percent, and is payable over 38 years. At the maximum principal advance and interest rate, the monthly payment required for the bond will be \$17,088. The interim certificate of indebtedness was originally due February 13, 2013, but was extended to February 13, 2015, in February 2013.

Principal and interest payments on bonds and notes outstanding at June 30, 2012, excluding the interim certificate of indebtedness, are summarized as follows:

| Fiscal<br>Year | Payable<br>Monthly<br>to USDA  | Capital<br>Notes             | Total<br>Principal             |
|----------------|--------------------------------|------------------------------|--------------------------------|
| 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           | 166,472                        | 40,000                       | 206,472                        |
| 2018-2022      | 956,064                        | 125,000                      | 1,081,064                      |
| 2023-2027      | 1,201,947                      | 0                            | 1,201,947                      |
| 2028-2032      | 1,511,155                      | 0                            | 1,511,155                      |
| 2033-2037      | 1,536,558                      | 0                            | 1,536,558                      |
| 2038-2042      | 876,064                        | 0                            | 876,064                        |
| 2043-2047      | <u>396,763</u>                 | <u>0</u>                     | <u>396,763</u>                 |
| <br>Total      | <br><u><u>\$ 7,239,221</u></u> | <br><u><u>\$ 305,000</u></u> | <br><u><u>\$ 7,544,221</u></u> |

| Fiscal<br>Year | Total<br>Interest   | Total<br>Debt<br>Service |
|----------------|---------------------|--------------------------|
| 2013           | \$ 336,021          | \$ 509,715               |
| 2014           | 328,147             | 508,322                  |
| 2015           | 319,968             | 506,929                  |
| 2016           | 312,168             | 505,536                  |
| 2017           | 302,671             | 509,143                  |
| 2018-2022      | 1,366,965           | 2,448,029                |
| 2023-2027      | 1,110,934           | 2,312,881                |
| 2028-2032      | 801,725             | 2,312,880                |
| 2033-2037      | 428,294             | 1,964,852                |
| 2038-2042      | 168,261             | 1,044,325                |
| 2043-2047      | 28,090              | 424,853                  |
| Total          | <u>\$ 5,503,244</u> | <u>\$ 13,047,465</u>     |

**C. Capital Leases**

In the 2009 and 2011 fiscal years, the board entered into capital lease agreements of \$39,020 and \$43,304 to finance the acquisition of construction equipment. The leased equipment has been capitalized and depreciated along with the board's other equipment. During the current year, the board paid off both leases with total principal in 2012 of \$39,376.

**D. Capital Assets**

Major classes of utility plant are as follows:

|                              | Balance<br>7-1-11    | Additions           | Disposals          | Transfers           | Balance<br>6-30-12   |
|------------------------------|----------------------|---------------------|--------------------|---------------------|----------------------|
| Non-Depreciable:             |                      |                     |                    |                     |                      |
| Land                         | \$ 527,695           | \$ 0                | \$ 0               | \$ 0                | \$ 527,695           |
| Construction in Progress     | 283,299              | 3,056,100           | 0                  | (264,422)           | 3,074,977            |
| Total Non-Depreciable Assets | <u>\$ 810,994</u>    | <u>\$ 3,056,100</u> | <u>\$ 0</u>        | <u>\$ (264,422)</u> | <u>\$ 3,602,672</u>  |
| Depreciable:                 |                      |                     |                    |                     |                      |
| Distribution Lines and Tanks | \$ 26,441,813        | \$ 0                | \$ 0               | \$ 264,422          | \$ 26,706,235        |
| Wells and Treatment Plant    | 4,590,887            | 0                   | 0                  | 0                   | 4,590,887            |
| Buildings and Equipment      | 2,553,162            | 190,908             | (62,250)           | 0                   | 2,681,820            |
| Total Depreciable Assets     | <u>\$ 33,585,862</u> | <u>\$ 190,908</u>   | <u>\$ (62,250)</u> | <u>\$ 264,422</u>   | <u>\$ 33,978,942</u> |
| Total Capital Assets         | <u>\$ 34,396,856</u> | <u>\$ 3,247,008</u> | <u>\$ (62,250)</u> | <u>\$ 0</u>         | <u>\$ 37,581,614</u> |

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

|                           | Balance<br>7-1-11    | Additions         | Disposals          | Balance<br>6-30-12   |
|---------------------------|----------------------|-------------------|--------------------|----------------------|
| Distribution and Tanks    | \$ 10,109,620        | \$ 631,390        | \$ 0               | \$ 10,741,010        |
| Wells and Treatment Plant | 1,216,040            | 107,200           | 0                  | 1,323,240            |
| Buildings and Equipment   | 1,921,745            | 178,190           | (23,785)           | 2,076,150            |
| Total Depreciation        | <u>\$ 13,247,405</u> | <u>\$ 916,780</u> | <u>\$ (23,785)</u> | <u>\$ 14,140,400</u> |

The addition to accumulated depreciation includes \$883,344 depreciation expense and \$33,436 depreciation capitalized.

**E. 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, 2012, were:

|                                       |                          |
|---------------------------------------|--------------------------|
| Sinking Fund Reserve Fund - 1996 Bond | \$ 173,880               |
| Sinking Fund Reserve Fund - 1998 Bond | 42,756                   |
| Sinking Fund Reserve Fund - 2000 Bond | 60,888                   |
| Customer Deposits                     | <u>13,015</u>            |
| Total                                 | <u><u>\$ 290,539</u></u> |

**F. 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 United States 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, 2012, 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 2012, the board's interest earned was from liquid fund accounts, which were carried at cost.

**G. Pension Plan**

**Plan Description**

Employees of the Lincoln County Board of Public Utilities are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the board 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 board 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, 2012, 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, 2012, the board's annual pension cost of \$98,955 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 entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of

return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increases in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The 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, 2011, which established contribution rates effective July 1, 2012.

### **Trend Information**

| Fiscal<br>Year<br>Ended | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|-------------------------|---------------------------------|-------------------------------------|------------------------------|
| 6-30-12                 | \$ 98,955                       | 100%                                | \$ 0                         |
| 6-30-11                 | 109,340                         | 100                                 | 0                            |
| 6-30-10                 | 128,844                         | 100                                 | 0                            |

As of July 1, 2009, the most recent actuarial valuation date, the plan was 86.9 percent funded. The actuarial accrued liability for benefits was \$2,120,000 and the actuarial value of the assets was \$1,840,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,230,000, and the ratio of the UAAL to the covered payroll was 22.5 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 AALs for benefits.

## **H. Water Sources**

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

**I. 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 2012, the board participated in a public entity risk pool for coverage of general liability, property, and workers' compensation losses. The board participated in the Local Government Fund, a public entity risk pool established by an association of Tennessee local governments. The board pays an annual premium to the pool for the insurance coverage. The pool is created to be self-sustaining through member premiums.

The board is self-insured for employee health claims between \$250 and \$5,000 (\$4,000 prior to April 1, 2012) 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, 2012, is as follows:

|                        |                      |
|------------------------|----------------------|
| Balance, June 30, 2011 | \$ 5,835             |
| Payments made          | (28,670)             |
| Incurred claims        | <u>23,548</u>        |
| Balance, June 30, 2012 | <u><u>\$ 713</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.

**J. 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, 2012, these sales totaled \$38,262, and accounts receivable at June 30, 2012, related to these sales were \$1,382.

**K. Current and Planned Projects**

Substantially all of the distribution line additions and improvements in 2012 were constructed by the board's employees. At June 30, 2012, construction in progress costs of \$11,500 had been incurred on one line addition.

The board is requesting permits from the State of Tennessee that would allow for the construction of a water treatment plan 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, 2012, the board had purchased land for \$202,000, and had recorded construction in progress cost of \$150,228 related to the roadway, other site

development costs, and engineering and permitting costs. The estimated cost of the treatment plant and related distribution lines is \$18,000,000. No significant costs are anticipated to be incurred in the near-term and actual plant construction is not expected to begin within the next four years.

At June 30, 2012, the board had incurred costs of \$2,913,249 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 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 \$17,088. The board approved a monthly \$1.50 per customer rate increase in September 2010 to assist with 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 VIII.B. are recognized when collected by the service providers) and expenses when incurred. Operating revenues and expenses generally result from charges collected by service providers under the Emergency Communications District Law and related fees for services. 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, 2012, in the opinion of management, there were no uncollectible accounts receivable.

Property and Equipment – Property and equipment are stated at cost. The capitalization threshold for an individual item is \$500. Depreciation expense is calculated on the straight-line method. The depreciation method and rates are designed to amortize the cost of the assets over their estimated useful lives. The useful life for the building is 40 years, land improvement is 15 years, and communication and office equipment is three to 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, 2012.

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 2012, 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, 2012, all of the district's cash was insured through participation in the State of Tennessee bank collateral pool.

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

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

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

## **B. Operations**

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 \$3,200 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 \$629,196 for the year ended June 30, 2012. These payments include salaries, taxes, and related benefits for the year ended June 30, 2012.

**D. Property and Equipment**

Capital asset activity for the year ended June 30, 2012, was as follows:

|                                       | Balance<br>7-1-11   | Increases         | Balance<br>6-30-12  |
|---------------------------------------|---------------------|-------------------|---------------------|
| Land                                  | \$ 171,110          | \$ 0              | \$ 171,110          |
| Land Improvements                     | 185,824             | 75,529            | 261,353             |
| Building                              | 599,767             | 0                 | 599,767             |
| Communication and<br>Office Equipment | 783,282             | 473,708           | 1,256,990           |
| Vehicle                               | 28,244              | 0                 | 28,244              |
| Total                                 | <u>\$ 1,768,227</u> | <u>\$ 549,237</u> | <u>\$ 2,317,464</u> |

The related activity for accumulated depreciation for the year ended June 30, 2012, was as follows:

|                         | Balance<br>7-1-11 | Increases         | Balance<br>6-30-12 |
|-------------------------|-------------------|-------------------|--------------------|
| Land Improvements       | \$ 18,016         | \$ 14,906         | \$ 32,922          |
| Building                | 150,185           | 14,630            | 164,815            |
| Communication Equipment | 552,965           | 95,702            | 648,667            |
| Vehicle                 | 22,286            | 0                 | 22,286             |
| Total                   | <u>\$ 743,452</u> | <u>\$ 125,238</u> | <u>\$ 868,690</u>  |

Depreciation for the year ended June 30, 2012, totaled \$125,238.

**E. Planned Projects**

Planning is in progress for the construction of a tower at the Communications Center. The project is expected to cost approximately \$335,000, and will be funded by board funds. Construction is anticipated to begin during the year ended June 30, 2013.

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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, 2012

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|                                       |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                  |              |  |
| Local Taxes                           | \$ 5,238,197              | \$ 0                              | \$ 0                              | \$ 5,238,197  | \$ 5,088,784     | \$ 5,088,784 | \$ 149,413   |
| Licenses and Permits                  | 91,545                    | 0                                 | 0                                 | 91,545  | 81,000           | 83,680       | 7,865  |
| Fines, Forfeitures, and Penalties     | 189,584                   | 0                                 | 0                                 | 189,584   | 142,958          | 150,649      | 38,935   |
| Charges for Current Services          | 81,471                    | 0                                 | 0                                 | 81,471  | 61,750           | 61,750       | 19,721   |
| Other Local Revenues                  | 245,573                   | 0                                 | 0                                 | 245,573   | 201,900          | 201,900      | 43,673   |
| Fees Received from County Officials   | 1,235,266                 | 0                                 | 0                                 | 1,235,266   | 1,147,000        | 1,161,000    | 74,266   |
| State of Tennessee                    | 1,937,616                 | 0                                 | 0                                 | 1,937,616   | 1,595,116        | 1,630,676    | 306,940  |
| Federal Government                    | 167,483                   | 0                                 | 0                                 | 167,483   | 54,284           | 171,043      | (3,560)  |
| Other Governments and Citizens Groups | 120                       | 0                                 | 0                                 | 120   | 0                | 120          | 0  |
| Total Revenues                        | \$ 9,186,855              | \$ 0                              | \$ 0                              | \$ 9,186,855  | \$ 8,372,792     | \$ 8,549,602 | \$ 637,253   |
| <u>Expenditures</u>                   |                           |                                   |                                   |   |                  |              |  |
| <u>General Government</u>             |                           |                                   |                                   |   |                  |              |  |
| County Commission                     | \$ 127,841                | \$ 0                              | \$ 0                              | \$ 127,841  | \$ 140,815       | \$ 141,825   | \$ 13,984  |
| County Mayor/Executive                | 154,173                   | 0                                 | 0                                 | 154,173   | 163,548          | 164,292      | 10,119   |
| County Attorney                       | 31,082                    | 0                                 | 0                                 | 31,082  | 78,643           | 78,915       | 47,833   |
| Election Commission                   | 238,966                   | 0                                 | 8,060                             | 247,026   | 297,087          | 298,199      | 51,173   |
| Register of Deeds                     | 153,274                   | (217)                             | 50                                | 153,107   | 196,048          | 193,456      | 40,349   |
| Planning                              | 27,181                    | 0                                 | 0                                 | 27,181  | 21,250           | 37,000       | 9,819  |
| County Buildings                      | 1,041,596                 | (14,003)                          | 15,392                            | 1,042,985   | 614,116          | 1,089,907    | 46,922   |
| Preservation of Records               | 8,393                     | 0                                 | 3,900                             | 12,293  | 10,806           | 13,849       | 1,556  |
| <u>Finance</u>                        |                           |                                   |                                   |   |                  |              |  |
| Accounting and Budgeting              | 293,570                   | (870)                             | 223                               | 292,923   | 303,083          | 305,397      | 12,474   |
| Property Assessor's Office            | 185,932                   | (221)                             | 0                                 | 185,711   | 197,119          | 198,473      | 12,762   |
| Reappraisal Program                   | 91,665                    | 0                                 | 0                                 | 91,665  | 91,292           | 92,359       | 694  |

(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<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |            | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|------------|--|
|  |                           |                                   |                                   |   | Original         | Final      |  |
| <u>Expenditures (Cont.)</u>                        |                           |                                   |                                   |   |                  |            |  |
| <u>Finance (Cont.)</u>                             |                           |                                   |                                   |   |                  |            |  |
| County Trustee's Office                            | \$ 194,298                | \$ (35)                           | \$ 0                              | \$ 194,263  | \$ 209,421       | \$ 210,582 | \$ 16,319  |
| County Clerk's Office                              | 230,012                   | 0                                 | 0                                 | 230,012   | 232,921          | 240,462    | 10,450   |
| <u>Administration of Justice</u>                   |                           |                                   |                                   |   |                  |            |  |
| Circuit Court                                      | 414,464                   | (106)                             | 1,317                             | 415,675   | 516,861          | 552,724    | 137,049  |
| General Sessions Court                             | 152,956                   | (30)                              | 0                                 | 152,926   | 156,347          | 156,755    | 3,829  |
| Chancery Court                                     | 237,089                   | (392)                             | 738                               | 237,435   | 239,917          | 248,514    | 11,079   |
| Juvenile Court                                     | 202,706                   | (279)                             | 0                                 | 202,427   | 149,231          | 208,179    | 5,752  |
| Judicial Commissioners                             | 32,537                    | 0                                 | 0                                 | 32,537  | 34,485           | 34,798     | 2,261  |
| Courtroom Security                                 | 56,828                    | 0                                 | 0                                 | 56,828  | 49,434           | 60,294     | 3,466  |
| <u>Public Safety</u>                               |                           |                                   |                                   |   |                  |            |  |
| Sheriff's Department                               | 1,946,757                 | (4,435)                           | 4,522                             | 1,946,844   | 1,982,485        | 2,023,133  | 76,289   |
| Jail   | 1,947,623                 | (2,689)                           | 2,115                             | 1,947,049   | 2,002,410        | 1,996,397  | 49,348   |
| Fire Prevention and Control                        | 165,218                   | (223)                             | 1,337                             | 166,332   | 171,650          | 201,650    | 35,318   |
| Civil Defense                                      | 257,770                   | (16,421)                          | 941                               | 242,290   | 178,225          | 288,540    | 46,250   |
| <u>Public Health and Welfare</u>                   |                           |                                   |                                   |   |                  |            |  |
| Local Health Center                                | 426,958                   | (100)                             | 2,880                             | 429,738   | 443,500          | 446,500    | 16,762   |
| 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                              | 123,518                   | 0                                 | 0                                 | 123,518   | 139,028          | 139,185    | 15,667   |
| 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                                   | 14,350                    | 0                                 | 0                                 | 14,350  | 14,350           | 14,350     | 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<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |                | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|----------------|--|
|  |                           |                                   |                                   |   | Original         | Final          |  |
| <u>Expenditures (Cont.)</u>                                |                           |                                   |                                   |   |                  |                |  |
| <u>Social, Cultural, and Recreational Services (Cont.)</u> |                           |                                   |                                   |   |                  |                |  |
| Libraries  | \$ 104,866                | \$ 0                              | \$ 0                              | \$ 104,866  | \$ 104,866       | \$ 104,866     | \$ 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                              | 81,470                    | 0                                 | 0                                 | 81,470  | 92,038           | 92,038         | 10,568   |
| Forest Service   | 2,000                     | 0                                 | 0                                 | 2,000   | 2,000            | 2,000          | 0  |
| Soil Conservation  | 54,073                    | (597)                             | 216                               | 53,692  | 52,330           | 59,200         | 5,508  |
| <u>Other Operations</u>                                    |                           |                                   |                                   |   |                  |                |  |
| Industrial Development                                     | 90,000                    | 0                                 | 0                                 | 90,000  | 90,000           | 189,085        | 99,085   |
| Other Economic and Community Development                   | 12,500                    | 0                                 | 0                                 | 12,500  | 22,500           | 22,500         | 10,000   |
| Airport  | 10,992                    | 0                                 | 0                                 | 10,992  | 10,992           | 10,992         | 0  |
| Veterans' Services   | 21,359                    | 0                                 | 250                               | 21,609  | 21,165           | 23,415         | 1,806  |
| Contributions to Other Agencies                            | 4,900                     | 0                                 | 0                                 | 4,900   | 4,900            | 4,900          | 0  |
| ARRA Grant # 1   | 7,968                     | 0                                 | 0                                 | 7,968   | 0                | 7,968          | 0  |
| Miscellaneous  | 306,760                   | 0                                 | 100                               | 306,860   | 297,195          | 322,526        | 15,666   |
| Total Expenditures   | \$ 9,559,198              | \$ (40,618)                       | \$ 42,041                         | \$ 9,560,621  | \$ 9,437,611     | \$ 10,380,778  | \$ 820,157   |
| <u>Excess (Deficiency) of Revenues</u>                     |                           |                                   |                                   |   |                  |                |  |
| Over Expenditures  | \$ (372,343)              | \$ 40,618                         | \$ (42,041)                       | \$ (373,766)  | \$ (1,064,819)   | \$ (1,831,176) | \$ 1,457,410   |
| <u>Other Financing Sources (Uses)</u>                      |                           |                                   |                                   |   |                  |                |  |
| Proceeds from Sale of Capital Assets                       | \$ 500,000                | \$ 0                              | \$ 0                              | \$ 500,000  | \$ 0             | \$ 0           | \$ 500,000   |
| Total Other Financing Sources (Uses)                       | \$ 500,000                | \$ 0                              | \$ 0                              | \$ 500,000  | \$ 0             | \$ 0           | \$ 500,000   |
| Net Change in Fund Balance                                 | \$ 127,657                | \$ 40,618                         | \$ (42,041)                       | \$ 126,234  | \$ (1,064,819)   | \$ (1,831,176) | \$ 1,957,410   |
| Fund Balance, July 1, 2011                                 | 3,385,932                 | (40,618)                          | 0                                 | 3,345,314   | 3,033,995        | 3,345,314      | 0  |
| Fund Balance, June 30, 2012                                | \$ 3,513,589              | \$ 0                              | \$ (42,041)                       | \$ 3,471,548  | \$ 1,969,176     | \$ 1,514,138   | \$ 1,957,410   |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|---------------------|---------------------|--|
|  |                           |                                   |                                   |   | Original            | Final               |  |
| <b>Revenues</b>  |                           |                                   |                                   |   |                     |                     |  |
| Local Taxes  | \$ 1,132,226              | \$ 0                              | \$ 0                              | \$ 1,132,226  | \$ 1,102,254        | \$ 1,102,254        | \$ 29,972  |
| Other Local Revenues   | 38,233                    | 0                                 | 0                                 | 38,233  | 2,500               | 2,500               | 35,733   |
| State of Tennessee   | 2,548,105                 | 0                                 | 0                                 | 2,548,105   | 1,825,169           | 2,445,169           | 102,936  |
| Federal Government   | 107,863                   | 0                                 | 0                                 | 107,863   | 0                   | 0                   | 107,863  |
| <b>Total Revenues</b>  | <b>\$ 3,826,427</b>       | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 3,826,427</b>   | <b>\$ 2,929,923</b> | <b>\$ 3,549,923</b> | <b>\$ 276,504</b>  |
| <b>Expenditures</b>  |                           |                                   |                                   |   |                     |                     |  |
| <b>Highways</b>  |                           |                                   |                                   |   |                     |                     |  |
| Administration   | \$ 198,606                | \$ 0                              | \$ 0                              | \$ 198,606  | \$ 215,066          | \$ 215,198          | \$ 16,592  |
| Highway and Bridge Maintenance                                   | 2,241,165                 | (11,613)                          | 0                                 | 2,229,552   | 2,027,775           | 2,441,071           | 211,519  |
| Operation and Maintenance of Equipment                           | 649,094                   | (4,977)                           | 2,500                             | 646,617   | 870,914             | 847,000             | 200,383  |
| Quarry Operations  | 279,532                   | (175)                             | 0                                 | 279,357   | 304,822             | 320,308             | 40,951   |
| Other Charges  | 112,374                   | 0                                 | 0                                 | 112,374   | 125,500             | 125,500             | 13,126   |
| Employee Benefits  | 77,770                    | 0                                 | 0                                 | 77,770  | 80,000              | 80,000              | 2,230  |
| Capital Outlay   | 529,849                   | (26,346)                          | 0                                 | 503,503   | 292,000             | 507,000             | 3,497  |
| <b>Total Expenditures</b>  | <b>\$ 4,088,390</b>       | <b>\$ (43,111)</b>                | <b>\$ 2,500</b>                   | <b>\$ 4,047,779</b>   | <b>\$ 3,916,077</b> | <b>\$ 4,536,077</b> | <b>\$ 488,298</b>  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b>     | <b>\$ (261,963)</b>       | <b>\$ 43,111</b>                  | <b>\$ (2,500)</b>                 | <b>\$ (221,352)</b>   | <b>\$ (986,154)</b> | <b>\$ (986,154)</b> | <b>\$ 764,802</b>  |
| <b>Net Change in Fund Balance<br/>Fund Balance, July 1, 2011</b> | <b>\$ (261,963)</b>       | <b>\$ 43,111</b>                  | <b>\$ (2,500)</b>                 | <b>\$ (221,352)</b>   | <b>\$ (986,154)</b> | <b>\$ (986,154)</b> | <b>\$ 764,802</b>  |
|  | 1,761,824                 | (43,111)                          | 0                                 | 1,718,713   | 1,632,302           | 1,718,713           | 0  |
| <b>Fund Balance, June 30, 2012</b>                               | <b>\$ 1,499,861</b>       | <b>\$ 0</b>                       | <b>\$ (2,500)</b>                 | <b>\$ 1,497,361</b>   | <b>\$ 646,148</b>   | <b>\$ 732,559</b>   | <b>\$ 764,802</b>  |

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, 2012

(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) |
|---|--------------------------|-------------------------------|---------------------------------------|-----------------------------|--------------------|---------------------|---|
| Primary Government and School Department Governmental Activities        | 7-1-11                   | \$ 39,261                     | \$ 40,027                             | 766                         | 98.09 %            | \$ 17,591           | 4.35 %  |
| "   | 7-1-09                   | 31,267                        | 31,267                                | 0                           | 100                | 16,810              | 0   |
| "   | 7-1-07                   | 28,908                        | 28,908                                | 0                           | 100                | 15,339              | 0   |
| Primary Government - Business-type Activities Board of Public Utilities | 7-1-11                   | 1,841                         | 2,119                                 | 278                         | 86.9               | 1,234               | 22.5  |
| "   | 7-1-09                   | 1,205                         | 1,205                                 | 0                           | 100                | 1,113               | 0   |
| "   | 7-1-07                   | 823                           | 823                                   | 0                           | 100                | 899                 | 0   |

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, 2012

(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                                       | 7-1-09                   | \$ 0                          | \$ 468                                | \$ 468                      | 0 %                | \$ 4,795            | 10 %  |
| "  | 7-1-10                   | 0                             | 497                                   | 497                         | 0                  | 4,975               | 10  |
| "  | 7-1-11                   | 0                             | 279                                   | 279                         | 0                  | 5,191               | 5   |
| <u>DISCRETELY PRESENTED LINCOLN COUNTY SCHOOL DEPARTMENT</u> |                          |                               |                                       |                             |                    |                     |   |
| Local Education Group  | 7-1-09                   | 0                             | 2,565                                 | 2,565                       | 0                  | 17,931              | 14  |
| "  | 7-1-10                   | 0                             | 2,659                                 | 2,659                       | 0                  | 18,092              | 15  |
| "  | 7-1-11                   | 0                             | 2,756                                 | 2,756                       | 0                  | 17,429              | 16  |

**LINCOLN COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**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.

