ANNUAL FINANCIAL REPORT

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2013

TENNESSEE COMPTROLLER OF THE TREASURY

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FOR THE YEAR ENDED JUNE 30, 2013

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
JACOB KENNEDY, CISA
State Auditors

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

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of the Metropolitan Government of Lynchburg, Moore County as of and for the year ended June 30, 2013.

Results

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

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

Findings and Best Practices

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

OFFICE OF METROPOLITAN MAYOR

- Material audit adjustments were required for proper financial statement presentation.
- The office had purchasing deficiencies.
- General ledger payroll liability accounts were not reconciled.

OFFICE OF DIRECTOR OF SCHOOLS

- Material audit adjustments were required for proper financial statement presentation.
- The office had deficiencies in budget operations.
- The office had purchasing deficiencies.

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

- Duties were not segregated adequately.

BEST PRACTICES

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

- Metropolitan Moore County should adopt a central system of accounting and budgeting.
- Metropolitan Moore County should implement the provisions of the charter that provide for a consolidated Purchasing Department.
- Metropolitan Moore County should establish an Audit Committee.

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials
June 30, 2013

Officials

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

Metropolitan Council

Coleman March, Chairman
Korby Holcomb
Parks Norman
Tommy Brown
Penny Walker
Greg Thompson
Oscar McGee
David Boyce
Jason Weddington
Gordon Millsaps
Linda Wolaver
Marty Copeland
Glenn Searcy
R.D. McKenzie
Wayne Brandon

Board of Education

Lorrie McKenzie, Chairman
Wayne Rhoton
Scott Lund
Richard Riddle
Ronnie Smith

FINANCIAL SECTION

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

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department, which represent 100 percent of the assets, net position, and revenues of the business-type activities and is also a major fund. In addition, we did not audit the financial statements of the discretely presented Moore County Emergency Communications District, which represent five percent, six percent, and three percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., the metropolitan government has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34);* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position)*, which became effective for the year ended June 30, 2013. The metropolitan government early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical*

Corrections-2012-an amendment of GASB Statements No. 10 and No. 62, which have an effective date of June 30, 2014. However, the Metropolitan Lynchburg – Moore County Water and Sewer Department has not early implemented these statements.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plan on pages 79-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

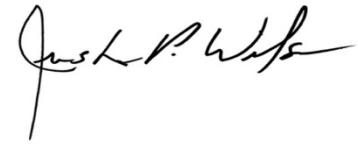
applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the metropolitan government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the metropolitan government's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 16, 2013

JPW/sb

Basic Financial Statements

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
ASSETS					
Cash and Cash Equivalents	$ 275	$ 612,260	$ 612,535	$ 1,378	$ 488,194
Equity in Pooled Cash and Investments	2,963,424	0	2,963,424	893,008	0
Inventories	0	46,046	46,046	14,471	1,444
Accounts Receivable	177,812	90,381	268,193	0	0
Allowance for Uncollectibles	(26,308)	(539)	(26,847)	0	0
Prepaid Items	0	28,432	28,432	0	6,578
Other Receivables	0	25,102	25,102	0	404
Due from Other Governments	420,257	0	420,257	134,090	2,594
Due from Component Unit	161,702	0	161,702	0	0
Unbilled Charges for Services	0	87,733	87,733	0	0
Property Taxes Receivable	2,579,444	0	2,579,444	2,494,376	0
Allowance for Uncollectible Property Taxes	(64,061)	0	(64,061)	(60,854)	0
Restricted Assets:					
Customer Deposits	0	510	510	0	0
Revenue Bond Future Debt Service Account	0	50,184	50,184	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	393,779	92,459	486,238	39,342	168,756
Construction in Progress	0	726,803	726,803	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	1,288,565	0	1,288,565	12,135,516	0
Other Capital Assets	1,080,330	11,392,623	12,472,953	553,639	137,240
Infrastructure	1,992,359	0	1,992,359	0	0
Total Assets	$ 10,967,578	$ 13,151,994	$ 24,119,572	$ 16,204,966	$ 805,210
LIABILITIES					
Accounts Payable	$ 11,905	$ 67,287	$ 79,192	$ 7,156	$ 295
Accrued Payroll	0	17,148	17,148	0	0
Payroll Deductions Payable	20,340	0	20,340	215,578	0
Accrued Interest Payable	7,000	7,794	14,794	0	0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
LIABILITIES (CONT.)					
Retainage Payable	$ 0	$ 28,629	$ 28,629	$ 0	$ 0
Other Current Liabilities	0	105,989	105,989	0	0
Due to Primary Government	0	0	0	161,702	0
Accrued Leave - Current	0	15,652	15,652	0	0
Noncurrent Liabilities:					
Due Within One Year	439,421	149,538	588,959	13,852	0
Due in More Than One Year (net of unamortized loan costs)	9,964,968	5,284,368	15,249,336	566,757	0
Total Liabilities	$ 10,443,634	$ 5,676,405	$ 16,120,039	$ 965,045	$ 295
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 2,465,974	$ 0	$ 2,465,974	$ 2,390,710	$ 0
Total Deferred Inflows of Resources	$ 2,465,974	$ 0	$ 2,465,974	$ 2,390,710	$ 0
NET POSITION					
Net Investment in Capital Assets	$ 3,275,918	$ 6,591,023	$ 9,866,941	$ 12,728,497	$ 305,996
Restricted for:					
Finance	3,002	0	3,002	0	0
Administration of Justice	47,682	0	47,682	0	0
Public Health and Welfare	251,678	0	251,678	0	0
Debt Service	1,286,890	50,184	1,337,074	0	0
Highway/Public Works	672,018	0	672,018	0	0
Public Safety	50,380	0	50,380	0	0
Other Operations	44,450	0	44,450	0	0
Education	0	0	0	11,857	0
Central Cafeteria	0	0	0	141,321	0
Other Purposes	569	0	569	0	0
Unrestricted	(7,574,617)	834,382	(6,740,235)	(32,464)	498,919
Total Net Position	$ (1,942,030)	$ 7,475,589	$ 5,533,559	$ 12,849,211	$ 804,915