Exhibit G-1

Lincoln County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

|   | <u>Special Revenue Funds</u>            |                         |  | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|---|-------------------------|--|--|
|   | <u>Solid<br/>Waste /<br/>Sanitation</u> | <u>Drug<br/>Control</u> | <u>District<br/>Attorney<br/>General</u> |  |
| <b><u>ASSETS</u></b>                        |   |                         |  |  |
| Equity in Pooled Cash and Investments       | \$ 1,079,656                            | \$ 92,420               | \$ 66,163                                | \$ 1,238,239                               |
| Accounts Receivable                         | 3,569                                   | 0                       | 0  | 3,569                                      |
| Allowance for Uncollectibles                | (3,024)                                 | 0                       | 0  | (3,024)                                    |
| Due from Other Governments                  | 140,783                                 | 0                       | 0  | 140,783                                    |
| <b>Total Assets</b>                         | <b>\$ 1,220,984</b>                     | <b>\$ 92,420</b>        | <b>\$ 66,163</b>                         | <b>\$ 1,379,567</b>                        |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |   |                         |  |  |
| <u>Liabilities</u>                          |   |                         |  |  |
| Accounts Payable                            | \$ 34,493                               | \$ 0                    | \$ 0                                     | \$ 34,493                                  |
| Accrued Payroll                             | 2,425                                   | 0                       | 0  | 2,425                                      |
| Due to Cities                               | 30,543                                  | 0                       | 0  | 30,543                                     |
| Other Deferred Revenues                     | 70,360                                  | 0                       | 0  | 70,360                                     |
| <b>Total Liabilities</b>                    | <b>\$ 137,821</b>                       | <b>\$ 0</b>             | <b>\$ 0</b>                              | <b>\$ 137,821</b>                          |
| <u>Fund Balances</u>                        |   |                         |  |  |
| Restricted:                                 |   |                         |  |  |
| Restricted for Administration of Justice    | \$ 0                                    | \$ 0                    | \$ 66,163                                | \$ 66,163                                  |
| Restricted for Public Safety                | 0                                       | 92,420                  | 0  | 92,420                                     |
| Restricted for Public Health and Welfare    | 1,083,163                               | 0                       | 0  | 1,083,163                                  |
| <b>Total Fund Balances</b>                  | <b>\$ 1,083,163</b>                     | <b>\$ 92,420</b>        | <b>\$ 66,163</b>                         | <b>\$ 1,241,746</b>                        |
| <b>Total Liabilities and Fund Balances</b>  | <b>\$ 1,220,984</b>                     | <b>\$ 92,420</b>        | <b>\$ 66,163</b>                         | <b>\$ 1,379,567</b>                        |

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, 2012

|   | Special Revenue Funds          |                 |                                 |   |      | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|--------------------------------|-----------------|---------------------------------|---|------|--|
|   | Solid<br>Waste /<br>Sanitation | Drug<br>Control | District<br>Attorney<br>General | Constitu-<br>tional<br>Officers -<br>Fees |      |  |
| <u>Revenues</u>   |                                |                 |                                 |   |      |  |
| Fines, Forfeitures, and Penalties                         | \$ 0                           | \$ 25,450       | \$ 16,241                       | \$ 0                                      | \$ 0 | \$ 41,691                                  |
| Charges for Current Services                              | 829,065                        | 0               | 0                               | 5,585                                     |      | 834,650                                    |
| Other Local Revenues                                      | 12,044                         | 0               | 0                               | 0   |      | 12,044                                     |
| State of Tennessee  | 14,676                         | 0               | 0                               | 0   |      | 14,676                                     |
| Total Revenues  | \$ 855,785                     | \$ 25,450       | \$ 16,241                       | \$ 5,585                                  | \$ 0 | \$ 903,061                                 |
| <u>Expenditures</u>                                       |                                |                 |                                 |   |      |  |
| Current:  |                                |                 |                                 |   |      |  |
| Finance   | \$ 0                           | \$ 0            | \$ 0                            | \$ 87                                     | \$ 0 | \$ 87                                      |
| Administration of Justice                                 | 0                              | 0               | 21,496                          | 5,498                                     |      | 26,994                                     |
| Public Safety   | 0                              | 30,680          | 0                               | 0   |      | 30,680                                     |
| Public Health and Welfare                                 | 1,123,848                      | 0               | 0                               | 0   |      | 1,123,848                                  |
| Total Expenditures  | \$ 1,123,848                   | \$ 30,680       | \$ 21,496                       | \$ 5,585                                  | \$ 0 | \$ 1,181,609                               |
| Excess (Deficiency) of Revenues<br>Over Expenditures      | \$ (268,063)                   | \$ (5,230)      | \$ (5,255)                      | \$ 0                                      | \$ 0 | \$ (278,548)                               |
| Net Change in Fund Balances<br>Fund Balance, July 1, 2011 | \$ (268,063)                   | \$ (5,230)      | \$ (5,255)                      | \$ 0                                      | \$ 0 | \$ (278,548)                               |
| Fund Balance, July 1, 2011                                | 1,351,226                      | 97,650          | 71,418                          | 0   | 0    | 1,520,294                                  |
| Fund Balance, June 30, 2012                               | \$ 1,083,163                   | \$ 92,420       | \$ 66,163                       | \$ 0                                      | \$ 0 | \$ 1,241,746                               |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>  |                           |                                   |                                   |   |                  |              |  |
| Charges for Current Services                             | \$ 829,065                | \$ 0                              | \$ 0                              | \$ 829,065  | \$ 808,000       | \$ 808,000   | \$ 21,065  |
| Other Local Revenues                                     | 12,044                    | 0                                 | 0                                 | 12,044  | 5,100            | 5,100        | 6,944  |
| State of Tennessee                                       | 14,676                    | 0                                 | 0                                 | 14,676  | 25,100           | 25,100       | (10,424)   |
| Total Revenues   | \$ 855,785                | \$ 0                              | \$ 0                              | \$ 855,785  | \$ 838,200       | \$ 838,200   | \$ 17,585  |
| <u>Expenditures</u>                                      |                           |                                   |                                   |   |                  |              |  |
| <u>Public Health and Welfare</u>                         |                           |                                   |                                   |   |                  |              |  |
| Sanitation Management                                    | \$ 20,000                 | \$ 0                              | \$ 20,000                         | \$ 40,000   | \$ 20,000        | \$ 40,000    | \$ 0   |
| Convenience Centers                                      | 487,222                   | (317,768)                         | 8,215                             | 177,669   | 197,196          | 218,702      | 41,033   |
| Other Waste Disposal                                     | 570,090                   | 0                                 | 0                                 | 570,090   | 624,367          | 656,677      | 86,587   |
| Postclosure Care Costs                                   | 46,536                    | 0                                 | 0                                 | 46,536  | 50,000           | 50,000       | 3,464  |
| Total Expenditures                                       | \$ 1,123,848              | \$ (317,768)                      | \$ 28,215                         | \$ 834,295  | \$ 891,563       | \$ 965,379   | \$ 131,084   |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ (268,063)              | \$ 317,768                        | \$ (28,215)                       | \$ 21,490   | \$ (53,363)      | \$ (127,179) | \$ 148,669   |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2011 | \$ (268,063)              | \$ 317,768                        | \$ (28,215)                       | \$ 21,490   | \$ (53,363)      | \$ (127,179) | \$ 148,669   |
|  | 1,351,226                 | (317,768)                         | 0                                 | 1,033,458   | 1,005,687        | 1,033,458    | 0  |
| Fund Balance, June 30, 2012                              | \$ 1,083,163              | \$ 0                              | \$ (28,215)                       | \$ 1,054,948  | \$ 952,324       | \$ 906,279   | \$ 148,669   |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |             | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|-------------|--|
|  |                           |                                   |   | Original         | Final       |  |
| <u>Revenues</u>  |                           |                                   |   |                  |             |  |
| Fines, Forfeitures, and Penalties                        | \$ 25,450 \$              | 0 \$                              | 25,450 \$   | 11,500 \$        | 11,500 \$   | 13,950   |
| Total Revenues   | \$ 25,450 \$              | 0 \$                              | 25,450 \$   | 11,500 \$        | 11,500 \$   | 13,950   |
| <u>Expenditures</u>                                      |                           |                                   |   |                  |             |  |
| <u>Public Safety</u>                                     |                           |                                   |   |                  |             |  |
| Drug Enforcement   | \$ 30,680 \$              | (1,989) \$                        | 28,691 \$   | 37,700 \$        | 37,700 \$   | 9,009  |
| Total Expenditures                                       | \$ 30,680 \$              | (1,989) \$                        | 28,691 \$   | 37,700 \$        | 37,700 \$   | 9,009  |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ (5,230) \$             | 1,989 \$                          | (3,241) \$  | (26,200) \$      | (26,200) \$ | 22,959   |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2011 | \$ (5,230) \$             | 1,989 \$                          | (3,241) \$  | (26,200) \$      | (26,200) \$ | 22,959   |
|  | 97,650                    | (1,989)                           | 95,661  | 90,187           | 95,661      | 0  |
| Fund Balance, June 30, 2012                              | \$ 92,420 \$              | 0 \$                              | 92,420 \$   | 63,987 \$        | 69,461 \$   | 22,959   |

# **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, 2012

|   | Actual       | Budgeted Amounts |              | Variance with Final Budget - Positive (Negative) |
|---|--------------|------------------|--------------|--|
|   |              | Original         | Final        |  |
| <u>Revenues</u>                                   |              |                  |              |  |
| Local Taxes                                       | \$ 2,158,309 | \$ 2,172,654     | \$ 2,172,654 | \$ (14,345)                                      |
| Total Revenues                                    | \$ 2,158,309 | \$ 2,172,654     | \$ 2,172,654 | \$ (14,345)                                      |
| <u>Expenditures</u>                               |              |                  |              |  |
| <u>Principal on Debt</u>                          |              |                  |              |  |
| General Government                                | \$ 149,195   | \$ 53,000        | \$ 149,195   | \$ 0   |
| Education   | 943,805      | 1,040,000        | 943,805      | 0  |
| <u>Interest on Debt</u>                           |              |                  |              |  |
| General Government                                | 53,660       | 9,294            | 54,660       | 1,000  |
| Education   | 675,789      | 722,156          | 676,790      | 1,001  |
| <u>Other Debt Service</u>                         |              |                  |              |  |
| General Government                                | 22,028       | 40,000           | 40,000       | 17,972   |
| Education   | 621          | 5,000            | 5,000        | 4,379  |
| Total Expenditures                                | \$ 1,845,098 | \$ 1,869,450     | \$ 1,869,450 | \$ 24,352  |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 313,211   | \$ 303,204       | \$ 303,204   | \$ 10,007  |
| Net Change in Fund Balance                        | \$ 313,211   | \$ 303,204       | \$ 303,204   | \$ 10,007  |
| Fund Balance, July 1, 2011                        | 4,944,734    | 4,958,109        | 4,944,734    | 0  |
| Fund Balance, June 30, 2012                       | \$ 5,257,945 | \$ 5,261,313     | \$ 5,247,938 | \$ 10,007  |

# 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, 2012

|  | Agency Funds             |                                 |                              |   |                     | Total |
|--|--------------------------|---------------------------------|------------------------------|---|---------------------|-------|
|  | Cities -<br>Sales<br>Tax | School<br>ADA -<br>Fayetteville | Judicial<br>District<br>Drug | Constitu-<br>tional<br>Officers -<br>Agency |                     |       |
| <b>ASSETS</b>                              |                          |                                 |                              |   |                     |       |
| Cash                                       | \$ 0                     | \$ 0                            | \$ 641                       | \$ 1,686,361                                | \$ 1,687,002        |       |
| Equity in Pooled Cash and Investments      | 0                        | 79,613                          | 337,817                      | 0   | 417,430             |       |
| Investments                                | 0                        | 0                               | 0                            | 350,378                                     | 350,378             |       |
| Accounts Receivable                        | 0                        | 0                               | 14,592                       | 9,477                                       | 24,069              |       |
| Due from Other Governments                 | 303,315                  | 166,884                         | 11,061                       | 0   | 481,260             |       |
| Property Taxes Receivable                  | 0                        | 1,243,417                       | 0                            | 0   | 1,243,417           |       |
| Allowance for Uncollectible Property Taxes | 0                        | (21,296)                        | 0                            | 0   | (21,296)            |       |
| <b>Total Assets</b>                        | <b>\$ 303,315</b>        | <b>\$ 1,468,618</b>             | <b>\$ 364,111</b>            | <b>\$ 2,046,216</b>                         | <b>\$ 4,182,260</b> |       |
| <b>LIABILITIES</b>                         |                          |                                 |                              |   |                     |       |
| Accounts Payable                           | \$ 0                     | \$ 0                            | \$ 9,406                     | \$ 0  | \$ 9,406            |       |
| Accrued Payroll                            | 0                        | 0                               | 1,613                        | 0   | 1,613               |       |
| Due to Other Taxing Units                  | 303,315                  | 1,468,618                       | 0                            | 0   | 1,771,933           |       |
| Due to Litigants, Heirs, and Others        | 0                        | 0                               | 0                            | 2,046,216                                   | 2,046,216           |       |
| Due to Joint Ventures                      | 0                        | 0                               | 353,092                      | 0   | 353,092             |       |
| <b>Total Liabilities</b>                   | <b>\$ 303,315</b>        | <b>\$ 1,468,618</b>             | <b>\$ 364,111</b>            | <b>\$ 2,046,216</b>                         | <b>\$ 4,182,260</b> |       |

Exhibit I-2

Lincoln County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2012

|  | Beginning<br>Balance | Additions    | Deductions   | Ending<br>Balance |
|--|----------------------|--------------|--------------|-------------------|
| <u>Cities - Sales Tax Fund</u>             |                      |              |              |                   |
| <u>Assets</u>                              |                      |              |              |                   |
| Equity in Pooled Cash and Investments      | \$ 0                 | \$ 1,676,542 | \$ 1,676,542 | \$ 0              |
| Due from Other Governments                 | 287,420              | 303,315      | 287,420      | 303,315           |
| Total Assets                               | \$ 287,420           | \$ 1,979,857 | \$ 1,963,962 | \$ 303,315        |
| <u>Liabilities</u>                         |                      |              |              |                   |
| Due to Other Taxing Units                  | \$ 287,420           | \$ 303,315   | \$ 287,420   | \$ 303,315        |
| Total Liabilities                          | \$ 287,420           | \$ 303,315   | \$ 287,420   | \$ 303,315        |
| <u>City School ADA - Fayetteville Fund</u> |                      |              |              |                   |
| <u>Assets</u>                              |                      |              |              |                   |
| Equity in Pooled Cash and Investments      | \$ 84,656            | \$ 1,879,830 | \$ 1,884,873 | \$ 79,613         |
| Due from Other Governments                 | 160,879              | 166,884      | 160,879      | 166,884           |
| Property Taxes Receivable                  | 1,103,973            | 1,243,417    | 1,103,973    | 1,243,417         |
| Allowance for Uncollectible Property Taxes | (19,200)             | (21,296)     | (19,200)     | (21,296)          |
| Total Assets                               | \$ 1,330,308         | \$ 3,268,835 | \$ 3,130,525 | \$ 1,468,618      |
| <u>Liabilities</u>                         |                      |              |              |                   |
| Due to Other Taxing Units                  | \$ 1,330,308         | \$ 1,468,618 | \$ 1,330,308 | \$ 1,468,618      |
| Total Liabilities                          | \$ 1,330,308         | \$ 1,468,618 | \$ 1,330,308 | \$ 1,468,618      |
| <u>Judicial District Drug Fund</u>         |                      |              |              |                   |
| <u>Assets</u>                              |                      |              |              |                   |
| Cash                                       | \$ 864               | \$ 641       | \$ 864       | \$ 641            |
| Equity in Pooled Cash and Investments      | 350,827              | 342,498      | 355,508      | 337,817           |
| Accounts Receivable                        | 0                    | 14,592       | 0            | 14,592            |
| Due from Other Governments                 | 22,707               | 11,061       | 22,707       | 11,061            |
| Total Assets                               | \$ 374,398           | \$ 368,792   | \$ 379,079   | \$ 364,111        |
| <u>Liabilities</u>                         |                      |              |              |                   |
| Accounts Payable                           | \$ 5,112             | \$ 9,406     | \$ 5,112     | \$ 9,406          |
| Accrued Payroll                            | 1,191                | 1,613        | 1,191        | 1,613             |
| Due to Joint Ventures                      | 368,095              | 353,092      | 368,095      | 353,092           |
| Total Liabilities                          | \$ 374,398           | \$ 364,111   | \$ 374,398   | \$ 364,111        |

(Continued)

Exhibit I-2

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

|  | Beginning<br>Balance | Additions            | Deductions           | Ending<br>Balance   |
|--|----------------------|----------------------|----------------------|---------------------|
| <u>Constitutional Officers - Agency Fund</u> |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Cash   | \$ 1,907,558         | \$ 7,755,979         | \$ 7,977,176         | \$ 1,686,361        |
| Investments                                  | 0                    | 350,378              | 0                    | 350,378             |
| Accounts Receivable                          | 898                  | 9,477                | 898                  | 9,477               |
| Total Assets                                 | <u>\$ 1,908,456</u>  | <u>\$ 8,115,834</u>  | <u>\$ 7,978,074</u>  | <u>\$ 2,046,216</u> |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Due to Litigants, Heirs, and Others          | \$ 1,908,456         | \$ 8,115,834         | \$ 7,978,074         | \$ 2,046,216        |
| Total Liabilities                            | <u>\$ 1,908,456</u>  | <u>\$ 8,115,834</u>  | <u>\$ 7,978,074</u>  | <u>\$ 2,046,216</u> |
| <u>Totals - All Agency Funds</u>             |                      |                      |                      |                     |
| <u>Assets</u>                                |                      |                      |                      |                     |
| Cash   | \$ 1,908,422         | \$ 7,756,620         | \$ 7,978,040         | \$ 1,687,002        |
| Equity in Pooled Cash and Investments        | 435,483              | 3,898,870            | 3,916,923            | 417,430             |
| Investments                                  | 0                    | 350,378              | 0                    | 350,378             |
| Account Receivable                           | 898                  | 24,069               | 898                  | 24,069              |
| Due from Other Governments                   | 471,006              | 481,260              | 471,006              | 481,260             |
| Property Taxes Receivable                    | 1,103,973            | 1,243,417            | 1,103,973            | 1,243,417           |
| Allowance for Uncollectible Property Taxes   | (19,200)             | (21,296)             | (19,200)             | (21,296)            |
| Total Assets                                 | <u>\$ 3,900,582</u>  | <u>\$ 13,733,318</u> | <u>\$ 13,451,640</u> | <u>\$ 4,182,260</u> |
| <u>Totals - All Agency Funds</u>             |                      |                      |                      |                     |
| <u>Liabilities</u>                           |                      |                      |                      |                     |
| Accounts Payable                             | \$ 5,112             | \$ 9,406             | \$ 5,112             | \$ 9,406            |
| Accrued Payroll                              | 1,191                | 1,613                | 1,191                | 1,613               |
| Due to Other Taxing Units                    | 1,617,728            | 1,771,933            | 1,617,728            | 1,771,933           |
| Due to Litigants, Heirs, and Others          | 1,908,456            | 8,115,834            | 7,978,074            | 2,046,216           |
| Due to Joint Ventures                        | 368,095              | 353,092              | 368,095              | 353,092             |
| Total Liabilities                            | <u>\$ 3,900,582</u>  | <u>\$ 10,251,878</u> | <u>\$ 9,970,200</u>  | <u>\$ 4,182,260</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, 2012

| 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  | \$ 18,579,536 | \$ 0                 | \$ 2,146,784                       | \$ 89,750                        | \$ (16,343,002)                                 |
| Support Services   | 9,340,074     | 45,987               | 364,061                            | 0                                | (8,930,026)                                     |
| Operation of Non-Instructional Services                      | 4,251,634     | 891,995              | 1,671,105                          | 0                                | (1,688,534)                                     |
| Total Governmental Activities                                | \$ 32,171,244 | \$ 937,982           | \$ 4,181,950                       | \$ 89,750                        | \$ (26,961,562)                                 |
| General Revenues:  |               |                      |                                    |                                  |   |
| Taxes:   |               |                      |                                    |                                  |   |
| Property Taxes Levied for General Purposes                   |               |                      |                                    | \$                               | 3,808,130                                       |
| Local Option Sales Tax                                       |               |                      |                                    |                                  | 2,587,833                                       |
| Wholesale Beer Tax   |               |                      |                                    |                                  | 112,298   |
| Other Local Taxes  |               |                      |                                    |                                  | 1,434   |
| Grants and Contributions Not Restricted to Specific Programs |               |                      |                                    |                                  | 18,817,954                                      |
| Unrestricted Investment Earnings                             |               |                      |                                    |                                  | 739   |
| Miscellaneous  |               |                      |                                    |                                  | 135,206   |
| Gain on Sale of Capital Assets                               |               |                      |                                    |                                  | 15,906  |
| Total General Revenues                                       |               |                      |                                    | \$                               | 25,479,500                                      |
| Change in Net Assets   |               |                      |                                    | \$                               | (1,482,062)                                     |
| Net Assets, July 1, 2011                                     |               |                      |                                    |                                  | 31,198,742                                      |
| Net Assets, June 30, 2012                                    |               |                      |                                    | \$                               | 29,716,680                                      |

Exhibit J-2

Lincoln County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lincoln County School Department  
June 30, 2012

|  | <u>Major Fund</u>            | <u>Nonmajor<br/>Funds</u>           | <u>Total<br/>Govern-<br/>mental<br/>Funds</u> |
|--|------------------------------|-------------------------------------|---|
|  | General<br>Purpose<br>School | Other<br>Govern-<br>mental<br>Funds |   |
| <u>ASSETS</u>  |                              |                                     |   |
| Cash   | \$ 0                         | \$ 1,013                            | \$ 1,013                                      |
| Equity in Pooled Cash and Investments                  | 5,450,753                    | 666,241                             | 6,116,994                                     |
| Inventories  | 0                            | 33,154                              | 33,154  |
| Accounts Receivable                                    | 1,610                        | 15,699                              | 17,309  |
| Due from Other Governments                             | 1,037,035                    | 38,110                              | 1,075,145                                     |
| Due from Primary Government                            | 7,345                        | 0                                   | 7,345   |
| Property Taxes Receivable                              | 4,371,040                    | 0                                   | 4,371,040                                     |
| Allowance for Uncollectible Property Taxes             | (74,742)                     | 0                                   | (74,742)                                      |
| Prepaid Items  | 474,348                      | 0                                   | 474,348                                       |
| Total Assets   | <u>\$ 11,267,389</u>         | <u>\$ 754,217</u>                   | <u>\$ 12,021,606</u>                          |
| <u>LIABILITIES AND FUND BALANCES</u>                   |                              |                                     |   |
| <u>Liabilities</u>                                     |                              |                                     |   |
| Accounts Payable                                       | \$ 134,364                   | \$ 45,209                           | \$ 179,573                                    |
| Accrued Payroll  | 805,483                      | 111,428                             | 916,911                                       |
| Deferred Revenue - Current Property Taxes              | 4,184,003                    | 0                                   | 4,184,003                                     |
| Deferred Revenue - Delinquent Property Taxes           | 102,819                      | 0                                   | 102,819                                       |
| Other Deferred Revenues                                | 376,246                      | 0                                   | 376,246                                       |
| Total Liabilities                                      | <u>\$ 5,602,915</u>          | <u>\$ 156,637</u>                   | <u>\$ 5,759,552</u>                           |
| <u>Fund Balances</u>                                   |                              |                                     |   |
| Nonspendable:  |                              |                                     |   |
| Inventory  | \$ 0                         | \$ 33,154                           | \$ 33,154                                     |
| Prepaid Items  | 474,348                      | 0                                   | 474,348                                       |
| Restricted:  |                              |                                     |   |
| Restricted for Instruction                             | 72,998                       | 67,586                              | 140,584                                       |
| Restricted for Operation of Non-Instructional Services | 0                            | 437,525                             | 437,525                                       |
| Committed:   |                              |                                     |   |
| Committed for Instruction                              | 23,951                       | 59,315                              | 83,266  |
| Assigned:  |                              |                                     |   |
| Assigned for Instruction                               | 11,093                       | 0                                   | 11,093  |
| Assigned for Support Services                          | 521,703                      | 0                                   | 521,703                                       |
| Assigned for Operation of Non-Instructional Services   | 2,999                        | 0                                   | 2,999   |
| Assigned for Capital Outlay                            | 36,678                       | 0                                   | 36,678  |
| Unassigned   | 4,520,704                    | 0                                   | 4,520,704                                     |
| Total Fund Balances                                    | <u>\$ 5,664,474</u>          | <u>\$ 597,580</u>                   | <u>\$ 6,262,054</u>                           |
| Total Liabilities and Fund Balances                    | <u>\$ 11,267,389</u>         | <u>\$ 754,217</u>                   | <u>\$ 12,021,606</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, 2012

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)  |    | \$               | 6,262,054                |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |    |                  |                          |
| Add: land   | \$ | 957,984          |                          |
| Add: building and improvements net of accumulated depreciation  |    | 20,274,135       |                          |
| Add: other capital assets net of accumulated depreciation   |    | <u>2,411,561</u> | 23,643,680               |
| (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   | \$ | (638,041)        |                          |
| Less: compensated absences payable  |    | <u>(30,078)</u>  | (668,119)                |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. |    |                  | <u>479,065</u>           |
| Net assets of governmental activities (Exhibit A)   |    | \$               | <u><u>29,716,680</u></u> |

Exhibit J-4

Lincoln County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2012

|  | <u>Major Fund</u>            | <u>Nonmajor</u><br><u>Funds</u>     |                                |
|--|------------------------------|-------------------------------------|--------------------------------|
|  | General<br>Purpose<br>School | Other<br>Govern-<br>mental<br>Funds | Total<br>Governmental<br>Funds |
| <u>Revenues</u>                                      |                              |                                     |                                |
| Local Taxes  | \$ 6,508,676                 | \$ 0                                | \$ 6,508,676                   |
| Licenses and Permits                                 | 2,448                        | 0                                   | 2,448                          |
| Charges for Current Services                         | 61,991                       | 875,991                             | 937,982                        |
| Other Local Revenues                                 | 169,519                      | 3,934                               | 173,453                        |
| State of Tennessee                                   | 19,445,588                   | 0                                   | 19,445,588                     |
| Federal Government                                   | 76,187                       | 3,714,262                           | 3,790,449                      |
| Other Governments and Citizens Groups                | 23,367                       | 0                                   | 23,367                         |
| Total Revenues                                       | <u>\$ 26,287,776</u>         | <u>\$ 4,594,187</u>                 | <u>\$ 30,881,963</u>           |
| <u>Expenditures</u>                                  |                              |                                     |                                |
| Current:   |                              |                                     |                                |
| Instruction  | \$ 16,271,996                | \$ 1,800,721                        | \$ 18,072,717                  |
| Support Services                                     | 8,676,612                    | 566,345                             | 9,242,957                      |
| Operation of Non-Instructional Services              | 1,176,851                    | 2,181,553                           | 3,358,404                      |
| Capital Outlay                                       | 884,944                      | 0                                   | 884,944                        |
| Total Expenditures                                   | <u>\$ 27,010,403</u>         | <u>\$ 4,548,619</u>                 | <u>\$ 31,559,022</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (722,627)</u>          | <u>\$ 45,568</u>                    | <u>\$ (677,059)</u>            |
| <u>Other Financing Sources (Uses)</u>                |                              |                                     |                                |
| Transfers In   | \$ 0                         | \$ 50,000                           | \$ 50,000                      |
| Transfers Out  | (50,000)                     | 0                                   | (50,000)                       |
| Total Other Financing Sources (Uses)                 | <u>\$ (50,000)</u>           | <u>\$ 50,000</u>                    | <u>\$ 0</u>                    |
| Net Change in Fund Balances                          | \$ (772,627)                 | \$ 95,568                           | \$ (677,059)                   |
| Fund Balance, July 1, 2011                           | 6,437,101                    | 502,012                             | 6,939,113                      |
| Fund Balance, June 30, 2012                          | <u>\$ 5,664,474</u>          | <u>\$ 597,580</u>                   | <u>\$ 6,262,054</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, 2012

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)  |                    | \$ (677,059)          |
| (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows: |                    |                       |
| Add: capital assets purchased in the current period   | \$ 1,136,063       |                       |
| Less: current-year depreciation expense   | <u>(1,587,191)</u> | (451,128)             |
| (2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.  |                    |                       |
| Add: gain on disposal of capital assets   | \$ 15,906          |                       |
| Less: proceeds from the sale of capital assets  | <u>(45,756)</u>    | (29,850)              |
| (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, 2012  | \$ 479,065         |                       |
| Less: deferred delinquent property taxes and other deferred June 30, 2011   | <u>(641,996)</u>   | (162,931)             |
| (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   | \$ (158,443)       |                       |
| Change in compensated absences payable  | <u>(2,651)</u>     | <u>(161,094)</u>      |
| Change in net assets of governmental activities (Exhibit B)   |                    | <u>\$ (1,482,062)</u> |

Lincoln County, Tennessee  
 Combining Balance Sheet - Nonmajor Governmental Funds  
 Discretely Presented Lincoln County School Department  
 June 30, 2012

|    | Special Revenue Funds         |                      |                               | Total<br>Nonmajor<br>Governmental<br>Funds |
|----|-------------------------------|----------------------|-------------------------------|--|
|    | School<br>Federal<br>Projects | Central<br>Cafeteria | Extended<br>School<br>Program |  |
| \$ | 0 \$                          | 1,013 \$             | 0 \$                          | 1,013                                      |
|    | 141,190                       | 473,020              | 52,031                        | 666,241                                    |
|    | 0                             | 33,154               | 0                             | 33,154                                     |
|    | 2,482                         | 5,201                | 8,016                         | 15,699                                     |
|    | 38,110                        | 0                    | 0                             | 38,110                                     |
| \$ | 181,782 \$                    | 512,388 \$           | 60,047 \$                     | 754,217                                    |

ASSETS

|                                       |  |
|---------------------------------------|--|
| Cash                                  |  |
| Equity in Pooled Cash and Investments |  |
| Inventories                           |  |
| Accounts Receivable                   |  |
| Due from Other Governments            |  |
| Total Assets                          |  |

LIABILITIES AND FUND BALANCES

|  |            |            |           |
|--|------------|------------|-----------|
| <u>Liabilities</u>                                     |            |            |           |
| Accounts Payable                                       | 41,424 \$  | 3,053 \$   | 732 \$    |
| Accrued Payroll  | 72,772     | 38,656     | 0         |
| Total Liabilities                                      | 114,196 \$ | 41,709 \$  | 732 \$    |
| <u>Fund Balances</u>                                   |            |            |           |
| Nonspendable:  |            |            |           |
| Inventory  | 0 \$       | 33,154 \$  | 0 \$      |
| Restricted:  |            |            |           |
| Restricted for Instruction                             | 67,586     | 0          | 0         |
| Restricted for Operation of Non-Instructional Services | 0          | 437,525    | 0         |
| Committed:   |            |            |           |
| Committed for Instruction                              | 0          | 0          | 59,315    |
| Total Fund Balances                                    | 67,586 \$  | 470,679 \$ | 59,315 \$ |
| Total Liabilities and Fund Balances                    | 181,782 \$ | 512,388 \$ | 60,047 \$ |
|  |            |            | 754,217   |

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, 2012

|  | Special Revenue Funds         |                          |                               | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------------|--------------------------|-------------------------------|--|
|  | School<br>Federal<br>Projects | Central<br>Cafeteria     | Extended<br>School<br>Program |  |
| <u>Revenues</u>                                      |                               |                          |                               |  |
| Charges for Current Services                         | \$ 0                          | \$ 776,724               | \$ 99,267                     | \$ 875,991                                 |
| Other Local Revenues                                 | 0                             | 3,934                    | 0                             | 3,934                                      |
| Federal Government                                   | 2,338,986                     | 1,375,276                | 0                             | 3,714,262                                  |
| Total Revenues                                       | <u>\$ 2,338,986</u>           | <u>\$ 2,155,934</u>      | <u>\$ 99,267</u>              | <u>\$ 4,594,187</u>                        |
| <u>Expenditures</u>                                  |                               |                          |                               |  |
| Current:   |                               |                          |                               |  |
| Instruction  | \$ 1,800,721                  | \$ 0                     | \$ 0                          | \$ 1,800,721                               |
| Support Services                                     | 566,345                       | 0                        | 0                             | 566,345                                    |
| Operation of Non-Instructional Services              | 0                             | 2,087,703                | 93,850                        | 2,181,553                                  |
| Total Expenditures                                   | <u>\$ 2,367,066</u>           | <u>\$ 2,087,703</u>      | <u>\$ 93,850</u>              | <u>\$ 4,548,619</u>                        |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (28,080)</u>            | <u>\$ 68,231</u>         | <u>\$ 5,417</u>               | <u>\$ 45,568</u>                           |
| <u>Other Financing Sources (Uses)</u>                |                               |                          |                               |  |
| Transfers In   | \$ 50,000                     | \$ 0                     | \$ 0                          | \$ 50,000                                  |
| Total Other Financing Sources (Uses)                 | <u>\$ 50,000</u>              | <u>\$ 0</u>              | <u>\$ 0</u>                   | <u>\$ 50,000</u>                           |
| Net Change in Fund Balances                          | \$ 21,920                     | \$ 68,231                | \$ 5,417                      | \$ 95,568                                  |
| Fund Balance, July 1, 2011                           | <u>45,666</u>                 | <u>402,448</u>           | <u>53,898</u>                 | <u>502,012</u>                             |
| Fund Balance, June 30, 2012                          | <u><u>\$ 67,586</u></u>       | <u><u>\$ 470,679</u></u> | <u><u>\$ 59,315</u></u>       | <u><u>\$ 597,580</u></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, 2012

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts     |                      | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|----------------------|----------------------|--|
|                                       |                           |                                   |                                   |   | Original             | Final                |  |
| <b>Revenues</b>                       |                           |                                   |                                   |   |                      |                      |  |
| Local Taxes                           | \$ 6,508,676              | \$ 0                              | \$ 0                              | \$ 6,508,676  | \$ 6,405,148         | \$ 6,416,148         | \$ 92,528  |
| Licenses and Permits                  | 2,448                     | 0                                 | 0                                 | 2,448   | 1,900                | 1,900                | 548  |
| Charges for Current Services          | 61,991                    | 0                                 | 0                                 | 61,991  | 95,338               | 95,338               | (33,347)   |
| Other Local Revenues                  | 169,519                   | 0                                 | 0                                 | 169,519   | 20,993               | 23,336               | 146,183  |
| State of Tennessee                    | 19,445,588                | 0                                 | 0                                 | 19,445,588  | 17,950,592           | 19,210,531           | 235,057  |
| Federal Government                    | 76,187                    | 0                                 | 0                                 | 76,187  | 0                    | 16,772               | 59,415   |
| Other Governments and Citizens Groups | 23,367                    | 0                                 | 0                                 | 23,367  | 10,703               | 16,578               | 6,789  |
| <b>Total Revenues</b>                 | <b>\$ 26,287,776</b>      | <b>\$ 0</b>                       | <b>\$ 0</b>                       | <b>\$ 26,287,776</b>  | <b>\$ 24,484,674</b> | <b>\$ 25,780,603</b> | <b>\$ 507,173</b>  |
| <b>Expenditures</b>                   |                           |                                   |                                   |   |                      |                      |  |
| <u>Instruction</u>                    |                           |                                   |                                   |   |                      |                      |  |
| Regular Instruction Program           | \$ 12,861,640             | \$ (132,064)                      | \$ 1,467                          | \$ 12,731,043   | \$ 13,126,321        | \$ 13,051,661        | \$ 320,618   |
| Alternative Instruction Program       | 198,397                   | 0                                 | 0                                 | 198,397   | 250,884              | 217,948              | 19,551   |
| Special Education Program             | 1,916,664                 | (18)                              | 36                                | 1,916,682   | 1,940,015            | 1,954,682            | 38,000   |
| Vocational Education Program          | 1,237,101                 | 0                                 | 9,591                             | 1,246,692   | 1,241,343            | 1,265,109            | 18,417   |
| Student Body Education Program        | 58,194                    | 0                                 | 0                                 | 58,194  | 101,338              | 101,338              | 43,144   |
| <u>Support Services</u>               |                           |                                   |                                   |   |                      |                      |  |
| Attendance                            | 134,538                   | 0                                 | 0                                 | 134,538   | 124,733              | 136,147              | 1,609  |
| Health Services                       | 244,655                   | 0                                 | 0                                 | 244,655   | 252,271              | 252,271              | 7,616  |
| Other Student Support                 | 779,897                   | (1,120)                           | 0                                 | 778,777   | 636,681              | 794,302              | 15,525   |
| Regular Instruction Program           | 812,952                   | (616)                             | 0                                 | 812,336   | 898,705              | 873,879              | 61,543   |
| Special Education Program             | 66,351                    | 0                                 | 0                                 | 66,351  | 76,158               | 77,441               | 11,090   |
| Vocational Education Program          | 85,671                    | 0                                 | 0                                 | 85,671  | 103,803              | 89,239               | 3,568  |
| Other Programs                        | 128,859                   | 0                                 | 0                                 | 128,859   | 0                    | 128,859              | 0  |

(Continued)