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

Exhibit B

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Metropolitan School Department	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	$ 497,731	$ 61,525	$ 15,164	$ 0	$ (421,042)	$ 0	$ (421,042)	$ 0	$ 0
Finance	252,522	195,435	0	0	(57,087)	0	(57,087)	0	0
Administration of Justice	280,552	93,535	4,500	0	(182,517)	0	(182,517)	0	0
Public Safety	1,518,774	128,789	68,041	0	(1,321,944)	0	(1,321,944)	0	0
Public Health and Welfare	961,662	376,568	137,876	14,939	(432,279)	0	(432,279)	0	0
Social, Cultural, and Recreational Services	263,331	11,035	9,124	7,700	(235,472)	0	(235,472)	0	0
Agriculture and Natural Resources	66,848	0	0	0	(66,848)	0	(66,848)	0	0
Other Operations	13,536	0	0	0	(13,536)	0	(13,536)	0	0
Highways/Public Works	765,480	0	1,198,078	24,215	456,813	0	456,813	0	0
Interest on Long-term Debt	71,248	0	0	0	(71,248)	0	(71,248)	0	0
Other Debt Service	66,697	0	0	0	(66,697)	0	(66,697)	0	0
Total Governmental Activities	$ 4,758,381	$ 866,887	$ 1,432,783	$ 46,854	$ (2,411,857)	$ 0	$ (2,411,857)	$ 0	$ 0
Business-type Activities:									
Water and Sewer Department	$ 1,771,447	$ 1,962,887	$ 163,126	$ 0	$ 0	$ 354,566	$ 354,566	$ 0	$ 0
Total Business-type Activities	$ 1,771,447	$ 1,962,887	$ 163,126	$ 0	$ 0	$ 354,566	$ 354,566	$ 0	$ 0
Total Primary Government	$ 6,529,828	$ 2,829,774	$ 1,595,909	$ 46,854	$ (2,411,857)	$ 354,566	$ (2,057,291)	$ 0	$ 0
Component Units:									
Metropolitan School Department	$ 9,086,528	$ 306,760	$ 881,718	$ 49,550	$ 0	$ 0	$ 0	$ (7,848,500)	$ 0
Emergency Communications District	81,696	158,926	82,585	0	0	0	0	0	159,815
Total Component Units	$ 9,168,224	$ 465,686	$ 964,303	$ 49,550	$ 0	$ 0	$ 0	$ (7,848,500)	$ 159,815

(Continued)