Exhibit J-8

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Add:<br>Encumbrances<br>6/30/2012 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |                | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|----------------|--|
|  |                           |                                   |                                   |   | Original         | Final          |  |
| <u>Expenditures (Cont.)</u>                    |                           |                                   |                                   |   |                  |                |  |
| <u>Support Services (Cont.)</u>                |                           |                                   |                                   |   |                  |                |  |
| Board of Education                             | \$ 614,296                | \$ (1,200)                        | \$ 0                              | \$ 613,096  | \$ 700,157       | \$ 700,457     | \$ 87,361  |
| Director of Schools                            | 277,311                   | 0                                 | 0                                 | 277,311   | 296,600          | 298,398        | 21,087   |
| Office of the Principal                        | 1,156,847                 | 0                                 | 0                                 | 1,156,847   | 1,144,837        | 1,171,252      | 14,405   |
| Operation of Plant                             | 1,934,223                 | (1,590)                           | 0                                 | 1,932,633   | 2,270,276        | 2,184,930      | 252,297  |
| Maintenance of Plant                           | 658,838                   | (13,094)                          | 3,669                             | 649,413   | 669,280          | 695,082        | 45,669   |
| Transportation                                 | 1,782,174                 | (478,764)                         | 518,034                           | 1,821,444   | 1,792,751        | 1,920,628      | 99,184   |
| <u>Operation of Non-Instructional Services</u> |                           |                                   |                                   |   |                  |                |  |
| Food Service                                   | 101,993                   | 0                                 | 0                                 | 101,993   | 101,297          | 102,628        | 635  |
| Community Services                             | 297,807                   | (4,202)                           | 0                                 | 293,605   | 10,703           | 315,632        | 22,027   |
| Early Childhood Education                      | 777,051                   | (39)                              | 2,998                             | 780,010   | 64,074           | 804,298        | 24,288   |
| Capital Outlay                                 |                           |                                   |                                   |   |                  |                |  |
| Regular Capital Outlay                         | 884,944                   | (290,819)                         | 36,678                            | 630,803   | 515,000          | 680,147        | 49,344   |
| Total Expenditures                             | \$ 27,010,403             | \$ (923,526)                      | \$ 572,473                        | \$ 26,659,350   | \$ 26,317,177    | \$ 27,816,328  | \$ 1,156,978   |
| <u>Excess (Deficiency) of Revenues</u>         |                           |                                   |                                   |   |                  |                |  |
| Over Expenditures                              | \$ (722,627)              | \$ 923,526                        | \$ (572,473)                      | \$ (371,574)  | \$ (1,832,503)   | \$ (2,035,725) | \$ 1,664,151   |
| <u>Other Financing Sources (Uses)</u>          |                           |                                   |                                   |   |                  |                |  |
| Insurance Recovery                             | \$ 0                      | \$ 0                              | \$ 0                              | \$ 0  | \$ 0             | \$ 40,355      | \$ (40,355)  |
| Transfers Out                                  | (50,000)                  | 0                                 | 0                                 | (50,000)  | 0                | (50,000)       | 0  |
| Total Other Financing Sources (Uses)           | \$ (50,000)               | \$ 0                              | \$ 0                              | \$ (50,000)   | \$ 0             | \$ (9,645)     | \$ (40,355)  |
| Net Change in Fund Balance                     | \$ (772,627)              | \$ 923,526                        | \$ (572,473)                      | \$ (421,574)  | \$ (1,832,503)   | \$ (2,045,370) | \$ 1,623,796   |
| Fund Balance, July 1, 2011                     | 6,437,101                 | (923,526)                         | 0                                 | 5,513,575   | 4,759,884        | 5,513,575      | 0  |
| Fund Balance, June 30, 2012                    | \$ 5,664,474              | \$ 0                              | \$ (572,473)                      | \$ 5,092,001  | \$ 2,927,381     | \$ 3,468,205   | \$ 1,623,796   |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |   | Original         | Final        |  |
| <u>Revenues</u>  |                           |                                   |   |                  |              |  |
| Federal Government   | \$ 2,338,986              | \$ 0                              | \$ 2,338,986  | \$ 2,692,505     | \$ 2,897,521 | \$ (558,535)   |
| Total Revenues   | \$ 2,338,986              | \$ 0                              | \$ 2,338,986  | \$ 2,692,505     | \$ 2,897,521 | \$ (558,535)   |
| <u>Expenditures</u>  |                           |                                   |   |                  |              |  |
| <u>Instruction</u>   |                           |                                   |   |                  |              |  |
| Regular Instruction Program                                      | \$ 859,679                | \$ (20,853)                       | \$ 838,826  | \$ 1,117,444     | \$ 1,163,453 | \$ 324,627   |
| Alternative Instruction Program                                  | 15,489                    | 0                                 | 15,489  | 27,121           | 22,483       | 6,994  |
| Special Education Program  | 781,282                   | 0                                 | 781,282   | 917,673          | 946,162      | 164,880  |
| Vocational Education Program                                     | 144,271                   | 0                                 | 144,271   | 144,269          | 144,271      | 0  |
| <u>Support Services</u>  |                           |                                   |   |                  |              |  |
| Other Student Support  | 167,801                   | (1,714)                           | 166,087   | 161,257          | 204,608      | 38,521   |
| Regular Instruction Program                                      | 273,611                   | 0                                 | 273,611   | 216,169          | 321,254      | 47,643   |
| Special Education Program  | 35,756                    | 0                                 | 35,756  | 45,834           | 47,169       | 11,413   |
| Vocational Education Program                                     | 1,525                     | 0                                 | 1,525   | 3,000            | 3,000        | 1,475  |
| Transportation   | 87,652                    | 0                                 | 87,652  | 108,697          | 107,142      | 19,490   |
| Total Expenditures   | \$ 2,367,066              | \$ (22,567)                       | \$ 2,344,499  | \$ 2,741,464     | \$ 2,959,542 | \$ 615,043   |
| <u>Excess (Deficiency) of Revenues<br/>Over Expenditures</u>     |                           |                                   |   |                  |              |  |
|  | \$ (28,080)               | \$ 22,567                         | \$ (5,513)  | \$ (48,959)      | \$ (62,021)  | \$ 56,508  |
| <u>Other Financing Sources (Uses)</u>                            |                           |                                   |   |                  |              |  |
| Transfers In   | \$ 50,000                 | \$ 0                              | \$ 50,000   | \$ 135,600       | \$ 90,380    | \$ (40,380)  |
| Transfers Out  | 0                         | 0                                 | 0   | (146,835)        | (140,455)    | 140,455  |
| Total Other Financing Sources (Uses)                             | \$ 50,000                 | \$ 0                              | \$ 50,000   | \$ (11,235)      | \$ (50,075)  | \$ 100,075   |
| <u>Net Change in Fund Balance<br/>Fund Balance, July 1, 2011</u> |                           |                                   |   |                  |              |  |
|  | \$ 21,920                 | \$ 22,567                         | \$ 44,487   | \$ (60,194)      | \$ (112,096) | \$ 156,583   |
| Fund Balance, July 1, 2011                                       | 45,666                    | (22,567)                          | 23,099  | 60,194           | 112,096      | (88,997)   |
| Fund Balance, June 30, 2012                                      | \$ 67,586                 | \$ 0                              | \$ 67,586   | \$ 0             | \$ 0         | \$ 67,586  |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |   | Original         | Final        |  |
| <u>Revenues</u>                                      |                           |                                   |   |                  |              |  |
| Charges for Current Services                         | \$ 776,724                | \$ 0                              | \$ 776,724  | \$ 746,800       | \$ 746,800   | \$ 29,924  |
| Other Local Revenues                                 | 3,934                     | 0                                 | 3,934   | 6,400            | 6,400        | (2,466)  |
| Federal Government                                   | 1,375,276                 | 0                                 | 1,375,276   | 1,215,000        | 1,326,886    | 48,390   |
| Total Revenues                                       | \$ 2,155,934              | \$ 0                              | \$ 2,155,934  | \$ 1,968,200     | \$ 2,080,086 | \$ 75,848  |
| <u>Expenditures</u>                                  |                           |                                   |   |                  |              |  |
| <u>Operation of Non-Instructional Services</u>       |                           |                                   |   |                  |              |  |
| Food Service   | \$ 2,087,703              | \$ (16,656)                       | \$ 2,071,047  | \$ 2,050,602     | \$ 2,162,488 | \$ 91,441  |
| Total Expenditures                                   | \$ 2,087,703              | \$ (16,656)                       | \$ 2,071,047  | \$ 2,050,602     | \$ 2,162,488 | \$ 91,441  |
| Excess (Deficiency) of Revenues<br>Over Expenditures |                           |                                   |   |                  |              |  |
|  | \$ 68,231                 | \$ 16,656                         | \$ 84,887   | \$ (82,402)      | \$ (82,402)  | \$ 167,289   |
| Net Change in Fund Balance                           |                           |                                   |   |                  |              |  |
| Fund Balance, July 1, 2011                           | \$ 402,448                | \$ (16,656)                       | \$ 385,792  | \$ 384,323       | \$ 385,792   | \$ 0   |
| Fund Balance, June 30, 2012                          | \$ 470,679                | \$ 0                              | \$ 470,679  | \$ 301,921       | \$ 303,390   | \$ 167,289   |

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, 2012

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2011 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |            | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|------------|--|
|  |                           |                                   |   | Original         | Final      |  |
| <u>Revenues</u>  |                           |                                   |   |                  |            |  |
| Charges for Current Services                             | \$ 99,267 \$              | 0 \$                              | 99,267 \$   | 111,000 \$       | 111,000 \$ | (11,733)   |
| Total Revenues   | \$ 99,267 \$              | 0 \$                              | 99,267 \$   | 111,000 \$       | 111,000 \$ | (11,733)   |
| <u>Expenditures</u>                                      |                           |                                   |   |                  |            |  |
| <u>Operation of Non-Instructional Services</u>           |                           |                                   |   |                  |            |  |
| Community Services                                       | \$ 93,850 \$              | (2,463) \$                        | 91,387 \$   | 111,000 \$       | 111,000 \$ | 19,613   |
| Total Expenditures                                       | \$ 93,850 \$              | (2,463) \$                        | 91,387 \$   | 111,000 \$       | 111,000 \$ | 19,613   |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ 5,417 \$               | 2,463 \$                          | 7,880 \$  | 0 \$             | 0 \$       | 7,880  |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2011 | \$ 5,417 \$               | 2,463 \$                          | 7,880 \$  | 0 \$             | 0 \$       | 7,880  |
|  | 53,898                    | (2,463)                           | 51,435  | 50,557           | 51,435     | 0  |
| Fund Balance, June 30, 2012                              | \$ 59,315 \$              | 0 \$                              | 59,315 \$   | 50,557 \$        | 51,435 \$  | 7,880  |

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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, 2012

| Description of Indebtedness                      | Original<br>Amount<br>of Issue | Interest<br>Rate | Date<br>of<br>Issue | Last<br>Maturity<br>Date | Outstanding<br>7-1-11 | Paid and/or<br>Matured<br>During<br>Period | Outstanding<br>6-30-12 |
|--|--------------------------------|------------------|---------------------|--------------------------|-----------------------|--|------------------------|
| <u>NOTE PAYABLE</u>                              |                                |                  |                     |                          |                       |  |                        |
| <u>Payable through General Debt Service Fund</u> | \$ 391,000                     | 2.545 %          | 10-13-10            | 5-1-17                   | \$ 341,000            | \$ 53,000                                  | \$ 288,000             |
| Courthouse HVAC System                           |                                |                  |                     |                          |                       |  |                        |
| Total Bonds Payable                              |                                |                  |                     |                          | <u>\$ 341,000</u>     | <u>\$ 53,000</u>                           | <u>\$ 288,000</u>      |
| <u>BONDS PAYABLE</u>                             |                                |                  |                     |                          |                       |  |                        |
| <u>Payable through General Debt Service Fund</u> |                                |                  |                     |                          |                       |  |                        |
| General Obligation School Refunding              | 14,765,000                     | 4 to 5.25        | 8-1-01              | 4-1-21                   | \$ 11,485,000         | \$ 775,000                                 | \$ 10,710,000          |
| General Obligation Refunding                     | 6,470,000                      | 3.9              | 6-12-07             | 5-1-21                   | 3,180,000             | 265,000                                    | 2,915,000              |
| Total Bonds Payable                              |                                |                  |                     |                          | <u>\$ 14,665,000</u>  | <u>\$ 1,040,000</u>                        | <u>\$ 13,625,000</u>   |

Exhibit K-2

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

| Year<br>Ending<br>June 30 | Note       |           | Total      |
|---------------------------|------------|-----------|------------|
|                           | Principal  | Interest  |            |
| 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                     | \$ 288,000 | \$ 23,277 | \$ 311,277 |

| Year<br>Ending<br>June 30 | Bonds         |              | Total         |
|---------------------------|---------------|--------------|---------------|
|                           | Principal     | Interest     |               |
| 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                     | \$ 13,625,000 | \$ 3,357,674 | \$ 16,982,674 |

Exhibit K-3

Lincoln County, Tennessee  
Schedule of Investments  
June 30, 2012

| <u>Fund and Type</u>                         | <u>Date<br/>of<br/>Purchase</u> | <u>Date<br/>of<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Amount</u>            |
|--|---------------------------------|---------------------------------|--------------------------|--------------------------|
| <u>Constitutional Officers - Agency Fund</u> |                                 |                                 |                          |                          |
| <u>Clerk and Master:</u>                     |                                 |                                 |                          |                          |
| Long-term Certificates of Deposit            | various                         | 10-12-40                        | varies                   | \$ 349,675               |
| Mutual Funds                                 | various                         | none                            | varies                   | <u>703</u>               |
| Total Non-pooled Investments                 |                                 |                                 |                          | <u><u>\$ 350,378</u></u> |

Exhibit K-4

Lincoln County, Tennessee  
Schedule of Notes Receivable  
June 30, 2012

| <u>Description</u>   | <u>Debtor</u> | <u>Original<br/>Amount<br/>of Notes</u> | <u>Date<br/>of<br/>Issue</u> | <u>Date<br/>of<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Balance</u> |
|--|---------------|---|------------------------------|---------------------------------|--------------------------|----------------|
| <u>Lincoln County Health System Fund</u><br>Advances to Physicians | Physicians    | Varies                                  | Varies                       | Varies                          | Varies                   | \$ 433,768     |

Exhibit K-5

Lincoln County, Tennessee  
Schedule of Transfers  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2012

| <u>From Fund</u>       | <u>To Fund</u>          | <u>Purpose</u>                        | <u>Amount</u>    |
|------------------------|-------------------------|---------------------------------------|------------------|
| General Purpose School | School Federal Projects | One-time transfer for cash flow needs | \$ 50,000        |
| Total Transfers        |                         |                                       | <u>\$ 50,000</u> |

Exhibit K-6

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, 2012

| 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                          | Section 8-24-102, TCA                                 | 67,927                    | 100,000   | "   |
| Director of Schools                             | State Board of Education and Local Board of Education | 101,327 (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                                    | Section 8-24-102, TCA                                 | 61,751                    | 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 \$5,498.
- (3) Does not include a law enforcement training supplement of \$600.
- (4) Includes \$10,000 for serving as the solid waste administrative officer.

Exhibit K-7

Lincoln County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2012

|  | 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                             | \$ 3,941,810          | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 699,688            | \$ 9,168             | \$ 4,650,666      |       |
| Trustee's Collections - Prior Year               | 104,225               | 0                       | 0            | 0                         | 0                              | 13,753                | 28,259               | 146,237           |       |
| Circuit/Clerk & Master Collections - Prior Years | 39,993                | 0                       | 0            | 0                         | 0                              | 5,285                 | 10,820               | 56,098            |       |
| Interest and Penalty                             | 19,733                | 0                       | 0            | 0                         | 0                              | 2,860                 | 3,836                | 26,429            |       |
| 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      | 189,610               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 189,610           |       |
| Payments in-Lieu-of Taxes - Other                | 339,075               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 339,075           |       |
| <u>County Local Option Taxes</u>                 |                       |                         |              |                           |                                |                       |                      |                   |       |
| Local Option Sales Tax                           | 0                     | 0                       | 0            | 0                         | 0                              | 0                     | 1,650,116            | 1,650,116         |       |
| Hotel/Motel Tax                                  | 31,889                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 31,889            |       |
| Wheel Tax  | 0                     | 0                       | 0            | 0                         | 0                              | 369,801               | 369,801              | 739,602           |       |
| Litigation Tax - General                         | 84,417                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 84,417            |       |
| Litigation Tax - Special Purpose                 | 95,276                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 95,276            |       |
| Litigation Tax - Jail, Workhouse, or Courthouse  | 0                     | 0                       | 0            | 0                         | 0                              | 0                     | 84,591               | 84,591            |       |
| Litigation Tax - Courtroom Security              | 83,496                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 83,496            |       |
| Business Tax                                     | 258,334               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 258,334           |       |
| Mineral Severance Tax                            | 0                     | 0                       | 0            | 0                         | 0                              | 40,839                | 0                    | 40,839            |       |
| <u>Statutory Local Taxes</u>                     |                       |                         |              |                           |                                |                       |                      |                   |       |
| Bank Excise Tax                                  | 47,606                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 47,606            |       |
| Interstate Telecommunications Tax                | 0                     | 0                       | 0            | 0                         | 0                              | 0                     | 1,718                | 1,718             |       |
| Total Local Taxes                                | \$ 5,238,197          | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 1,132,226          | \$ 2,158,309         | \$ 8,528,732      |       |
| <u>Licenses and Permits</u>                      |                       |                         |              |                           |                                |                       |                      |                   |       |
| <u>Licenses</u>                                  |                       |                         |              |                           |                                |                       |                      |                   |       |
| Cable TV Franchise                               | \$ 87,675             | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 87,675         |       |
| <u>Permits</u>                                   |                       |                         |              |                           |                                |                       |                      |                   |       |
| Other Permits                                    | 3,870                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 3,870             |       |
| Total Licenses and Permits                       | \$ 91,545             | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 91,545         |       |

(Continued)

Exhibit K-7

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 |                   |        |
| <u>Fines, Forfeitures, and Penalties</u> |                       |                         |              |                           |                                |                       |                      |                   |        |
| <u>Circuit Court</u>                     |                       |                         |              |                           |                                |                       |                      |                   |        |
| Fines                                    | \$ 8                  | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 8      |
| Officers Costs                           | 6,447                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 6,447  |
| Drug Control Fines                       | 175                   | 0                       | 3,476        | 0                         | 0                              | 0                     | 0                    | 0                 | 3,651  |
| Jail Fees                                | 2,960                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 2,960  |
| District Attorney General Fees           | 0                     | 0                       | 0            | 6,637                     | 0                              | 0                     | 0                    | 0                 | 6,637  |
| Judicial Commissioner Fees               | 30                    | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 30     |
| DUI Treatment Fines                      | 200                   | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 200    |
| Data Entry Fee - Circuit Court           | 579                   | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 579    |
| Courtroom Security Fee                   | 1,570                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 1,570  |
| <u>General Sessions Court</u>            |                       |                         |              |                           |                                |                       |                      |                   |        |
| Fines                                    | 35,424                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 35,424 |
| Officers Costs                           | 41,017                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 41,017 |
| Game and Fish Fines                      | 1,485                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 1,485  |
| Drug Control Fines                       | 144                   | 0                       | 14,556       | 0                         | 0                              | 0                     | 0                    | 0                 | 14,700 |
| Jail Fees                                | 46,019                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 46,019 |
| Judicial Commissioner Fees               | 3,280                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 3,280  |
| DUI Treatment Fines                      | 8,067                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 8,067  |
| Data Entry Fee - General Sessions Court  | 7,071                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 7,071  |
| Courtroom Security Fee                   | 5,191                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 5,191  |
| <u>Juvenile Court</u>                    |                       |                         |              |                           |                                |                       |                      |                   |        |
| Fines                                    | 120                   | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 120    |
| Officers Costs                           | 25                    | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 25     |
| <u>Chancery Court</u>                    |                       |                         |              |                           |                                |                       |                      |                   |        |
| Officers Costs                           | 4,668                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 4,668  |
| Data Entry Fee - Chancery Court          | 1,434                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 1,434  |
| Courtroom Security Fee                   | 36                    | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 36     |
| <u>Other Courts - In-county</u>          |                       |                         |              |                           |                                |                       |                      |                   |        |
| Fines                                    | 23,634                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 23,634 |
| <u>Courts in Other District Counties</u> |                       |                         |              |                           |                                |                       |                      |                   |        |
| District Attorney General Fees           | 0                     | 0                       | 0            | 9,604                     | 0                              | 0                     | 0                    | 0                 | 9,604  |

(Continued)

Exhibit K-7

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>Fines, Forfeitures, and Penalties (Cont.)</u>  |                       |                         |              |                           |                                |                       |                   |       |
| <u>Judicial District Drug Program</u>             |                       |                         |              |                           |                                |                       |                   |       |
| Drug Task Force Forfeitures and Seizures          | \$ 0                  | \$ 0                    | \$ 6,391     | \$ 0                      | \$ 0                           | \$ 0                  | \$ 6,391          |       |
| Other Fines, Forfeitures, and Penalties           | 0                     | 0                       | 1,027        | 0                         | 0                              | 0                     | 1,027             |       |
| Proceeds from Confiscated Property                | \$ 189,584            | \$ 0                    | \$ 25,450    | \$ 16,241                 | \$ 0                           | \$ 0                  | \$ 231,275        |       |
| Total Fines, Forfeitures, and Penalties           |                       |                         |              |                           |                                |                       |                   |       |
| <u>Charges for Current Services</u>               |                       |                         |              |                           |                                |                       |                   |       |
| <u>General Service Charges</u>                    |                       |                         |              |                           |                                |                       |                   |       |
| Commercial and Industrial Waste Collection Charge | \$ 0                  | \$ 51,731               | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 51,731         |       |
| Residential Waste Collection Charge               | 0                     | 777,334                 | 0            | 0                         | 0                              | 0                     | 777,334           |       |
| Patient Charges                                   | 1,465                 | 0                       | 0            | 0                         | 0                              | 0                     | 1,465             |       |
| <u>Fees</u>                                       |                       |                         |              |                           |                                |                       |                   |       |
| Copy Fees   | 549                   | 0                       | 0            | 0                         | 0                              | 0                     | 549               |       |
| Greenbelt Late Application Fee                    | 100                   | 0                       | 0            | 0                         | 0                              | 0                     | 100               |       |
| Telephone Commissions                             | 57,902                | 0                       | 0            | 0                         | 0                              | 0                     | 57,902            |       |
| Vending Machine Collections                       | 50                    | 0                       | 0            | 0                         | 0                              | 0                     | 50                |       |
| Constitutional Officers' Fees and Commissions     | 0                     | 0                       | 0            | 0                         | 87                             | 0                     | 87                |       |
| Special Commissioner Fees/Special Master Fees     | 0                     | 0                       | 0            | 0                         | 5,498                          | 0                     | 5,498             |       |
| Data Processing Fee - Register                    | 10,502                | 0                       | 0            | 0                         | 0                              | 0                     | 10,502            |       |
| Data Processing Fee - Sheriff                     | 4,865                 | 0                       | 0            | 0                         | 0                              | 0                     | 4,865             |       |
| Sexual Offender Registration Fees - Sheriff       | 3,700                 | 0                       | 0            | 0                         | 0                              | 0                     | 3,700             |       |
| Data Processing Fee - County Clerk                | 2,320                 | 0                       | 0            | 0                         | 0                              | 0                     | 2,320             |       |
| <u>Other Charges for Services</u>                 |                       |                         |              |                           |                                |                       |                   |       |
| Other Charges for Services                        | 18                    | 0                       | 0            | 0                         | 0                              | 0                     | 18                |       |
| Total Charges for Current Services                | \$ 81,471             | \$ 829,065              | \$ 0         | \$ 0                      | \$ 5,585                       | \$ 0                  | \$ 916,121        |       |
| <u>Other Local Revenues</u>                       |                       |                         |              |                           |                                |                       |                   |       |
| <u>Recurring Items</u>                            |                       |                         |              |                           |                                |                       |                   |       |
| Investment Income                                 | \$ 71,384             | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 71,384         |       |
| Lease/Rentals                                     | 122,160               | 0                       | 0            | 0                         | 0                              | 0                     | 122,160           |       |
| Sale of Materials and Supplies                    | 0                     | 4,215                   | 0            | 0                         | 0                              | 13,307                | 17,522            |       |

(Continued)

Exhibit K-7

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 |                   |                     |
| <u>Other Local Revenues (Cont.)</u>              |                       |                         |              |                           |                                |                       |                      |                   |                     |
| <u>Recurring Items (Cont.)</u>                   |                       |                         |              |                           |                                |                       |                      |                   |                     |
| Commissary Sales                                 | \$ 1,686              | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 0              | \$ 1,686            |
| Miscellaneous Refunds                            | 29,562                | 7,829                   | 0            | 0                         | 0                              | 24,926                | 0                    | 0                 | 62,317              |
| <u>Nonrecurring Items</u>                        |                       |                         |              |                           |                                |                       |                      |                   |                     |
| Sale of Equipment                                | 12,126                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 12,126              |
| Sale of Property                                 | 8,605                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 8,605               |
| Contributions and Gifts                          | 50                    | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 50                  |
| <b>Total Other Local Revenues</b>                | <b>\$ 245,573</b>     | <b>\$ 12,044</b>        | <b>\$ 0</b>  | <b>\$ 0</b>               | <b>\$ 0</b>                    | <b>\$ 38,233</b>      | <b>\$ 0</b>          | <b>\$ 0</b>       | <b>\$ 295,850</b>   |
| <u>Fees Received from County Officials</u>       |                       |                         |              |                           |                                |                       |                      |                   |                     |
| <u>Fees in-Lieu-of Salary</u>                    |                       |                         |              |                           |                                |                       |                      |                   |                     |
| County Clerk                                     | \$ 367,559            | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 0              | \$ 367,559          |
| Circuit Court Clerk                              | 87,540                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 87,540              |
| General Sessions Court Clerk                     | 216,934               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 216,934             |
| Clerk and Master                                 | 105,395               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 105,395             |
| Register   | 126,130               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 126,130             |
| Sheriff  | 6,008                 | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 6,008               |
| Trustee  | 325,700               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 325,700             |
| <b>Total Fees Received from County Officials</b> | <b>\$ 1,235,266</b>   | <b>\$ 0</b>             | <b>\$ 0</b>  | <b>\$ 0</b>               | <b>\$ 0</b>                    | <b>\$ 0</b>           | <b>\$ 0</b>          | <b>\$ 0</b>       | <b>\$ 1,235,266</b> |
| <u>State of Tennessee</u>                        |                       |                         |              |                           |                                |                       |                      |                   |                     |
| <u>General Government Grants</u>                 |                       |                         |              |                           |                                |                       |                      |                   |                     |
| Juvenile Services Program                        | \$ 9,000              | \$ 0                    | \$ 0         | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 0              | \$ 9,000            |
| <u>Public Safety Grants</u>                      |                       |                         |              |                           |                                |                       |                      |                   |                     |
| Law Enforcement Training Programs                | 15,000                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 15,000              |
| Health and Welfare Grants                        | 291,050               | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 291,050             |
| <u>Health Department Programs</u>                |                       |                         |              |                           |                                |                       |                      |                   |                     |
| Public Works Grants                              | 0                     | 0                       | 0            | 0                         | 0                              | 219,516               | 0                    | 0                 | 219,516             |
| Bridge Program                                   | 0                     | 0                       | 0            | 0                         | 0                              | 450,499               | 0                    | 0                 | 450,499             |
| State Aid Program                                | 37,499                | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 37,499              |
| Litter Program                                   | 0                     | 0                       | 0            | 0                         | 0                              | 0                     | 0                    | 0                 | 0                   |

(Continued)

Exhibit K-7

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 |                      |       |
| <u>State of Tennessee (Cont.)</u>                  |                       |                         |                  |                           |                                |                       |                      |                      |       |
| <u>Other State Revenues</u>                        |                       |                         |                  |                           |                                |                       |                      |                      |       |
| Alcoholic Beverage Tax                             | \$ 62,571             | \$ 0                    | \$ 0             | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 62,571            |       |
| State Revenue Sharing - T.V.A.                     | 794,280               | 0                       | 0                | 0                         | 0                              | 0                     | 0                    | 794,280              |       |
| Contracted Prisoner Boarding                       | 637,700               | 0                       | 0                | 0                         | 0                              | 0                     | 0                    | 637,700              |       |
| Gasoline and Motor Fuel Tax                        | 0                     | 0                       | 0                | 0                         | 0                              | 1,846,905             | 0                    | 1,846,905            |       |
| Petroleum Special Tax                              | 0                     | 0                       | 0                | 0                         | 0                              | 24,071                | 0                    | 24,071               |       |
| Registrar's Salary Supplement                      | 15,164                | 0                       | 0                | 0                         | 0                              | 0                     | 0                    | 15,164               |       |
| State Shared Sales Tax - Cities                    | 2,225                 | 0                       | 0                | 0                         | 0                              | 0                     | 0                    | 2,225                |       |
| Other State Grants                                 | 8,171                 | 14,676                  | 0                | 0                         | 0                              | 7,114                 | 0                    | 29,961               |       |
| Other State Revenues                               | 64,956                | 0                       | 0                | 0                         | 0                              | 0                     | 0                    | 64,956               |       |
| <u>Total State of Tennessee</u>                    | <u>\$ 1,937,616</u>   | <u>\$ 14,676</u>        | <u>\$ 0</u>      | <u>\$ 0</u>               | <u>\$ 0</u>                    | <u>\$ 2,548,105</u>   | <u>\$ 0</u>          | <u>\$ 4,500,397</u>  |       |
| <u>Federal Government</u>                          |                       |                         |                  |                           |                                |                       |                      |                      |       |
| <u>Federal Through State</u>                       |                       |                         |                  |                           |                                |                       |                      |                      |       |
| Homeland Security Grants                           | \$ 118,492            | \$ 0                    | \$ 0             | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 118,492           |       |
| Other Federal through State                        | 28,386                | 0                       | 0                | 0                         | 0                              | 56,910                | 0                    | 85,296               |       |
| <u>Direct Federal Revenue</u>                      |                       |                         |                  |                           |                                |                       |                      |                      |       |
| Other Direct Federal Revenue                       | 20,605                | 0                       | 0                | 0                         | 0                              | 50,953                | 0                    | 71,558               |       |
| <u>Total Federal Government</u>                    | <u>\$ 167,483</u>     | <u>\$ 0</u>             | <u>\$ 0</u>      | <u>\$ 0</u>               | <u>\$ 0</u>                    | <u>\$ 107,863</u>     | <u>\$ 0</u>          | <u>\$ 275,346</u>    |       |
| <u>Other Governments and Citizens Groups</u>       |                       |                         |                  |                           |                                |                       |                      |                      |       |
| <u>Citizens Groups</u>                             |                       |                         |                  |                           |                                |                       |                      |                      |       |
| Donations  | \$ 120                | \$ 0                    | \$ 0             | \$ 0                      | \$ 0                           | \$ 0                  | \$ 0                 | \$ 120               |       |
| <u>Total Other Governments and Citizens Groups</u> | <u>\$ 120</u>         | <u>\$ 0</u>             | <u>\$ 0</u>      | <u>\$ 0</u>               | <u>\$ 0</u>                    | <u>\$ 0</u>           | <u>\$ 0</u>          | <u>\$ 120</u>        |       |
| <u>Total</u>                                       | <u>\$ 9,186,855</u>   | <u>\$ 855,785</u>       | <u>\$ 25,450</u> | <u>\$ 16,241</u>          | <u>\$ 5,585</u>                | <u>\$ 3,826,427</u>   | <u>\$ 2,158,309</u>  | <u>\$ 16,074,652</u> |       |

Exhibit K-8

Lincoln County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2012

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Extended<br>School<br>Program | Total               |
|--|------------------------------|-------------------------------|----------------------|-------------------------------|---------------------|
| <u>Local Taxes</u>                                     |                              |                               |                      |                               |                     |
| <u>County Property Taxes</u>                           |                              |                               |                      |                               |                     |
| Current Property Tax                                   | \$ 3,620,693                 | \$ 0                          | \$ 0                 | \$ 0                          | \$ 3,620,693        |
| Trustee's Collections - Prior Year                     | 113,906                      | 0                             | 0                    | 0                             | 113,906             |
| Circuit/Clerk & Master Collections - Prior Years       | 43,674                       | 0                             | 0                    | 0                             | 43,674              |
| Interest and Penalty                                   | 20,579                       | 0                             | 0                    | 0                             | 20,579              |
| <u>County Local Option Taxes</u>                       |                              |                               |                      |                               |                     |
| Local Option Sales Tax                                 | 2,596,008                    | 0                             | 0                    | 0                             | 2,596,008           |
| <u>Statutory Local Taxes</u>                           |                              |                               |                      |                               |                     |
| Wholesale Beer Tax                                     | 112,298                      | 0                             | 0                    | 0                             | 112,298             |
| Interstate Telecommunications Tax                      | 1,518                        | 0                             | 0                    | 0                             | 1,518               |
| <b>Total Local Taxes</b>                               | <b>\$ 6,508,676</b>          | <b>\$ 0</b>                   | <b>\$ 0</b>          | <b>\$ 0</b>                   | <b>\$ 6,508,676</b> |
| <u>Licenses and Permits</u>                            |                              |                               |                      |                               |                     |
| <u>Licenses</u>  |                              |                               |                      |                               |                     |
| Marriage Licenses                                      | \$ 2,448                     | \$ 0                          | \$ 0                 | \$ 0                          | \$ 2,448            |
| <b>Total Licenses and Permits</b>                      | <b>\$ 2,448</b>              | <b>\$ 0</b>                   | <b>\$ 0</b>          | <b>\$ 0</b>                   | <b>\$ 2,448</b>     |
| <u>Charges for Current Services</u>                    |                              |                               |                      |                               |                     |
| <u>Education Charges</u>                               |                              |                               |                      |                               |                     |
| Lunch Payments - Children                              | \$ 0                         | \$ 0                          | \$ 424,563           | \$ 0                          | \$ 424,563          |
| Lunch Payments - Adults                                | 0                            | 0                             | 56,061               | 0                             | 56,061              |
| Income from Breakfast                                  | 0                            | 0                             | 204,592              | 0                             | 204,592             |
| Special Milk Sales                                     | 0                            | 0                             | 4,551                | 0                             | 4,551               |
| A la carte Sales                                       | 0                            | 0                             | 86,957               | 0                             | 86,957              |
| Receipts from Individual Schools                       | 45,987                       | 0                             | 0                    | 0                             | 45,987              |
| Community Service Fees - Children                      | 0                            | 0                             | 0                    | 99,267                        | 99,267              |
| <u>Other Charges for Services</u>                      |                              |                               |                      |                               |                     |
| Other Charges for Services                             | 16,004                       | 0                             | 0                    | 0                             | 16,004              |
| <b>Total Charges for Current Services</b>              | <b>\$ 61,991</b>             | <b>\$ 0</b>                   | <b>\$ 776,724</b>    | <b>\$ 99,267</b>              | <b>\$ 937,982</b>   |
| <u>Other Local Revenues</u>                            |                              |                               |                      |                               |                     |
| <u>Recurring Items</u>                                 |                              |                               |                      |                               |                     |
| Investment Income                                      | \$ 0                         | \$ 0                          | \$ 739               | \$ 0                          | \$ 739              |
| Lease/Rentals  | 1,000                        | 0                             | 0                    | 0                             | 1,000               |
| Sale of Materials and Supplies                         | 174                          | 0                             | 0                    | 0                             | 174                 |
| Refund of Telecommunication and Internet Fees (E-Rate) | 24,181                       | 0                             | 0                    | 0                             | 24,181              |
| Miscellaneous Refunds                                  | 121,565                      | 0                             | 3,195                | 0                             | 124,760             |
| <u>Nonrecurring Items</u>                              |                              |                               |                      |                               |                     |
| Sale of Equipment                                      | 1,530                        | 0                             | 0                    | 0                             | 1,530               |
| Sale of Property                                       | 18,726                       | 0                             | 0                    | 0                             | 18,726              |
| Contributions and Gifts                                | 2,343                        | 0                             | 0                    | 0                             | 2,343               |
| <b>Total Other Local Revenues</b>                      | <b>\$ 169,519</b>            | <b>\$ 0</b>                   | <b>\$ 3,934</b>      | <b>\$ 0</b>                   | <b>\$ 173,453</b>   |
| <u>State of Tennessee</u>                              |                              |                               |                      |                               |                     |
| <u>General Government Grants</u>                       |                              |                               |                      |                               |                     |
| On-Behalf Contributions for OPEB                       | \$ 128,859                   | \$ 0                          | \$ 0                 | \$ 0                          | \$ 128,859          |
| <u>State Education Funds</u>                           |                              |                               |                      |                               |                     |
| Basic Education Program                                | 17,787,000                   | 0                             | 0                    | 0                             | 17,787,000          |
| Early Childhood Education                              | 655,569                      | 0                             | 0                    | 0                             | 655,569             |
| School Food Service                                    | 20,257                       | 0                             | 0                    | 0                             | 20,257              |
| Driver Education                                       | 16,375                       | 0                             | 0                    | 0                             | 16,375              |
| Other State Education Funds                            | 502,817                      | 0                             | 0                    | 0                             | 502,817             |
| Family Resource Centers - ARRA                         | 16,222                       | 0                             | 0                    | 0                             | 16,222              |
| Career Ladder Program                                  | 146,011                      | 0                             | 0                    | 0                             | 146,011             |
| Career Ladder - Extended Contract                      | 67,100                       | 0                             | 0                    | 0                             | 67,100              |

(Continued)

Exhibit K-8

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

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Extended<br>School<br>Program | Total         |
|--|------------------------------|-------------------------------|----------------------|-------------------------------|---------------|
| <u>State of Tennessee (Cont.)</u>                |                              |                               |                      |                               |               |
| <u>Other State Revenues</u>                      |                              |                               |                      |                               |               |
| Income Tax                                       | \$ 78,897                    | \$ 0                          | \$ 0                 | \$ 0                          | \$ 78,897     |
| Beer Tax   | 14,353                       | 0                             | 0                    | 0                             | 14,353        |
| Other State Grants                               | 750                          | 0                             | 0                    | 0                             | 750           |
| Safe Schools - ARRA                              | 8,996                        | 0                             | 0                    | 0                             | 8,996         |
| Other State Revenues                             | 2,382                        | 0                             | 0                    | 0                             | 2,382         |
| Total State of Tennessee                         | \$ 19,445,588                | \$ 0                          | \$ 0                 | \$ 0                          | \$ 19,445,588 |
| <u>Federal Government</u>                        |                              |                               |                      |                               |               |
| <u>Federal Through State</u>                     |                              |                               |                      |                               |               |
| USDA School Lunch Program                        | \$ 0                         | \$ 0                          | \$ 920,594           | \$ 0                          | \$ 920,594    |
| USDA - Commodities                               | 0                            | 0                             | 111,886              | 0                             | 111,886       |
| Breakfast  | 0                            | 0                             | 329,336              | 0                             | 329,336       |
| USDA - Other                                     | 0                            | 0                             | 13,460               | 0                             | 13,460        |
| Vocational Education - Basic Grants to States    | 0                            | 69,870                        | 0                    | 0                             | 69,870        |
| Other Vocational                                 | 0                            | 89,000                        | 0                    | 0                             | 89,000        |
| Title I Grants to Local Education Agencies       | 0                            | 793,376                       | 0                    | 0                             | 793,376       |
| Special Education - Grants to States             | 0                            | 860,580                       | 0                    | 0                             | 860,580       |
| Special Education Preschool Grants               | 0                            | 63,011                        | 0                    | 0                             | 63,011        |
| English Language Acquisition Grants              | 0                            | 5,150                         | 0                    | 0                             | 5,150         |
| Rural Education                                  | 0                            | 71,983                        | 0                    | 0                             | 71,983        |
| Eisenhower Professional Development State Grants | 0                            | 157,189                       | 0                    | 0                             | 157,189       |
| Race-to-the-Top - ARRA                           | 0                            | 207,091                       | 0                    | 0                             | 207,091       |
| Other Federal through State                      | 76,187                       | 21,736                        | 0                    | 0                             | 97,923        |
| Total Federal Government                         | \$ 76,187                    | \$ 2,338,986                  | \$ 1,375,276         | \$ 0                          | \$ 3,790,449  |
| <u>Other Governments and Citizens Groups</u>     |                              |                               |                      |                               |               |
| <u>Other Governments</u>                         |                              |                               |                      |                               |               |
| Contributions                                    | \$ 23,317                    | \$ 0                          | \$ 0                 | \$ 0                          | \$ 23,317     |
| <u>Citizens Groups</u>                           |                              |                               |                      |                               |               |
| Donations  | 50                           | 0                             | 0                    | 0                             | 50            |
| Total Other Governments and Citizens Groups      | \$ 23,367                    | \$ 0                          | \$ 0                 | \$ 0                          | \$ 23,367     |
| Total  | \$ 26,287,776                | \$ 2,338,986                  | \$ 2,155,934         | \$ 99,267                     | \$ 30,881,963 |

Exhibit K-9

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

|                                  |    |        |            |
|----------------------------------|----|--------|------------|
| Board and Committee Members Fees | \$ | 94,746 |            |
| Social Security                  |    | 5,874  |            |
| Employer Medicare                |    | 1,374  |            |
| Contributions                    |    | 7,312  |            |
| Dues and Memberships             |    | 2,328  |            |
| Postal Charges                   |    | 864    |            |
| Other Charges                    |    | 15,343 |            |
| Total County Commission          |    |        | \$ 127,841 |

County Mayor/Executive

|   |    |        |         |
|---|----|--------|---------|
| County Official/Administrative Officer    | \$ | 71,322 |         |
| Secretary(ies)                            |    | 19,700 |         |
| Clerical Personnel                        |    | 24,061 |         |
| Other Salaries and Wages                  |    | 4,405  |         |
| Social Security                           |    | 7,023  |         |
| State Retirement                          |    | 6,066  |         |
| Medical Insurance                         |    | 6,372  |         |
| Employer Medicare                         |    | 1,642  |         |
| Communication                             |    | 2,104  |         |
| Dues and Memberships                      |    | 1,820  |         |
| Legal Notices, Recording, and Court Costs |    | 89     |         |
| Postal Charges                            |    | 524    |         |
| Travel                                    |    | 2,349  |         |
| Duplicating Supplies                      |    | 1,452  |         |
| Office Supplies                           |    | 3,274  |         |
| Periodicals                               |    | 835    |         |
| In Service/Staff Development              |    | 560    |         |
| Office Equipment                          |    | 575    |         |
| Total County Mayor/Executive              |    |        | 154,173 |

County Attorney

|  |    |        |        |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 25,466 |        |
| Social Security                        |    | 1,579  |        |
| Employer Medicare                      |    | 369    |        |
| Other Contracted Services              |    | 2,168  |        |
| Other Charges                          |    | 1,500  |        |
| Total County Attorney                  |    |        | 31,082 |

Election Commission

|  |    |        |  |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 55,576 |  |
|--|----|--------|--|

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Deputy(ies)                               | \$ | 47,720 |            |
| Election Commission                       |    | 10,250 |            |
| Election Workers                          |    | 31,358 |            |
| Social Security                           |    | 7,091  |            |
| State Retirement                          |    | 6,655  |            |
| Medical Insurance                         |    | 6,350  |            |
| Employer Medicare                         |    | 1,659  |            |
| Communication                             |    | 1,962  |            |
| Data Processing Services                  |    | 4,216  |            |
| Legal Notices, Recording, and Court Costs |    | 5,003  |            |
| Maintenance Agreements                    |    | 13,152 |            |
| Postal Charges                            |    | 12,109 |            |
| Printing, Stationery, and Forms           |    | 3,955  |            |
| Other Contracted Services                 |    | 19,375 |            |
| Duplicating Supplies                      |    | 800    |            |
| Office Supplies                           |    | 1,954  |            |
| Other Supplies and Materials              |    | 2,388  |            |
| In Service/Staff Development              |    | 7,393  |            |
| Total Election Commission                 |    |        | \$ 238,966 |

Register of Deeds

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 61,751 |         |
| Deputy(ies)                            |    | 50,219 |         |
| Social Security                        |    | 6,824  |         |
| State Retirement                       |    | 6,772  |         |
| Medical Insurance                      |    | 9,163  |         |
| Employer Medicare                      |    | 1,603  |         |
| Communication                          |    | 1,039  |         |
| Data Processing Services               |    | 10,194 |         |
| Dues and Memberships                   |    | 657    |         |
| Postal Charges                         |    | 713    |         |
| Duplicating Supplies                   |    | 1,701  |         |
| Office Supplies                        |    | 1,430  |         |
| In Service/Staff Development           |    | 1,138  |         |
| Office Equipment                       |    | 70     |         |
| Total Register of Deeds                |    |        | 153,274 |

Planning

|                                    |    |        |        |
|------------------------------------|----|--------|--------|
| Board and Committee Members Fees   | \$ | 4,600  |        |
| Contracts with Government Agencies |    | 22,581 |        |
| Total Planning                     |    |        | 27,181 |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

|   |    |         |              |
|---|----|---------|--------------|
| Custodial Personnel                         | \$ | 27,947  |              |
| Social Security                             |    | 1,733   |              |
| State Retirement                            |    | 1,042   |              |
| Employer Medicare                           |    | 405     |              |
| Communication                               |    | 5,360   |              |
| Janitorial Services                         |    | 32,400  |              |
| Maintenance and Repair Services - Buildings |    | 32,862  |              |
| Maintenance and Repair Services - Equipment |    | 38,253  |              |
| Pest Control                                |    | 864     |              |
| Disposal Fees                               |    | 400     |              |
| Other Contracted Services                   |    | 1,239   |              |
| Custodial Supplies                          |    | 10,393  |              |
| Electricity                                 |    | 80,143  |              |
| Natural Gas                                 |    | 9,368   |              |
| Water and Sewer                             |    | 6,008   |              |
| Building and Contents Insurance             |    | 274,879 |              |
| Land  |    | 503,949 |              |
| Other Construction                          |    | 14,351  |              |
| Total County Buildings                      |    |         | \$ 1,041,596 |

Preservation of Records

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 4,500 |       |
| Social Security                  |    | 279   |       |
| Employer Medicare                |    | 65    |       |
| Other Contracted Services        |    | 3,081 |       |
| Office Supplies                  |    | 468   |       |
| Total Preservation of Records    |    |       | 8,393 |

Finance

Accounting and Budgeting

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 61,751  |  |
| Accountants/Bookkeepers                |    | 147,053 |  |
| Social Security                        |    | 12,512  |  |
| State Retirement                       |    | 13,280  |  |
| Medical Insurance                      |    | 12,722  |  |
| Employer Medicare                      |    | 2,926   |  |
| Communication                          |    | 3,884   |  |
| Contracts with Government Agencies     |    | 10,008  |  |
| Data Processing Services               |    | 6,938   |  |
| Dues and Memberships                   |    | 1,090   |  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

|  |    |       |            |
|--|----|-------|------------|
| Legal Notices, Recording, and Court Costs          | \$ | 1,901 |            |
| Maintenance Agreements                             |    | 1,720 |            |
| Maintenance and Repair Services - Office Equipment |    | 90    |            |
| Postal Charges                                     |    | 4,341 |            |
| Printing, Stationery, and Forms                    |    | 2,393 |            |
| Travel   |    | 447   |            |
| Duplicating Supplies                               |    | 3,058 |            |
| Office Supplies                                    |    | 4,423 |            |
| Other Supplies and Materials                       |    | 1,467 |            |
| In Service/Staff Development                       |    | 413   |            |
| Office Equipment                                   |    | 1,153 |            |
| Total Accounting and Budgeting                     |    |       | \$ 293,570 |