Exhibit B

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Metropolitan School Department	Component Units: Emergency Communications District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes					$ 2,068,632	$ 0	$ 2,068,632	$ 2,313,279	$ 0
Property Taxes Levied for Debt Service					584,781	0	584,781	0	0
Local Option Sales Tax					378,835	0	378,835	381,332	0
Wholesale Beer Tax					73,680	0	73,680	0	0
Business Tax					30,555	0	30,555	0	0
Litigation Tax - General					19,568	0	19,568	0	0
Litigation Tax - Public Defender					15,352	0	15,352	0	0
Other Local Taxes					4,724	0	4,724	494	0
Grants and Contributions Not Restricted to Specific Programs					587,187	0	587,187	4,762,815	0
Unrestricted Investment Income					26,772	3,244	30,016	213	3,043
Miscellaneous					21,649	0	21,649	20,181	0
Total General Revenues					$ 3,811,735	$ 3,244	$ 3,814,979	$ 7,478,314	$ 3,043
Transfers					$ 23,284	$ (23,284)	$ 0	$ 0	$ 0
Change in Net Position					$ 1,423,162	$ 334,526	$ 1,757,688	$ (370,186)	$ 162,858
Net Position, July 1, 2012					(3,365,192)	7,141,063	3,775,871	13,219,397	642,057
Net Position, June 30, 2013					$ (1,942,030)	$ 7,475,589	$ 5,533,559	$ 12,849,211	$ 804,915

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

Exhibit C-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 275	$ 0	$ 0	$ 0	$ 275
Equity in Pooled Cash and Investments	863,501	498,649	1,234,229	367,045	2,963,424
Accounts Receivable	115,139	0	25,989	36,684	177,812
Allowance for Uncollectibles	(25,781)	0	0	(527)	(26,308)
Due from Other Governments	173,748	213,837	32,672	0	420,257
Property Taxes Receivable	1,785,293	30,811	546,845	216,495	2,579,444
Allowance for Uncollectible Property Taxes	(44,257)	(739)	(13,704)	(5,361)	(64,061)
Total Assets	$ 2,867,918	$ 742,558	$ 1,826,031	$ 614,336	$ 6,050,843
LIABILITIES					
Accounts Payable	$ 0	$ 7,444	$ 0	$ 4,461	$ 11,905
Payroll Deductions Payable	9,756	10,547	0	37	20,340
Total Liabilities	$ 9,756	$ 17,991	$ 0	$ 4,498	$ 32,245
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 1,707,650	$ 29,400	$ 522,340	$ 206,584	$ 2,465,974
Deferred Delinquent Property Taxes	30,295	672	9,801	4,133	44,901
Other Deferred/Unavailable Revenue	122,963	110,018	17,317	17,209	267,507
Total Deferred Inflows of Resources	$ 1,860,908	$ 140,090	$ 549,458	$ 227,926	$ 2,778,382
FUND BALANCES					
Restricted:					
Restricted for Finance	$ 3,002	$ 0	$ 0	$ 0	$ 3,002
Restricted for Administration of Justice	47,682	0	0	0	47,682
Restricted for Public Safety	1,779	0	0	48,601	50,380
Restricted for Public Health and Welfare	536	0	0	232,048	232,584
Restricted for Other Operations	15,899	0	0	0	15,899
Restricted for Highways/Public Works	0	584,477	0	0	584,477
Restricted for Debt Service	0	0	750,116	0	750,116
Restricted for Other Purposes	0	0	0	28,551	28,551
Committed:					
Committed for Public Health and Welfare	0	0	0	72,712	72,712
Committed for Debt Service	0	0	526,457	0	526,457
Assigned:					
Assigned for Public Safety	24,950	0	0	0	24,950
Assigned for Capital Outlay	31	0	0	0	31
Unassigned	903,375	0	0	0	903,375
Total Fund Balances	$ 997,254	$ 584,477	$ 1,276,573	$ 381,912	$ 3,240,216
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,867,918	$ 742,558	$ 1,826,031	$ 614,336	$ 6,050,843

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

Exhibit C-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2013

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:		
Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 3,240,216
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 393,779	
Add: buildings and improvements net of accumulated depreciation	1,288,565	
Add: other capital assets net of accumulated depreciation	1,080,330	
Add: infrastructure net of accumulated depreciation	1,992,359	4,755,033
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Add: due from component unit for debt retirement	$ 161,702	
Less: note payable	(476,000)	
Less: other loans payable	(9,689,980)	
Less: capital lease payable	(161,702)	
Less: compensated absences payable	(76,707)	
Less: accrued interest on note	(7,000)	(10,249,687)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		312,408
Net position of governmental activities (Exhibit A)		$ (1,942,030)