Property Assessor's Office

|   |    |        |         |
|---|----|--------|---------|
| County Official/Administrative Officer    | \$ | 61,751 |         |
| Deputy(ies)                               |    | 46,223 |         |
| Other Salaries and Wages                  |    | 16,759 |         |
| Board and Committee Members Fees          |    | 3,488  |         |
| Social Security                           |    | 7,582  |         |
| State Retirement                          |    | 6,867  |         |
| Medical Insurance                         |    | 12,722 |         |
| Employer Medicare                         |    | 1,773  |         |
| Communication                             |    | 1,663  |         |
| Contracts with Private Agencies           |    | 7,755  |         |
| Data Processing Services                  |    | 4,400  |         |
| Dues and Memberships                      |    | 1,500  |         |
| Legal Notices, Recording, and Court Costs |    | 444    |         |
| Maintenance Agreements                    |    | 1,576  |         |
| Postal Charges                            |    | 831    |         |
| Travel                                    |    | 1,209  |         |
| Duplicating Supplies                      |    | 4,046  |         |
| Gasoline                                  |    | 1,749  |         |
| Office Supplies                           |    | 1,112  |         |
| In Service/Staff Development              |    | 2,264  |         |
| Office Equipment                          |    | 218    |         |
| Total Property Assessor's Office          |    |        | 185,932 |

Reappraisal Program

|                          |    |        |
|--------------------------|----|--------|
| Secretary(ies)           | \$ | 28,300 |
| Other Salaries and Wages |    | 38,247 |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

|                                    |    |        |           |
|------------------------------------|----|--------|-----------|
| Social Security                    | \$ | 3,974  |           |
| State Retirement                   |    | 4,232  |           |
| Medical Insurance                  |    | 12,744 |           |
| Employer Medicare                  |    | 930    |           |
| Contracts with Government Agencies |    | 3,238  |           |
| Total Reappraisal Program          |    |        | \$ 91,665 |

County Trustee's Office

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer             | \$ | 61,751 |         |
| Deputy(ies)  |    | 59,373 |         |
| Other Salaries and Wages                           |    | 11,199 |         |
| Social Security                                    |    | 8,138  |         |
| State Retirement                                   |    | 7,703  |         |
| Medical Insurance                                  |    | 6,372  |         |
| Employer Medicare                                  |    | 1,906  |         |
| Communication                                      |    | 1,836  |         |
| Contracts with Government Agencies                 |    | 14,833 |         |
| Data Processing Services                           |    | 5,000  |         |
| Dues and Memberships                               |    | 887    |         |
| Legal Notices, Recording, and Court Costs          |    | 60     |         |
| Maintenance Agreements                             |    | 3,195  |         |
| Maintenance and Repair Services - Office Equipment |    | 477    |         |
| Postal Charges                                     |    | 6,831  |         |
| Duplicating Supplies                               |    | 712    |         |
| Office Supplies                                    |    | 2,603  |         |
| In Service/Staff Development                       |    | 1,190  |         |
| Office Equipment                                   |    | 232    |         |
| Total County Trustee's Office                      |    |        | 194,298 |

County Clerk's Office

|  |    |        |
|--|----|--------|
| County Official/Administrative Officer | \$ | 61,751 |
| Deputy(ies)                            |    | 95,992 |
| Social Security                        |    | 9,552  |
| State Retirement                       |    | 9,494  |
| Medical Insurance                      |    | 24,711 |
| Employer Medicare                      |    | 2,234  |
| Communication                          |    | 1,249  |
| Data Processing Services               |    | 7,188  |
| Dues and Memberships                   |    | 682    |
| Maintenance Agreements                 |    | 4,885  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

|                                 |    |       |            |
|---------------------------------|----|-------|------------|
| Postal Charges                  | \$ | 6,118 |            |
| Printing, Stationery, and Forms |    | 1,309 |            |
| Duplicating Supplies            |    | 804   |            |
| Office Supplies                 |    | 1,770 |            |
| In Service/Staff Development    |    | 1,598 |            |
| Office Equipment                |    | 675   |            |
| Total County Clerk's Office     |    |       | \$ 230,012 |

Administration of Justice

Circuit Court

|  |    |         |         |
|--|----|---------|---------|
| County Official/Administrative Officer             | \$ | 61,751  |         |
| Clerical Personnel                                 |    | 217,072 |         |
| Other Salaries and Wages                           |    | 1,200   |         |
| Jury and Witness Expense                           |    | 3,137   |         |
| Social Security                                    |    | 17,007  |         |
| State Retirement                                   |    | 15,966  |         |
| Medical Insurance                                  |    | 45,180  |         |
| Employer Medicare                                  |    | 3,978   |         |
| Communication                                      |    | 3,983   |         |
| Contracts with Private Agencies                    |    | 9,337   |         |
| Data Processing Services                           |    | 7,179   |         |
| Dues and Memberships                               |    | 482     |         |
| Legal Notices, Recording, and Court Costs          |    | 473     |         |
| Maintenance Agreements                             |    | 7,461   |         |
| Maintenance and Repair Services - Office Equipment |    | 452     |         |
| Postal Charges                                     |    | 3,430   |         |
| Printing, Stationery, and Forms                    |    | 2,675   |         |
| Other Contracted Services                          |    | 1,585   |         |
| Duplicating Supplies                               |    | 3,129   |         |
| Office Supplies                                    |    | 7,607   |         |
| In Service/Staff Development                       |    | 1,151   |         |
| Office Equipment                                   |    | 229     |         |
| Total Circuit Court                                |    |         | 414,464 |

General Sessions Court

|                   |    |         |
|-------------------|----|---------|
| Judge(s)          | \$ | 126,418 |
| Social Security   |    | 6,741   |
| State Retirement  |    | 8,040   |
| Medical Insurance |    | 6,350   |
| Employer Medicare |    | 1,743   |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

|                              |    |       |            |
|------------------------------|----|-------|------------|
| Communication                | \$ | 1,014 |            |
| Evaluation and Testing       |    | 700   |            |
| Travel                       |    | 1,686 |            |
| Office Supplies              |    | 264   |            |
| Total General Sessions Court |    |       | \$ 152,956 |

Chancery Court

|  |    |         |         |
|--|----|---------|---------|
| County Official/Administrative Officer | \$ | 61,751  |         |
| Deputy(ies)                            |    | 102,483 |         |
| Other Salaries and Wages               |    | 3,600   |         |
| Social Security                        |    | 10,178  |         |
| State Retirement                       |    | 10,445  |         |
| Medical Insurance                      |    | 25,718  |         |
| Employer Medicare                      |    | 2,380   |         |
| Communication                          |    | 2,175   |         |
| Data Processing Services               |    | 5,244   |         |
| Dues and Memberships                   |    | 722     |         |
| Maintenance Agreements                 |    | 338     |         |
| Postal Charges                         |    | 1,784   |         |
| Printing, Stationery, and Forms        |    | 1,574   |         |
| Duplicating Supplies                   |    | 1,556   |         |
| Office Supplies                        |    | 4,725   |         |
| In Service/Staff Development           |    | 2,366   |         |
| Office Equipment                       |    | 50      |         |
| Total Chancery Court                   |    |         | 237,089 |

Juvenile Court

|                           |    |        |  |
|---------------------------|----|--------|--|
| Assistant(s)              | \$ | 37,490 |  |
| Youth Service Officer(s)  |    | 35,210 |  |
| Salary Supplements        |    | 10,000 |  |
| Other Salaries and Wages  |    | 20,738 |  |
| Social Security           |    | 6,313  |  |
| State Retirement          |    | 6,579  |  |
| Medical Insurance         |    | 6,372  |  |
| Employer Medicare         |    | 1,476  |  |
| Communication             |    | 2,395  |  |
| Dues and Memberships      |    | 30     |  |
| Postal Charges            |    | 235    |  |
| Travel                    |    | 2,761  |  |
| Other Contracted Services |    | 62,754 |  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

|                      |    |       |            |
|----------------------|----|-------|------------|
| Office Supplies      | \$ | 1,354 |            |
| Other Charges        |    | 8,999 |            |
| Total Juvenile Court |    |       | \$ 202,706 |

Judicial Commissioners

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Other Salaries and Wages     | \$ | 29,399 |        |
| Social Security              |    | 1,823  |        |
| Employer Medicare            |    | 426    |        |
| Communication                |    | 324    |        |
| In Service/Staff Development |    | 565    |        |
| Total Judicial Commissioners |    |        | 32,537 |

Courtroom Security

|                          |    |        |        |
|--------------------------|----|--------|--------|
| Deputy(ies)              | \$ | 35,095 |        |
| Overtime Pay             |    | 487    |        |
| Social Security          |    | 2,140  |        |
| State Retirement         |    | 2,263  |        |
| Medical Insurance        |    | 6,372  |        |
| Employer Medicare        |    | 501    |        |
| Other Capital Outlay     |    | 9,970  |        |
| Total Courtroom Security |    |        | 56,828 |

Public Safety

Sheriff's Department

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 67,927  |  |
| Assistant(s)                           |    | 45,595  |  |
| Deputy(ies)                            |    | 444,061 |  |
| Investigator(s)                        |    | 163,588 |  |
| Sergeant(s)                            |    | 160,588 |  |
| Accountants/Bookkeepers                |    | 29,666  |  |
| Salary Supplements                     |    | 15,000  |  |
| School Resource Officer                |    | 15,215  |  |
| Overtime Pay                           |    | 62,114  |  |
| Social Security                        |    | 63,490  |  |
| State Retirement                       |    | 62,193  |  |
| Medical Insurance                      |    | 123,552 |  |
| Employer Medicare                      |    | 14,978  |  |
| Communication                          |    | 15,907  |  |
| Contracts with Government Agencies     |    | 314,598 |  |
| Contributions                          |    | 5,000   |  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

|   |    |         |              |
|---|----|---------|--------------|
| Dues and Memberships                        | \$ | 2,993   |              |
| Maintenance and Repair Services - Equipment |    | 2,270   |              |
| Maintenance and Repair Services - Vehicles  |    | 42,822  |              |
| Medical and Dental Services                 |    | 29,152  |              |
| Postal Charges                              |    | 2,900   |              |
| Tow-in Services                             |    | 1,305   |              |
| Duplicating Supplies                        |    | 1,534   |              |
| Gasoline                                    |    | 100,685 |              |
| Law Enforcement Supplies                    |    | 10,449  |              |
| Office Supplies                             |    | 4,978   |              |
| Uniforms                                    |    | 16,208  |              |
| Other Supplies and Materials                |    | 1,763   |              |
| In Service/Staff Development                |    | 3,857   |              |
| Other Charges                               |    | 2,885   |              |
| Communication Equipment                     |    | 724     |              |
| Motor Vehicles                              |    | 117,264 |              |
| Office Equipment                            |    | 1,496   |              |
| Total Sheriff's Department                  |    |         | \$ 1,946,757 |

Jail

|  |    |         |
|--|----|---------|
| Supervisor/Director                                | \$ | 40,083  |
| Lieutenant(s)                                      |    | 35,146  |
| Sergeant(s)  |    | 155,216 |
| Guards   |    | 589,684 |
| Cafeteria Personnel                                |    | 58,138  |
| Maintenance Personnel                              |    | 27,037  |
| Overtime Pay                                       |    | 65,299  |
| Social Security                                    |    | 58,801  |
| State Retirement                                   |    | 55,133  |
| Medical Insurance                                  |    | 119,771 |
| Employer Medicare                                  |    | 13,752  |
| Communication                                      |    | 3,626   |
| Data Processing Services                           |    | 6,414   |
| Legal Services                                     |    | 211     |
| Maintenance and Repair Services - Buildings        |    | 23,371  |
| Maintenance and Repair Services - Equipment        |    | 22,382  |
| Maintenance and Repair Services - Office Equipment |    | 2,301   |
| Maintenance and Repair Services - Vehicles         |    | 8,754   |
| Medical and Dental Services                        |    | 157,134 |
| Pest Control                                       |    | 1,240   |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

|                                      |    |         |              |
|--------------------------------------|----|---------|--------------|
| Postal Charges                       | \$ | 1,638   |              |
| Transportation - Other than Students |    | 4,245   |              |
| Disposal Fees                        |    | 1,600   |              |
| Custodial Supplies                   |    | 46,089  |              |
| Drugs and Medical Supplies           |    | 20,196  |              |
| Duplicating Supplies                 |    | 1,129   |              |
| Electricity                          |    | 63,483  |              |
| Food Supplies                        |    | 214,765 |              |
| Gasoline                             |    | 47,628  |              |
| Natural Gas                          |    | 10,580  |              |
| Office Supplies                      |    | 8,692   |              |
| Prisoners Clothing                   |    | 5,730   |              |
| Uniforms                             |    | 13,742  |              |
| Water and Sewer                      |    | 44,703  |              |
| Other Supplies and Materials         |    | 8,631   |              |
| In Service/Staff Development         |    | 6,021   |              |
| Other Charges                        |    | 858     |              |
| Communication Equipment              |    | 1,751   |              |
| Maintenance Equipment                |    | 280     |              |
| Office Equipment                     |    | 2,369   |              |
| Total Jail                           |    |         | \$ 1,947,623 |

Fire Prevention and Control

|   |    |        |         |
|---|----|--------|---------|
| Dues and Memberships                        | \$ | 215    |         |
| Maintenance and Repair Services - Buildings |    | 2,903  |         |
| Maintenance and Repair Services - Equipment |    | 10,101 |         |
| Maintenance and Repair Services - Vehicles  |    | 26,946 |         |
| Postal Charges                              |    | 90     |         |
| Travel                                      |    | 171    |         |
| Electricity                                 |    | 18,109 |         |
| Gasoline                                    |    | 20,958 |         |
| Natural Gas                                 |    | 13,790 |         |
| Office Supplies                             |    | 404    |         |
| Uniforms                                    |    | 4,618  |         |
| Water and Sewer                             |    | 3,750  |         |
| Other Supplies and Materials                |    | 10,124 |         |
| Liability Insurance                         |    | 3,588  |         |
| In Service/Staff Development                |    | 2,928  |         |
| Other Equipment                             |    | 1,620  |         |
| Other Capital Outlay                        |    | 44,903 |         |
| Total Fire Prevention and Control           |    |        | 165,218 |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

|   |    |        |            |
|---|----|--------|------------|
| Supervisor/Director                         | \$ | 43,804 |            |
| Deputy(ies)                                 |    | 34,927 |            |
| Part-time Personnel                         |    | 21,022 |            |
| Social Security                             |    | 6,109  |            |
| State Retirement                            |    | 5,007  |            |
| Medical Insurance                           |    | 6,350  |            |
| Employer Medicare                           |    | 1,429  |            |
| Communication                               |    | 2,861  |            |
| Data Processing Services                    |    | 14,486 |            |
| Dues and Memberships                        |    | 140    |            |
| Legal Notices, Recording, and Court Costs   |    | 20     |            |
| Maintenance and Repair Services - Buildings |    | 214    |            |
| Maintenance and Repair Services - Equipment |    | 1,969  |            |
| Maintenance and Repair Services - Vehicles  |    | 8,766  |            |
| Pest Control                                |    | 154    |            |
| Postal Charges                              |    | 152    |            |
| Travel                                      |    | 2,900  |            |
| Custodial Supplies                          |    | 227    |            |
| Duplicating Supplies                        |    | 1,188  |            |
| Electricity                                 |    | 4,681  |            |
| Gasoline                                    |    | 6,054  |            |
| Natural Gas                                 |    | 2,200  |            |
| Office Supplies                             |    | 806    |            |
| Uniforms                                    |    | 494    |            |
| Water and Sewer                             |    | 820    |            |
| Other Supplies and Materials                |    | 1,174  |            |
| In Service/Staff Development                |    | 744    |            |
| Other Charges                               |    | 464    |            |
| Office Equipment                            |    | 1,779  |            |
| Other Capital Outlay                        |    | 86,829 |            |
| Total Civil Defense                         |    |        | \$ 257,770 |

Public Health and Welfare

Local Health Center

|                          |    |         |
|--------------------------|----|---------|
| Other Salaries and Wages | \$ | 266,220 |
| Social Security          |    | 16,449  |
| State Retirement         |    | 14,544  |
| Medical Insurance        |    | 6,372   |
| Employer Medicare        |    | 3,847   |
| Communication            |    | 3,596   |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Contracts with Government Agencies          | \$ | 40,000 |            |
| Janitorial Services                         |    | 46,860 |            |
| Maintenance and Repair Services - Equipment |    | 4,658  |            |
| Pest Control                                |    | 216    |            |
| Travel                                      |    | 8,638  |            |
| Disposal Fees                               |    | 400    |            |
| Drugs and Medical Supplies                  |    | 30     |            |
| Electricity                                 |    | 11,091 |            |
| Natural Gas                                 |    | 853    |            |
| Office Supplies                             |    | 1,146  |            |
| Water and Sewer                             |    | 1,392  |            |
| Other Charges                               |    | 646    |            |
| Total Local Health Center                   |    |        | \$ 426,958 |

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             |    | 27,602 |  |
| Social Security                      |    | 1,715  |  |
| State Retirement                     |    | 1,832  |  |
| Medical Insurance                    |    | 6,372  |  |
| Employer Medicare                    |    | 401    |  |
| Contracts with Private Agencies      |    | 63,273 |  |
| Instructional Supplies and Materials |    | 14,466 |  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

|                             |          |            |
|-----------------------------|----------|------------|
| Other Charges               | \$ 6,657 |            |
| Total Sanitation Management |          | \$ 123,518 |

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

Libraries

|                                      |           |         |
|--------------------------------------|-----------|---------|
| Contracts with Other Public Agencies | \$ 30,000 |         |
| Contributions                        | 74,866    |         |
| Total Libraries                      |           | 104,866 |

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                        | 1,693  |        |
| Contracts with Other Public Agencies | 75,818 |        |
| Duplicating Supplies                 | 1,276  |        |
| Office Supplies                      | 116    |        |
| Office Equipment                     | 1,717  |        |
| Total Agriculture Extension Service  |        | 81,470 |

Forest Service

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

Soil Conservation

|                          |           |  |
|--------------------------|-----------|--|
| Secretary(ies)           | \$ 18,393 |  |
| Other Salaries and Wages | 21,624    |  |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

|                         |    |       |           |
|-------------------------|----|-------|-----------|
| Social Security         | \$ | 2,425 |           |
| State Retirement        |    | 1,238 |           |
| Medical Insurance       |    | 6,372 |           |
| Employer Medicare       |    | 567   |           |
| Other Charges           |    | 3,454 |           |
| Total Soil Conservation |    |       | \$ 54,073 |

Other Operations

Industrial Development

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

Other Economic and Community Development

|  |    |        |        |
|--|----|--------|--------|
| Contributions                                  | \$ | 12,500 |        |
| Total Other Economic and Community Development |    |        | 12,500 |

Airport

|                     |    |        |        |
|---------------------|----|--------|--------|
| Airport Improvement | \$ | 10,992 |        |
| Total Airport       |    |        | 10,992 |

Veterans' Services

|                          |    |        |        |
|--------------------------|----|--------|--------|
| Clerical Personnel       | \$ | 12,103 |        |
| Part-time Personnel      |    | 1,275  |        |
| Social Security          |    | 829    |        |
| Employer Medicare        |    | 194    |        |
| Communication            |    | 719    |        |
| Postal Charges           |    | 45     |        |
| Travel                   |    | 616    |        |
| Gasoline                 |    | 5,448  |        |
| Office Supplies          |    | 130    |        |
| Total Veterans' Services |    |        | 21,359 |

Contributions to Other Agencies

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

ARRA Grant # 1

|                      |    |       |       |
|----------------------|----|-------|-------|
| Communication        | \$ | 7,968 |       |
| Total ARRA Grant # 1 |    |       | 7,968 |

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

|                                    |    |         |            |
|------------------------------------|----|---------|------------|
| Unemployment Compensation          | \$ | 14,825  |            |
| Communication                      |    | 1,014   |            |
| Dues and Memberships               |    | 6,278   |            |
| Medical and Dental Services        |    | 9,100   |            |
| Pauper Burials                     |    | 400     |            |
| Premiums on Corporate Surety Bonds |    | 355     |            |
| Trustee's Commission               |    | 107,822 |            |
| Workers' Compensation Insurance    |    | 131,332 |            |
| Other Charges                      |    | 35,634  |            |
| Total Miscellaneous                |    |         | \$ 306,760 |

Total General Fund \$ 9,559,198

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

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

Convenience Centers

|   |    |         |         |
|---|----|---------|---------|
| Part-time Personnel                         | \$ | 43,228  |         |
| Social Security                             |    | 2,680   |         |
| Employer Medicare                           |    | 627     |         |
| Communication                               |    | 1,878   |         |
| Contracts with Other Public Agencies        |    | 59,920  |         |
| Maintenance and Repair Services - Equipment |    | 40,913  |         |
| Electricity                                 |    | 2,276   |         |
| Water and Sewer                             |    | 581     |         |
| Other Supplies and Materials                |    | 2,496   |         |
| Solid Waste Equipment                       |    | 61,019  |         |
| Other Construction                          |    | 265,285 |         |
| Other Capital Outlay                        |    | 6,319   |         |
| Total Convenience Centers                   |    |         | 487,222 |

Other Waste Disposal

|  |    |        |  |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 10,000 |  |
| Clerical Personnel                     |    | 26,015 |  |
| Social Security                        |    | 1,920  |  |
| State Retirement                       |    | 2,290  |  |
| Medical Insurance                      |    | 6,372  |  |

(Continued)

Exhibit K-9

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.)