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 2,136,242	$ 57,000	$ 1,016,201	$ 237,209	$ 3,446,652
Licenses and Permits	22,404	0	0	4,734	27,138
Fines, Forfeitures, and Penalties	27,457	0	0	10,204	37,661
Charges for Current Services	177,745	0	0	175,482	353,227
Other Local Revenues	65,807	11,350	0	30,374	107,531
Fees Received from County Officials	285,973	0	0	0	285,973
State of Tennessee	556,470	1,198,362	0	30,680	1,785,512
Federal Government	62,293	23,680	0	0	85,973
Other Governments and Citizens Groups	57,961	0	29,100	0	87,061
Total Revenues	$ 3,392,352	$ 1,290,392	$ 1,045,301	$ 488,683	$ 6,216,728
Expenditures					
Current:					
General Government	$ 476,139	$ 0	$ 0	$ 18,531	$ 494,670
Finance	195,062	0	0	77	195,139
Administration of Justice	221,168	0	0	0	221,168
Public Safety	1,160,552	0	0	7,869	1,168,421
Public Health and Welfare	452,327	0	0	403,433	855,760
Social, Cultural, and Recreational Services	182,691	0	0	0	182,691
Agriculture and Natural Resources	53,814	0	0	0	53,814
Other Operations	469,305	0	0	0	469,305
Highways	0	983,835	0	0	983,835
Debt Service:					
Principal on Debt	0	0	636,595	0	636,595
Interest on Debt	0	0	74,461	0	74,461
Other Debt Service	0	0	66,697	0	66,697
Total Expenditures	$ 3,211,058	$ 983,835	$ 777,753	$ 429,910	$ 5,402,556
Excess (Deficiency) of Revenues Over Expenditures	$ 181,294	$ 306,557	$ 267,548	$ 58,773	$ 814,172
Other Financing Sources (Uses)					
Transfers In	$ 0	$ 0	$ 23,284	$ 0	$ 23,284
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 23,284	$ 0	$ 23,284
Net Change in Fund Balances	$ 181,294	$ 306,557	$ 290,832	$ 58,773	$ 837,456
Fund Balance, July 1, 2012	815,960	277,920	985,741	323,139	2,402,760
Fund Balance, June 30, 2013	$ 997,254	$ 584,477	$ 1,276,573	$ 381,912	$ 3,240,216

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

Exhibit C-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2013

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)		$ 837,456
(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	$ 480,654	
Less: current-year depreciation expense	(480,897)	(243)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	$ 312,408	
Less: deferred delinquent property taxes and other deferred June 30, 2012	(350,151)	(37,743)
(3) The issuance of long-term debt (e.g., notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: debt service contributions for principal to primary government	$ (20,726)	
Add: principal payments on notes	276,869	
Add: principal payments on other loans	339,000	
Add: principal payments on capital lease	20,726	615,869
(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 accrued interest payable	$ 3,213	
Change in compensated absences payable	4,610	7,823
Change in net position of governmental activities (Exhibit B)		$ 1,423,162

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

Exhibit C-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 2,136,242	$ 2,003,500	$ 2,003,500	$ 132,742
Licenses and Permits	22,404	15,400	15,400	7,004
Fines, Forfeitures, and Penalties	27,457	28,770	28,770	(1,313)
Charges for Current Services	177,745	132,675	132,675	45,070
Other Local Revenues	65,807	68,700	69,605	(3,798)
Fees Received from County Officials	285,973	250,200	250,200	35,773
State of Tennessee	556,470	561,119	597,359	(40,889)
Federal Government	62,293	7,500	36,128	26,165
Other Governments and Citizens Groups	57,961	5,750	55,152	2,809
Total Revenues	$ 3,392,352	$ 3,073,614	$ 3,188,789	$ 203,563
Expenditures				
General Government				
County Commission	$ 115,132	$ 136,300	$ 136,300	$ 21,168
County Mayor/Executive	120,570	118,491	122,783	2,213
County Attorney	6,655	7,155	7,155	500
Election Commission	72,771	79,205	79,859	7,088
Register of Deeds	61,289	61,512	65,817	4,528
Planning	20,229	13,732	20,232	3
County Buildings	72,757	76,550	76,550	3,793
Preservation of Records	6,736	6,916	6,916	180
Finance				
Property Assessor's Office	66,149	66,989	66,989	840
County Trustee's Office	63,030	62,416	63,409	379
County Clerk's Office	65,883	66,822	66,827	944
Administration of Justice				
Circuit Court	75,005	79,089	80,601	5,596
General Sessions Court	66,026	66,476	66,476	450
Chancery Court	57,681	61,086	61,086	3,405
Juvenile Court	9,000	9,000	9,000	0
Judicial Commissioners	13,456	14,751	14,751	1,295
Public Safety				
Sheriff's Department	732,359	726,505	769,078	36,719
Administration of the Sexual Offender Registry	356	942	942	586
Jail	327,406	340,414	350,046	22,640
Commissary	806	2,535	2,535	1,729
Fire Prevention and Control	66,322	83,124	83,124	16,802
Other Emergency Management	33,303	11,400	40,028	6,725
Public Health and Welfare				
Local Health Center	103,937	109,539	113,554	9,617
Ambulance/Emergency Medical Services	345,158	360,309	387,697	42,539
Alcohol and Drug Programs	732	2,430	2,430	1,698
Regional Mental Health Center	2,500	2,500	2,500	0
Social, Cultural, and Recreational Services				
Senior Citizens Assistance	8,500	8,500	8,500	0
Libraries	94,210	94,035	95,678	1,468
Parks and Fair Boards	79,981	61,781	84,178	4,197

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Agriculture and Natural Resources				
Agriculture Extension Service	$ 47,855	$ 60,691	$ 60,691	$ 12,836
Forest Service	350	350	350	0
Soil Conservation	5,609	5,763	5,798	189
Other Operations				
Tourism	4,437	6,300	6,300	1,863
Veterans' Services	1,956	2,139	2,139	183
Other Charges	6,657	7,500	7,500	843
Employee Benefits	456,255	665,500	665,500	209,245
Total Expenditures	$ 3,211,058	$ 3,478,747	$ 3,633,319	$ 422,261
Excess (Deficiency) of Revenues Over Expenditures	$ 181,294	$ (405,133)	$ (444,530)	$ 625,824
Other Financing Sources (Uses)				
Insurance Recovery	$ 0	$ 2,500	$ 7,963	$ (7,963)
Transfers In	0	30,000	30,000	(30,000)
Total Other Financing Sources	$ 0	$ 32,500	$ 37,963	$ (37,963)
Net Change in Fund Balance	$ 181,294	$ (372,633)	$ (406,567)	$ 587,861
Fund Balance, July 1, 2012	815,960	710,108	710,108	105,852
Fund Balance, June 30, 2013	$ 997,254	$ 337,475	$ 303,541	$ 693,713

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

Exhibit C-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 57,000	$ 30,170	$ 41,462	$ 15,538
Other Local Revenues	11,350	13,792	2,500	8,850
State of Tennessee	1,198,362	1,354,620	1,354,620	(156,258)
Federal Government	23,680	0	0	23,680
Total Revenues	$ 1,290,392	$ 1,398,582	$ 1,398,582	$ (108,190)
Expenditures				
Highways				
Administration	$ 175,972	$ 167,109	$ 178,109	$ 2,137
Highway and Bridge Maintenance	565,084	654,430	657,430	92,346
Operation and Maintenance of Equipment	151,416	154,655	154,655	3,239
Other Charges	44,201	50,900	50,900	6,699
Employee Benefits	27,208	29,000	29,000	1,792
Capital Outlay	19,954	300,000	286,000	266,046
Total Expenditures	$ 983,835	$ 1,356,094	$ 1,356,094	$ 372,259
Excess (Deficiency) of Revenues Over Expenditures	$ 306,557	$ 42,488	$ 42,488	$ 264,069
Net Change in Fund Balance	$ 306,557	$ 42,488	$ 42,488	$ 264,069
Fund Balance, July 1, 2012	277,920	216,770	216,770	61,150
Fund Balance, June 30, 2013	$ 584,477	$ 259,258	$ 259,258	$ 325,219