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| Employer Medicare                    | \$ | 449     |            |
| Contracts with Government Agencies   |    | 95,523  |            |
| Contracts with Other Public Agencies |    | 356,705 |            |
| Engineering Services                 |    | 24,650  |            |
| Legal Services                       |    | 105     |            |
| Travel                               |    | 626     |            |
| Disposal Fees                        |    | 35,434  |            |
| Trustee's Commission                 |    | 7,347   |            |
| Other Charges                        |    | 2,654   |            |
| Total Other Waste Disposal           |    |         | \$ 570,090 |

Postclosure Care Costs

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Contracts for Postclosure Care Costs | \$ | 46,536 |        |
| Total Postclosure Care Costs         |    |        | 46,536 |

Total Solid Waste/Sanitation Fund \$ 1,123,848

Drug Control Fund

Public Safety

Drug Enforcement

|  |    |        |           |
|--|----|--------|-----------|
| Confidential Drug Enforcement Payments | \$ | 5,000  |           |
| Tow-in Services                        |    | 2,188  |           |
| Other Contracted Services              |    | 1,870  |           |
| Animal Food and Supplies               |    | 1,652  |           |
| Law Enforcement Supplies               |    | 14,406 |           |
| Trustee's Commission                   |    | 256    |           |
| In Service/Staff Development           |    | 588    |           |
| Other Charges                          |    | 320    |           |
| Motor Vehicles                         |    | 4,400  |           |
| Total Drug Enforcement                 |    |        | \$ 30,680 |

Total Drug Control Fund 30,680

District Attorney General Fund

Administration of Justice

District Attorney General

|                      |    |       |  |
|----------------------|----|-------|--|
| Dues and Memberships | \$ | 2,905 |  |
| Travel               |    | 6,233 |  |
| Periodicals          |    | 294   |  |
| Trustee's Commission |    | 152   |  |

(Continued)

Exhibit K-9

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.)

|                                 |    |       |           |
|---------------------------------|----|-------|-----------|
| Other Charges                   | \$ | 5,082 |           |
| Office Equipment                |    | 6,830 |           |
| Total District Attorney General |    |       | \$ 21,496 |

Total District Attorney General Fund \$ 21,496

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

|                             |    |    |       |
|-----------------------------|----|----|-------|
| Bank Charges                | \$ | 87 |       |
| Total County Clerk's Office |    |    | \$ 87 |

Administration of Justice

Chancery Court

|   |    |       |       |
|---|----|-------|-------|
| Special Commissioner Fees/Special Master Fees | \$ | 5,498 |       |
| Total Chancery Court                          |    |       | 5,498 |

Total Constitutional Officers - Fees Fund 5,585

Highway/Public Works Fund

Highways

Administration

|  |    |        |            |
|--|----|--------|------------|
| County Official/Administrative Officer             | \$ | 67,927 |            |
| Assistant(s)                                       |    | 43,182 |            |
| Accountants/Bookkeepers                            |    | 38,062 |            |
| Social Security                                    |    | 9,333  |            |
| State Retirement                                   |    | 9,487  |            |
| Medical Insurance                                  |    | 6,350  |            |
| Employer Medicare                                  |    | 2,183  |            |
| Communication                                      |    | 3,366  |            |
| Dues and Memberships                               |    | 3,856  |            |
| Janitorial Services                                |    | 2,400  |            |
| Legal Notices, Recording, and Court Costs          |    | 40     |            |
| Maintenance and Repair Services - Office Equipment |    | 363    |            |
| Postal Charges                                     |    | 662    |            |
| Travel   |    | 1,950  |            |
| Electricity  |    | 4,378  |            |
| Office Supplies                                    |    | 958    |            |
| Water and Sewer                                    |    | 1,357  |            |
| Office Equipment                                   |    | 2,752  |            |
| Total Administration                               |    |        | \$ 198,606 |

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

|                                      |    |         |              |
|--------------------------------------|----|---------|--------------|
| Foremen                              | \$ | 108,238 |              |
| Equipment Operators                  |    | 159,009 |              |
| Truck Drivers                        |    | 175,968 |              |
| Laborers                             |    | 138,221 |              |
| Social Security                      |    | 35,160  |              |
| State Retirement                     |    | 34,630  |              |
| Medical Insurance                    |    | 86,760  |              |
| Employer Medicare                    |    | 8,223   |              |
| Other Contracted Services            |    | 69,794  |              |
| Asphalt                              |    | 501,457 |              |
| Asphalt - Hot Mix                    |    | 772,252 |              |
| Concrete                             |    | 1,728   |              |
| Crushed Stone                        |    | 42,892  |              |
| General Construction Materials       |    | 2,763   |              |
| Pipe - Metal                         |    | 81,047  |              |
| Road Signs                           |    | 23,023  |              |
| Total Highway and Bridge Maintenance |    |         | \$ 2,241,165 |

Operation and Maintenance of Equipment

|  |    |         |         |
|--|----|---------|---------|
| Mechanic(s)                                  | \$ | 80,814  |         |
| Social Security                              |    | 4,934   |         |
| State Retirement                             |    | 4,689   |         |
| Medical Insurance                            |    | 7,690   |         |
| Employer Medicare                            |    | 1,154   |         |
| Laundry Service                              |    | 1,144   |         |
| Maintenance and Repair Services - Equipment  |    | 33,451  |         |
| Diesel Fuel                                  |    | 253,306 |         |
| Equipment and Machinery Parts                |    | 141,473 |         |
| Garage Supplies                              |    | 10,418  |         |
| Gasoline                                     |    | 45,580  |         |
| Lubricants                                   |    | 17,064  |         |
| Propane Gas                                  |    | 2,488   |         |
| Small Tools                                  |    | 99      |         |
| Tires and Tubes                              |    | 43,975  |         |
| Other Supplies and Materials                 |    | 778     |         |
| Communication Equipment                      |    | 37      |         |
| Total Operation and Maintenance of Equipment |    |         | 649,094 |

Quarry Operations

|         |    |        |  |
|---------|----|--------|--|
| Foremen | \$ | 35,636 |  |
|---------|----|--------|--|

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Equipment Operators                         | \$ | 43,140 |            |
| Truck Drivers                               |    | 27,252 |            |
| Social Security                             |    | 6,406  |            |
| State Retirement                            |    | 6,435  |            |
| Medical Insurance                           |    | 15,538 |            |
| Employer Medicare                           |    | 1,498  |            |
| Explosive and Drilling Services             |    | 37,637 |            |
| Maintenance and Repair Services - Equipment |    | 74,730 |            |
| Electricity                                 |    | 29,550 |            |
| Water and Sewer                             |    | 932    |            |
| In Service/Staff Development                |    | 778    |            |
| Total Quarry Operations                     |    |        | \$ 279,532 |

Other Charges

|                                 |    |        |         |
|---------------------------------|----|--------|---------|
| Electricity                     | \$ | 458    |         |
| Trustee's Commission            |    | 37,291 |         |
| Vehicle and Equipment Insurance |    | 74,625 |         |
| Total Other Charges             |    |        | 112,374 |

Employee Benefits

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Unemployment Compensation       | \$ | 3,092  |        |
| Workers' Compensation Insurance |    | 74,678 |        |
| Total Employee Benefits         |    |        | 77,770 |

Capital Outlay

|                      |    |         |         |
|----------------------|----|---------|---------|
| Engineering Services | \$ | 8,521   |         |
| Bridge Construction  |    | 303,383 |         |
| Highway Equipment    |    | 217,945 |         |
| Total Capital Outlay |    |         | 529,849 |

Total Highway/Public Works Fund \$ 4,088,390

General Debt Service Fund

Principal on Debt

General Government

|                          |    |        |            |
|--------------------------|----|--------|------------|
| Principal on Bonds       | \$ | 96,195 |            |
| Principal on Notes       |    | 53,000 |            |
| Total General Government |    |        | \$ 149,195 |

(Continued)

Exhibit K-9

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

|                    |            |            |
|--------------------|------------|------------|
| Principal on Bonds | \$ 943,805 |            |
| Total Education    |            | \$ 943,805 |

Interest on Debt

General Government

|                          |           |        |
|--------------------------|-----------|--------|
| Interest on Bonds        | \$ 45,366 |        |
| Interest on Notes        | 8,294     |        |
| Total General Government |           | 53,660 |

Education

|                   |            |         |
|-------------------|------------|---------|
| Interest on Bonds | \$ 675,789 |         |
| Total Education   |            | 675,789 |

Other Debt Service

General Government

|                          |           |        |
|--------------------------|-----------|--------|
| Trustee's Commission     | \$ 22,028 |        |
| Total General Government |           | 22,028 |

Education

|                             |        |     |
|-----------------------------|--------|-----|
| Other Debt Issuance Charges | \$ 621 |     |
| Total Education             |        | 621 |

|                                 |  |              |
|---------------------------------|--|--------------|
| Total General Debt Service Fund |  | \$ 1,845,098 |
|---------------------------------|--|--------------|

|   |  |               |
|---|--|---------------|
| Total Governmental Funds - Primary Government |  | \$ 16,674,295 |
|---|--|---------------|

Exhibit K-10

Lincoln County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Lincoln County School Department  
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

|   |    |           |            |
|---|----|-----------|------------|
| Teachers                                    | \$ | 8,805,059 |            |
| Career Ladder Program                       |    | 88,593    |            |
| Career Ladder Extended Contracts            |    | 57,000    |            |
| Educational Assistants                      |    | 358,758   |            |
| Other Salaries and Wages                    |    | 1,259     |            |
| Certified Substitute Teachers               |    | 24,725    |            |
| Non-certified Substitute Teachers           |    | 109,363   |            |
| Social Security                             |    | 557,062   |            |
| State Retirement                            |    | 827,569   |            |
| Employee and Dependent Insurance            |    | 57,213    |            |
| Medical Insurance                           |    | 978,848   |            |
| Unemployment Compensation                   |    | 76,026    |            |
| Employer Medicare                           |    | 130,800   |            |
| Maintenance and Repair Services - Equipment |    | 31,079    |            |
| Tuition                                     |    | 2,678     |            |
| Other Contracted Services                   |    | 5,805     |            |
| Instructional Supplies and Materials        |    | 91,052    |            |
| Textbooks                                   |    | 303,561   |            |
| Fee Waivers                                 |    | 42,220    |            |
| Furniture and Fixtures                      |    | 19,694    |            |
| Regular Instruction Equipment               |    | 273,644   |            |
| Other Equipment                             |    | 19,632    |            |
| Total Regular Instruction Program           | \$ |           | 12,861,640 |

Alternative Instruction Program

|                                       |    |         |         |
|---------------------------------------|----|---------|---------|
| Teachers                              | \$ | 156,534 |         |
| Career Ladder Program                 |    | 1,000   |         |
| Social Security                       |    | 9,578   |         |
| State Retirement                      |    | 14,257  |         |
| Medical Insurance                     |    | 14,788  |         |
| Employer Medicare                     |    | 2,240   |         |
| Total Alternative Instruction Program |    |         | 198,397 |

Special Education Program

|                               |    |         |  |
|-------------------------------|----|---------|--|
| Teachers                      | \$ | 930,279 |  |
| Career Ladder Program         |    | 6,997   |  |
| Educational Assistants        |    | 368,055 |  |
| Speech Pathologist            |    | 114,388 |  |
| Certified Substitute Teachers |    | 1,485   |  |

(Continued)

Exhibit K-10

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.)

|   |    |         |              |
|---|----|---------|--------------|
| Non-certified Substitute Teachers           | \$ | 35,576  |              |
| Social Security                             |    | 85,658  |              |
| State Retirement                            |    | 115,388 |              |
| Employee and Dependent Insurance            |    | 52,581  |              |
| Medical Insurance                           |    | 142,917 |              |
| Employer Medicare                           |    | 20,042  |              |
| Contracts with Other Public Agencies        |    | 520     |              |
| Contracts with Private Agencies             |    | 2,000   |              |
| Maintenance and Repair Services - Equipment |    | 3,938   |              |
| Instructional Supplies and Materials        |    | 13,504  |              |
| Other Supplies and Materials                |    | 5,859   |              |
| Special Education Equipment                 |    | 17,477  |              |
| Total Special Education Program             |    |         | \$ 1,916,664 |

Vocational Education Program

|   |    |         |           |
|---|----|---------|-----------|
| Teachers                                    | \$ | 854,925 |           |
| Career Ladder Program                       |    | 6,000   |           |
| Certified Substitute Teachers               |    | 275     |           |
| Non-certified Substitute Teachers           |    | 2,887   |           |
| Social Security                             |    | 50,843  |           |
| State Retirement                            |    | 75,484  |           |
| Medical Insurance                           |    | 100,460 |           |
| Employer Medicare                           |    | 12,095  |           |
| Maintenance and Repair Services - Equipment |    | 14,191  |           |
| Instructional Supplies and Materials        |    | 40,510  |           |
| Other Supplies and Materials                |    | 875     |           |
| Other Charges                               |    | 48,597  |           |
| Vocational Instruction Equipment            |    | 29,959  |           |
| Total Vocational Education Program          |    |         | 1,237,101 |

Student Body Education Program

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Other Salaries and Wages             | \$ | 44,591 |        |
| Social Security                      |    | 2,687  |        |
| State Retirement                     |    | 2,257  |        |
| Employer Medicare                    |    | 639    |        |
| Other Charges                        |    | 8,020  |        |
| Total Student Body Education Program |    |        | 58,194 |

(Continued)

Exhibit K-10

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       | \$ | 67,154 |            |
| Career Ladder Program     |    | 1,000  |            |
| Other Salaries and Wages  |    | 30,857 |            |
| Social Security           |    | 6,114  |            |
| State Retirement          |    | 8,130  |            |
| Medical Insurance         |    | 5,234  |            |
| Employer Medicare         |    | 1,430  |            |
| Travel                    |    | 4,365  |            |
| Other Contracted Services |    | 10,254 |            |
| Total Attendance          |    |        | \$ 134,538 |

Health Services

|                                  |    |         |         |
|----------------------------------|----|---------|---------|
| Medical Personnel                | \$ | 201,576 |         |
| Social Security                  |    | 12,075  |         |
| State Retirement                 |    | 12,363  |         |
| Employee and Dependent Insurance |    | 13,823  |         |
| Employer Medicare                |    | 2,824   |         |
| Travel                           |    | 56      |         |
| Drugs and Medical Supplies       |    | 1,938   |         |
| Total Health Services            |    |         | 244,655 |

Other Student Support

|                              |    |         |         |
|------------------------------|----|---------|---------|
| Career Ladder Program        | \$ | 5,000   |         |
| Guidance Personnel           |    | 419,686 |         |
| Social Workers               |    | 17,000  |         |
| Clerical Personnel           |    | 15,981  |         |
| School Resource Officer      |    | 50,989  |         |
| Other Salaries and Wages     |    | 59,222  |         |
| Social Security              |    | 30,953  |         |
| State Retirement             |    | 46,104  |         |
| Medical Insurance            |    | 59,135  |         |
| Employer Medicare            |    | 7,239   |         |
| Evaluation and Testing       |    | 32,056  |         |
| Postal Charges               |    | 495     |         |
| Travel                       |    | 10,449  |         |
| Textbooks                    |    | 440     |         |
| Other Supplies and Materials |    | 18,732  |         |
| Other Charges                |    | 1,936   |         |
| Other Equipment              |    | 4,480   |         |
| Total Other Student Support  |    |         | 779,897 |

(Continued)

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                  | \$ | 150,193 |            |
| Career Ladder Program                |    | 6,000   |            |
| Librarians                           |    | 313,305 |            |
| Instructional Computer Personnel     |    | 74,819  |            |
| Other Salaries and Wages             |    | 41,473  |            |
| Social Security                      |    | 35,210  |            |
| State Retirement                     |    | 51,898  |            |
| Employee and Dependent Insurance     |    | 4,608   |            |
| Medical Insurance                    |    | 58,022  |            |
| Employer Medicare                    |    | 8,235   |            |
| Travel                               |    | 8,109   |            |
| Other Contracted Services            |    | 750     |            |
| Instructional Supplies and Materials |    | 3,883   |            |
| Library Books/Media                  |    | 12,363  |            |
| In Service/Staff Development         |    | 24,805  |            |
| Other Charges                        |    | 19,279  |            |
| Total Regular Instruction Program    |    |         | \$ 812,952 |

Special Education Program

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Supervisor/Director             | \$ | 44,915 |        |
| Clerical Personnel              |    | 1,430  |        |
| Social Security                 |    | 2,846  |        |
| State Retirement                |    | 4,156  |        |
| Medical Insurance               |    | 5,234  |        |
| Employer Medicare               |    | 666    |        |
| Travel                          |    | 4,590  |        |
| In Service/Staff Development    |    | 2,514  |        |
| Total Special Education Program |    |        | 66,351 |

Vocational Education Program

|                       |    |        |  |
|-----------------------|----|--------|--|
| Supervisor/Director   | \$ | 33,478 |  |
| Career Ladder Program |    | 1,000  |  |
| Clerical Personnel    |    | 24,934 |  |
| In-Service Training   |    | 2,400  |  |
| Social Security       |    | 3,853  |  |
| State Retirement      |    | 4,923  |  |
| Medical Insurance     |    | 619    |  |
| Employer Medicare     |    | 901    |  |
| Travel                |    | 8,809  |  |

(Continued)

Exhibit K-10

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.)

|                                    |    |              |        |
|------------------------------------|----|--------------|--------|
| In Service/Staff Development       | \$ | 2,994        |        |
| Other Charges                      |    | <u>1,760</u> |        |
| Total Vocational Education Program | \$ |              | 85,671 |

Other Programs

|                            |    |                |         |
|----------------------------|----|----------------|---------|
| On-Behalf Payments to OPEB | \$ | <u>128,859</u> |         |
| Total Other Programs       |    |                | 128,859 |

Board of Education

|  |    |               |         |
|--|----|---------------|---------|
| Secretary to Board                         | \$ | 750           |         |
| Board and Committee Members Fees           |    | 30,540        |         |
| Social Security                            |    | 1,940         |         |
| State Retirement                           |    | 68            |         |
| Employer Medicare                          |    | 454           |         |
| Audit Services                             |    | 9,872         |         |
| Dues and Memberships                       |    | 7,699         |         |
| Legal Services                             |    | 2,792         |         |
| Travel                                     |    | 1,214         |         |
| Liability Insurance                        |    | 220,817       |         |
| Trustee's Commission                       |    | 124,560       |         |
| Workers' Compensation Insurance            |    | 183,605       |         |
| Criminal Investigation of Applicants - TBI |    | 6,744         |         |
| Other Charges                              |    | <u>23,241</u> |         |
| Total Board of Education                   |    |               | 614,296 |

Director of Schools

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 101,327 |  |
| Secretary(ies)                         |    | 78,096  |  |
| Other Salaries and Wages               |    | 3,859   |  |
| Social Security                        |    | 11,482  |  |
| State Retirement                       |    | 14,921  |  |
| Employee and Dependent Insurance       |    | 4,608   |  |
| Medical Insurance                      |    | 5,627   |  |
| Employer Medicare                      |    | 2,712   |  |
| Communication                          |    | 26,160  |  |
| Postal Charges                         |    | 1,427   |  |
| Travel                                 |    | 8,386   |  |
| Office Supplies                        |    | 8,025   |  |
| Other Charges                          |    | 175     |  |

(Continued)

Exhibit K-10

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  | \$ 10,506 |            |
| Total Director of Schools |           | \$ 277,311 |

Office of the Principal

|                                  |            |           |
|----------------------------------|------------|-----------|
| Assistant(s)                     | \$ 195,204 |           |
| Principals                       | 484,500    |           |
| Career Ladder Program            | 10,000     |           |
| Clerical Personnel               | 188,206    |           |
| Social Security                  | 52,418     |           |
| State Retirement                 | 72,244     |           |
| Employee and Dependent Insurance | 13,439     |           |
| Medical Insurance                | 60,854     |           |
| Employer Medicare                | 12,403     |           |
| Communication                    | 13,608     |           |
| Contributions                    | 46,000     |           |
| Travel                           | 7,971      |           |
| Total Office of the Principal    |            | 1,156,847 |

Operation of Plant

|                                  |            |           |
|----------------------------------|------------|-----------|
| Custodial Personnel              | \$ 423,475 |           |
| Social Security                  | 25,228     |           |
| State Retirement                 | 20,430     |           |
| Employee and Dependent Insurance | 70,728     |           |
| Employer Medicare                | 5,900      |           |
| Other Contracted Services        | 12,761     |           |
| Custodial Supplies               | 67,735     |           |
| Electricity                      | 1,037,933  |           |
| Natural Gas                      | 154,180    |           |
| Water and Sewer                  | 84,242     |           |
| Other Supplies and Materials     | 8,939      |           |
| Other Charges                    | 22,672     |           |
| Total Operation of Plant         |            | 1,934,223 |

Maintenance of Plant

|                          |           |  |
|--------------------------|-----------|--|
| Supervisor/Director      | \$ 58,178 |  |
| Maintenance Personnel    | 158,957   |  |
| Other Salaries and Wages | 120,631   |  |
| Social Security          | 20,047    |  |
| State Retirement         | 21,543    |  |

(Continued)

Exhibit K-10

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.)

|   |    |        |            |
|---|----|--------|------------|
| Employee and Dependent Insurance            | \$ | 18,431 |            |
| Medical Insurance                           |    | 17,797 |            |
| Employer Medicare                           |    | 4,688  |            |
| Maintenance and Repair Services - Buildings |    | 75,567 |            |
| Maintenance and Repair Services - Equipment |    | 82,967 |            |
| General Construction Materials              |    | 24,970 |            |
| Other Supplies and Materials                |    | 33,045 |            |
| Other Charges                               |    | 22,017 |            |
| Total Maintenance of Plant                  |    |        | \$ 658,838 |

Transportation

|                                  |    |         |           |
|----------------------------------|----|---------|-----------|
| Supervisor/Director              | \$ | 33,478  |           |
| Mechanic(s)                      |    | 102,136 |           |
| Bus Drivers                      |    | 490,951 |           |
| Other Salaries and Wages         |    | 19,062  |           |
| Social Security                  |    | 36,158  |           |
| State Retirement                 |    | 35,779  |           |
| Employee and Dependent Insurance |    | 46,153  |           |
| Employer Medicare                |    | 9,243   |           |
| Communication                    |    | 1,088   |           |
| Medical and Dental Services      |    | 5,394   |           |
| Gasoline                         |    | 359,208 |           |
| Lubricants                       |    | 1,217   |           |
| Tires and Tubes                  |    | 19,506  |           |
| Vehicle Parts                    |    | 114,739 |           |
| Other Supplies and Materials     |    | 13,449  |           |
| Other Charges                    |    | 7,349   |           |
| Transportation Equipment         |    | 487,264 |           |
| Total Transportation             |    |         | 1,782,174 |

Operation of Non-Instructional Services

Food Service

|   |    |        |  |
|---|----|--------|--|
| Supervisor/Director                         | \$ | 73,819 |  |
| Social Security                             |    | 4,547  |  |
| State Retirement                            |    | 6,681  |  |
| Medical Insurance                           |    | 5,313  |  |
| Employer Medicare                           |    | 1,063  |  |
| Maintenance and Repair Services - Equipment |    | 838    |  |
| Travel                                      |    | 3,717  |  |

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

|                              |    |       |            |
|------------------------------|----|-------|------------|
| Other Contracted Services    | \$ | 1,028 |            |
| Other Supplies and Materials |    | 2,000 |            |
| In Service/Staff Development |    | 641   |            |
| Other Charges                |    | 2,346 |            |
| Total Food Service           |    |       | \$ 101,993 |

Community Services

|   |    |         |         |
|---|----|---------|---------|
| Teachers                                    | \$ | 133,886 |         |
| Educational Assistants                      |    | 35,185  |         |
| Other Salaries and Wages                    |    | 32,648  |         |
| Social Security                             |    | 12,507  |         |
| State Retirement                            |    | 15,820  |         |
| Employer Medicare                           |    | 2,925   |         |
| Communication                               |    | 188     |         |
| Maintenance and Repair Services - Equipment |    | 263     |         |
| Postal Charges                              |    | 132     |         |
| Travel                                      |    | 3,285   |         |
| Textbooks                                   |    | 1,214   |         |
| Other Supplies and Materials                |    | 36,926  |         |
| In Service/Staff Development                |    | 8,553   |         |
| Other Charges                               |    | 2,885   |         |
| Other Equipment                             |    | 11,390  |         |
| Total Community Services                    |    |         | 297,807 |

Early Childhood Education

|                                      |    |         |  |
|--------------------------------------|----|---------|--|
| Teachers                             | \$ | 354,014 |  |
| Educational Assistants               |    | 143,770 |  |
| Other Salaries and Wages             |    | 62,335  |  |
| Certified Substitute Teachers        |    | 358     |  |
| Non-certified Substitute Teachers    |    | 8,480   |  |
| Social Security                      |    | 33,619  |  |
| State Retirement                     |    | 45,079  |  |
| Employee and Dependent Insurance     |    | 29,567  |  |
| Medical Insurance                    |    | 50,746  |  |
| Employer Medicare                    |    | 7,863   |  |
| Postal Charges                       |    | 174     |  |
| Travel                               |    | 3,435   |  |
| Instructional Supplies and Materials |    | 28,272  |  |
| Textbooks                            |    | 2,081   |  |

(Continued)

Exhibit K-10

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.)

Early Childhood Education (Cont.)

|                                 |              |            |
|---------------------------------|--------------|------------|
| In Service/Staff Development    | \$ 1,148     |            |
| Other Equipment                 | <u>6,110</u> |            |
| Total Early Childhood Education |              | \$ 777,051 |

Capital Outlay

Regular Capital Outlay

|                              |                   |                |
|------------------------------|-------------------|----------------|
| Other Construction           | \$ <u>884,944</u> |                |
| Total Regular Capital Outlay |                   | <u>884,944</u> |

Total General Purpose School Fund \$ 27,010,403

School Federal Projects Fund

Instruction

Regular Instruction Program

|                                      |                |            |
|--------------------------------------|----------------|------------|
| Teachers                             | \$ 488,455     |            |
| Educational Assistants               | 86,794         |            |
| Certified Substitute Teachers        | 275            |            |
| Non-certified Substitute Teachers    | 5,950          |            |
| Social Security                      | 35,035         |            |
| State Retirement                     | 49,326         |            |
| Medical Insurance                    | 61,258         |            |
| Employer Medicare                    | 8,195          |            |
| Instructional Supplies and Materials | 2,792          |            |
| Regular Instruction Equipment        | <u>121,599</u> |            |
| Total Regular Instruction Program    |                | \$ 859,679 |

Alternative Instruction Program

|                                       |            |        |
|---------------------------------------|------------|--------|
| Teachers                              | \$ 11,761  |        |
| Social Security                       | 717        |        |
| State Retirement                      | 1,064      |        |
| Medical Insurance                     | 1,779      |        |
| Employer Medicare                     | <u>168</u> |        |
| Total Alternative Instruction Program |            | 15,489 |

Special Education Program

|                          |            |  |
|--------------------------|------------|--|
| Educational Assistants   | \$ 301,810 |  |
| Speech Pathologist       | 89,341     |  |
| Other Salaries and Wages | 24,067     |  |
| Social Security          | 24,610     |  |

(Continued)

Exhibit K-10

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.)

|                                      |    |         |            |
|--------------------------------------|----|---------|------------|
| State Retirement                     | \$ | 26,572  |            |
| Medical Insurance                    |    | 41,079  |            |
| Employer Medicare                    |    | 5,756   |            |
| Contracts with Other Public Agencies |    | 167,039 |            |
| Contracts with Private Agencies      |    | 68,000  |            |
| Evaluation and Testing               |    | 3,651   |            |
| Instructional Supplies and Materials |    | 4,447   |            |
| Other Supplies and Materials         |    | 1       |            |
| Special Education Equipment          |    | 24,909  |            |
| Total Special Education Program      |    |         | \$ 781,282 |

Vocational Education Program

|                                    |    |        |         |
|------------------------------------|----|--------|---------|
| Other Supplies and Materials       | \$ | 47,859 |         |
| Vocational Instruction Equipment   |    | 96,412 |         |
| Total Vocational Education Program |    |        | 144,271 |

Support Services

Other Student Support

|                              |    |        |         |
|------------------------------|----|--------|---------|
| Other Salaries and Wages     | \$ | 50,024 |         |
| Social Security              |    | 2,757  |         |
| State Retirement             |    | 4,527  |         |
| Medical Insurance            |    | 9,556  |         |
| Employer Medicare            |    | 645    |         |
| Evaluation and Testing       |    | 19,587 |         |
| Travel                       |    | 10,169 |         |
| Other Contracted Services    |    | 3,200  |         |
| In Service/Staff Development |    | 23,584 |         |
| Other Charges                |    | 43,752 |         |
| Total Other Student Support  |    |        | 167,801 |

Regular Instruction Program

|                        |    |         |  |
|------------------------|----|---------|--|
| Supervisor/Director    | \$ | 131,667 |  |
| Secretary(ies)         |    | 27,191  |  |
| Educational Assistants |    | 7,521   |  |
| Social Security        |    | 9,890   |  |
| State Retirement       |    | 13,645  |  |
| Medical Insurance      |    | 16,383  |  |
| Employer Medicare      |    | 2,357   |  |
| Travel                 |    | 1,610   |  |

(Continued)

Exhibit K-10

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.)

|                                   |    |        |            |
|-----------------------------------|----|--------|------------|
| Other Contracted Services         | \$ | 14,591 |            |
| Other Supplies and Materials      |    | 1,377  |            |
| In Service/Staff Development      |    | 40,933 |            |
| Other Equipment                   |    | 6,446  |            |
| Total Regular Instruction Program |    |        | \$ 273,611 |

Special Education Program

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Supervisor/Director             | \$ | 8,983  |        |
| Clerical Personnel              |    | 12,867 |        |
| Social Security                 |    | 1,285  |        |
| State Retirement                |    | 1,631  |        |
| Medical Insurance               |    | 1,152  |        |
| Employer Medicare               |    | 301    |        |
| Travel                          |    | 4,715  |        |
| In Service/Staff Development    |    | 4,822  |        |
| Total Special Education Program |    |        | 35,756 |

Vocational Education Program

|                                    |    |       |       |
|------------------------------------|----|-------|-------|
| Travel                             | \$ | 112   |       |
| In Service/Staff Development       |    | 1,413 |       |
| Total Vocational Education Program |    |       | 1,525 |

Transportation

|                          |    |        |        |
|--------------------------|----|--------|--------|
| Bus Drivers              | \$ | 55,124 |        |
| Other Salaries and Wages |    | 15,103 |        |
| Social Security          |    | 4,269  |        |
| State Retirement         |    | 3,725  |        |
| Medical Insurance        |    | 4,608  |        |
| Employer Medicare        |    | 998    |        |
| Contracts with Parents   |    | 3,825  |        |
| Total Transportation     |    |        | 87,652 |

Total School Federal Projects Fund \$ 2,367,066

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

|                          |    |         |  |
|--------------------------|----|---------|--|
| Cafeteria Personnel      | \$ | 628,451 |  |
| Other Salaries and Wages |    | 19,855  |  |

(Continued)

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

|   |               |                     |
|---|---------------|---------------------|
| Social Security                             | \$ 38,529     |                     |
| State Retirement                            | 37,658        |                     |
| Employee and Dependent Insurance            | 76,796        |                     |
| Employer Medicare                           | 9,044         |                     |
| Communication                               | 4,312         |                     |
| Contracts with Private Agencies             | 52,646        |                     |
| Dues and Memberships                        | 5,042         |                     |
| Maintenance and Repair Services - Equipment | 44,721        |                     |
| Other Contracted Services                   | 17,562        |                     |
| Custodial Supplies                          | 19,598        |                     |
| Food Preparation Supplies                   | 56,703        |                     |
| Food Supplies                               | 960,113       |                     |
| Office Supplies                             | 3,026         |                     |
| Uniforms                                    | 1,659         |                     |
| Other Supplies and Materials                | 6             |                     |
| Refunds                                     | 577           |                     |
| Trustee's Commission                        | 8             |                     |
| Workers' Compensation Insurance             | 14,860        |                     |
| In Service/Staff Development                | 11,842        |                     |
| Other Charges                               | 2,030         |                     |
| Food Service Equipment                      | <u>82,665</u> |                     |
| Total Food Service                          |               | \$ <u>2,087,703</u> |
| Total Central Cafeteria Fund                |               | \$ 2,087,703        |

Extended School Program Fund

Operation of Non-Instructional Services

Community Services

|                                    |               |                  |
|------------------------------------|---------------|------------------|
| Supervisor/Director                | \$ 5,160      |                  |
| Other Salaries and Wages           | 62,918        |                  |
| Social Security                    | 4,221         |                  |
| State Retirement                   | 4,812         |                  |
| Employer Medicare                  | 987           |                  |
| Trustee's Commission               | 1,008         |                  |
| Other Charges                      | <u>14,744</u> |                  |
| Total Community Services           |               | \$ <u>93,850</u> |
| Total Extended School Program Fund |               | <u>93,850</u>    |

Total Governmental Funds - Lincoln County School Department \$ 31,559,022

Exhibit K-11

Lincoln County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2012

|  | Cities -<br>Sales Tax<br>Fund | City<br>School<br>ADA -<br>Fayetteville<br>Fund | Total               |
|--|-------------------------------|---|---------------------|
| <u>Cash Receipts</u>                                       |                               |   |                     |
| Current Property Taxes                                     | \$ 0                          | \$ 1,034,092                                    | \$ 1,034,092        |
| Trustee's Collections - Prior Years                        | 0                             | 32,138  | 32,138              |
| Circuit/Clerk and Master Collections - Prior Years         | 0                             | 12,424  | 12,424              |
| Interest and Penalty                                       | 0                             | 5,852   | 5,852               |
| Local Option Sales Tax                                     | 1,676,542                     | 734,626   | 2,411,168           |
| Wholesale Beer Tax   | 0                             | 31,945  | 31,945              |
| Interstate Telecommunications Tax                          | 0                             | 388   | 388                 |
| Marriage Licenses  | 0                             | 616   | 616                 |
| Income Tax   | 0                             | 23,681  | 23,681              |
| Beer Tax   | 0                             | 4,068   | 4,068               |
| Total Cash Receipts  | <u>\$ 1,676,542</u>           | <u>\$ 1,879,830</u>                             | <u>\$ 3,556,372</u> |
| <u>Cash Disbursements</u>                                  |                               |   |                     |
| Remittance of Revenues Collected                           | \$ 1,676,542                  | \$ 1,862,711                                    | \$ 3,539,253        |
| Trustee's Commission                                       | 0                             | 22,162  | 22,162              |
| Total Cash Disbursements                                   | <u>\$ 1,676,542</u>           | <u>\$ 1,884,873</u>                             | <u>\$ 3,561,415</u> |
| Excess of Cash Receipts Over<br>(Under) Cash Disbursements | \$ 0                          | \$ (5,043)                                      | \$ (5,043)          |
| Cash Balance, July 1, 2011                                 | 0                             | 84,656  | 84,656              |
| Cash Balance, June 30, 2012                                | <u>\$ 0</u>                   | <u>\$ 79,613</u>                                | <u>\$ 79,613</u>    |

Exhibit K-12

Lincoln County, Tennessee  
Schedule of Utility Rates and Number of Customers  
Lincoln County Board of Public Utilities  
June 30, 2012

| Meter Type  | Number of Customers | Gallons    | Rate                   |
|---|---------------------|------------|------------------------|
| Residential and Commercial  | 8636                | First 1000 | \$ 23.99 minimum       |
|   |                     | Next 4000  | 4.02 per 1,000 gallons |
|   |                     | Over 5000  | 4.05 per 1,000 gallons |
| Multi-User (Total 428 units.<br>Rates are based on usage per<br>each unit.) | 128                 | 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-13

Lincoln County, Tennessee  
Schedule of Unaccounted for Water  
Lincoln County Board of Public Utilities  
For the Year Ended June 30, 2012

(amounts in gallons)

|  |                   |                           |
|--|-------------------|---------------------------|
| Water Treated and Purchased:             |                   |                           |
| Water Pumped (potable)                   | 710,628,391       |                           |
| Water Purchased                          | <u>75,127,624</u> |                           |
| Total Water Treated and Purchased        |                   | 785,756,015               |
| Accounted for Water:                     |                   |                           |
| Water Sold                               | 486,676,500       |                           |
| Metered for Consumption (in-house usage) | 142,910           |                           |
| Fire Departments Usage                   | 198,650           |                           |
| Flushing                                 | 2,599,065         |                           |
| Tank Filling/Cleaning                    | 0                 |                           |
| Street Cleaning                          | 0                 |                           |
| Bulk Sales                               | 0                 |                           |
| Water Bill Adjustments                   | <u>8,044,887</u>  |                           |
| Total Accounted for Water                |                   | <u>497,662,012</u>        |
| Unaccounted for Water                    |                   | <u><u>288,094,003</u></u> |
| Percentage Unaccounted for Water         |                   | 36.7%                     |

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. That correspond to the board's billing cycles for the year.

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
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 19, 2013

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, 2012, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated February 19, 2013. 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

The management of Lincoln County is responsible for establishing and maintaining effective 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: 12.02. 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.

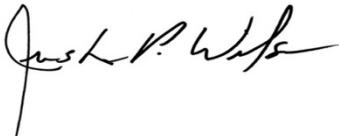
#### Compliance and Other Matters

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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.01 and 12.03.

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 LOCAL GOVERNMENT 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

INDEPENDENT AUDITOR'S REPORT

February 19, 2013

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Lincoln County's compliance 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, except as follows, for the year ended June 30, 2012. Other auditors have audited the compliance of the county with the types of compliance requirements described above that are applicable to its major federal program Water and Waste Disposal Systems for Rural Communities (CFDA No. 10.781) for the year ended June 30, 2012. 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 and the report of the other auditors provide 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, based on our audit and the report of the other auditors, 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, 2012.

### 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 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, 2012, and have issued our report thereon dated February 19, 2013. 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, 2012

| Federal/Pass-through Agency/State<br>Grantor Program Title  | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures        |
|---|---------------------------|--|---------------------|
| U.S. Department of Agriculture:   |                           |  |                     |
| Direct Program:   |                           |  |                     |
| Emergency Watershed Protection Program  | 10.923                    | N/A  | \$ 50,953           |
| Passed-through State Department of Education:   |                           |  |                     |
| Child Nutrition Cluster:  |                           |  |                     |
| School Breakfast Program  | 10.553                    | (2)  | 329,336             |
| National School Lunch Program   | 10.555                    | (2)  | 934,054 (3)         |
| Passed-through State Department of Agriculture:   |                           |  |                     |
| National School Lunch Program (Commodities - Noncash Assistance)  | 10.555                    | (2)  | 111,886 (3)         |
| Water and Waste Disposal Systems for Rural Communities, ARRA  | 10.781                    | (2)  | 2,775,628           |
| Total U.S. Department of Agriculture  |                           |  | <u>\$ 4,201,857</u> |
| U.S. Department of Justice:   |                           |  |                     |
| Direct Program:   |                           |  |                     |
| Edward Byrne Memorial Justice Assistance Grant<br>Program/Grants to Units of Local Government, Recovery Act | 16.804                    | N/A  | \$ 12,126           |
| Passed-through Tennessee Administrative Office of the Courts:   |                           |  |                     |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738                    | N/A  | 8,999               |
| Total U.S. Department of Justice  |                           |  | <u>\$ 21,125</u>    |
| U.S. Department of Education:   |                           |  |                     |
| Passed-through State Department of Education:   |                           |  |                     |
| Title I Grants to Local Educational Agencies  | 84.010                    | N/A  | \$ 794,771          |
| Special Education Cluster:  |                           |  |                     |
| Special Education - Grants to States  | 84.027                    | N/A  | 857,336             |
| Special Education - Preschool Grants  | 84.173                    | N/A  | 62,843              |
| Career and Technical Education - Basic Grants to States   | 84.048                    | N/A  | 164,259             |
| Safe and Drug-free Schools and Communities National Programs  | 84.184                    | (2)  | 3,647               |
| Education Technology Cluster:   |                           |  |                     |
| Educational Technology State Grants   | 84.318                    | (2)  | 603                 |
| Education Technology State Grants, Recovery Act   | 84.386                    | (2)  | 7,296               |
| Rural Education   | 84.358                    | (2)  | 71,976              |
| English Language Acquisition State Grants   | 84.365                    | N/A  | 5,151               |
| Improving Teacher Quality State Grants  | 84.367                    | N/A  | 158,672             |
| State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants,<br>Recovery Act                 | 84.395                    | (2)  | 207,755             |
| Education Jobs Fund   | 84.410                    | (2)  | 13,837              |
| Total U.S. Department of Education  |                           |  | <u>\$ 2,348,146</u> |
| National Archives and Records Administration:   |                           |  |                     |
| Passed-through Tennessee Secretary of State:  |                           |  |                     |
| National Historical Publications and Records Grants   | 89.003                    | 30504-00610-14                               | \$ 2,500            |
| Total National Archives and Records Administration  |                           |  | <u>\$ 2,500</u>     |
| U.S. Department of Homeland Security:   |                           |  |                     |
| Passed-through State Department of Military:  |                           |  |                     |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                                     | 97.036                    | FEMA-1974-DR-TN                              | \$ 73,797           |
| Emergency Management Performance Grants   | 97.042                    | GG-08-26107-00                               | 46,000              |
| Homeland Security Grant Program   | 97.067                    | (4)  | 72,492              |
| Total U.S. Department of Homeland Security  |                           |  | <u>\$ 192,289</u>   |
| Total Expenditures of Federal Awards  |                           |  | <u>\$ 6,765,917</u> |

(Continued)

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

| Federal/Pass-through Agency/State<br>Grantor Program Title  | Federal<br>CFDA<br>Number | Contract<br>Number | Expenditures        |
|---|---------------------------|--------------------|---------------------|
| <u>State Grants</u>   |                           |                    |                     |
| Health Department Programs - State Department of Health   | N/A                       | Z-12-43685-00      | \$ 320,941          |
| Early Childhood Education - State Department of Education   | N/A                       | (2)                | 655,569             |
| Lottery for Education Afterschool Program - State Department of Education                                 | N/A                       | (2)                | 245,960             |
| Connection - State Department of Education  | N/A                       | (2)                | 13,910              |
| Coordinated School Health - State Department of Education   | N/A                       | (2)                | 104,482             |
| Family Resource Center - State Department of Education  | N/A                       | (2)                | 29,612              |
| Safe Schools Act of 2003 - State Department of Education  | N/A                       | (2)                | 19,006              |
| Statewide Student Management Systems - State Department of Education                                      | N/A                       | (2)                | 10,254              |
| Student Ticket Subsidy Grant - Tennessee Arts Commission  | N/A                       | (2)                | 750                 |
| Waste Tire Grant - State Department of Environment and Conservation                                       | N/A                       | Z-08-212944-02     | 13,233              |
| Local Planning-Transition Grant - State Department of<br>Economic and Community Development               | N/A                       | GG-12-37867-00     | 6,060               |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)<br>- State Department of Military | N/A                       | 34101-0000009195   | 9,225               |
| Juvenile Justice - State Commission on Children and Youth   | N/A                       | GG-10-29746-00     | 9,000               |
| Litter Program - State Department of Transportation   | N/A                       | (5)                | <u>31,722</u>       |
| Total State Grants  |                           |                    | <u>\$ 1,469,724</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) Total for CFDA No. 10.555 is \$1,045,940.  
(4) DHS-2009-HSGP-Z-2554: \$41,913; DHS-2010-HSGP-Z-5729: \$30,579.  
(5) Z-11-LIT052-00: \$12,589; Z-12-LIT052-00: \$19,133.

Lincoln County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*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, 2011, that have not been corrected.

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

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>  |
|-----------------------|--------------------|---|
| 11.01                 | 183                | The office did not deposit some funds within three days of collection |

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

| <u>Finding Number</u> | <u>Page Number</u> | <u>Subject</u>                        |
|-----------------------|--------------------|---------------------------------------|
| 11.02                 | 183                | Duties were not segregated adequately |

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**LINCOLN COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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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 Water and Waste Disposal Systems for Rural Communities, ARRA (CFDA No. 10.781) and State Fiscal Stabilization Funds – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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 qualified 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 12.01      **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 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.

---

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

**FINDING 12.02      **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 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 of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists due to management's failure to correct the finding noted in the prior-year audit report.

#### **RECOMMENDATION**

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

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## **LINCOLN COUNTY BOARD OF PUBLIC UTILITIES**

**FINDING 12.03**      **SPECIAL REPORT ON THE LINCOLN COUNTY BOARD OF PUBLIC UTILITIES**  
(Noncompliance Under *Government Auditing Standards*)

As the result of numerous allegations, the state Comptroller's Office issued a special report on February 28, 2013, on the Lincoln County Board of Public Utilities for the period January 1, 2008, through December 31, 2011. This special report noted numerous questionable practices. The special report can be accessed at [www.tn.gov/comptroller](http://www.tn.gov/comptroller).

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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 Local Government 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, 2012**

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