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2013

	Major Enterprise Fund Water and Sewer Department
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 612,260
Inventories	46,046
Accounts Receivable	90,381
Allowance for Uncollectibles	(539)
Prepaid Insurance	28,432
Other Receivables	25,102
Unbilled Charges for Services	87,733
Total Current Assets	$ 889,415
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	$ 510
Revenue Bond Future Debt Service Account	50,184
Capital Assets:	
Assets Not Depreciated:	
Land	92,459
Construction in Progress	726,803
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	11,392,623
Total Noncurrent Assets	$ 12,262,579
Total Assets	$ 13,151,994
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 67,287
Retainage Payable	28,629
Accrued Payroll	17,148
Accrued Leave	15,652
Accrued Interest Payable	7,794
Current Portion of Long-term Liabilities	149,538
Line of Credit	69,937
Deferred Fees	10,991
Customer Deposits	25,061
Total Current Liabilities	$ 392,037
Noncurrent Liabilities:	
Due in More Than One Year (net of unamortized loans costs)	$ 5,284,368
Total Noncurrent Liabilities	$ 5,284,368
Total Liabilities	$ 5,676,405
NET POSITION	
Net Investment in Capital Assets	$ 6,591,023
Restricted for Debt Service	50,184
Unrestricted	834,382
Total Net Position	$ 7,475,589

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2013

	Major Enterprise Fund Water and Sewer Department
Operating Revenues	
Charges for Current Services	$ 1,962,887
Total Operating Revenues	$ 1,962,887
Operating Expenses	
Public Health and Welfare	$ 1,068,900
Depreciation	452,753
Total Operating Expenses	$ 1,521,653
Operating Income (Loss)	$ 441,234
Nonoperating Revenues (Expenses)	
Investment Income	$ 3,244
Interest Expense	(203,644)
Loss on Disposal of Capital Assets	(46,150)
Total Nonoperating Revenues (Expenses)	$ (246,550)
Income (Loss) Before Contributions, Grants, and Transfers	$ 194,684
Tap Fees in Excess of Costs	8,057
Contributions from Developers	32,471
Transfers to General Debt Service Fund	(23,284)
Grants	122,598
Change in Net Position	$ 334,526
Net Position, July 1, 2012	7,141,063
Net Position, June 30, 2013	$ 7,475,589

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Major Enterprise Fund Water and Sewer Department
Cash Flows from Operating Activities	
Receipts from Customers and Users	$ 2,020,965
Payments to Suppliers	(626,883)
Payments to Employees	(514,347)
Net Cash Provided By (Used In) Operating Activities	$ 879,735
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	$ (682,317)
Capital Contributions	149,775
Proceeds from Capital Debt	492,685
Draws on Line of Credit	580,585
Principal Payments on Long-term Debt	(898,252)
Interest Payments on Long-term Debt	(205,225)
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (562,749)
Cash Flows from Noncapital Financing Activities	
Transfers to Metropolitan Government	$ (23,284)
Net Cash Provided By (Used In) Noncapital Financing Activities	$ (23,284)
Cash Flows from Investing Activities	
Certificate of Deposit	$ (21)
Investment Income	3,244
Net Cash Provided By (Used In) Investing Activities	$ 3,223
Increase (Decrease) in Cash	$ 296,925
Cash, July 1, 2012	258,609
Cash, June 30, 2013	$ 555,534

(Continued)

Exhibit D-3

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

	Major Enterprise Fund Water and Sewer Department
Reconciliation of Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ 441,234
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	452,753
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	12,499
(Increase) Decrease in Other Assets	(22,945)
(Increase) Decrease in Other Accrued Revenue	7,136
(Increase) Decrease in Inventories	10,722
Increase (Decrease) in Accounts Payable	(10,591)
Increase (Decrease) in Accrued Wages and Payroll	3,114
Increase (Decrease) in Accrued Vacation Pay	65
Increase (Decrease) in Customer Deposits and Deferred Fees	(14,252)
Net Cash Provided By (Used In) Operating Activities	$ 879,735
Reconciliation of Cash with Statement of Net Position	
Cash and Cash Equivalents Per Net Position	$ 612,260
Revenue Bond Future Debt Service Account Per Net Position	50,184
Certificates of Deposit	(106,910)
Cash, June 30, 2013	$ 555,534

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

Exhibit E

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2013

	Agency Fund
ASSETS	
Cash	$ 18,252
Total Assets	$ 18,252
LIABILITIES	
Due to Litigants, Heirs, and Others	$ 18,252
Total Liabilities	$ 18,252

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

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE
Index of Notes to the Financial Statements

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THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

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

Administrative Office:

Moore County Emergency Communications District
P.O. Box 8051
Lynchburg, TN 37352

B. Government-wide and Fund Financial Statements

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

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

The Metropolitan Government of Lynchburg, Moore County issues all debt for the discretely presented Metropolitan School Department. There were no debt issues contributed by the metropolitan government to the School Department during the year ended June 30, 2013.

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

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

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

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

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

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

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

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

The metropolitan government reports the following major governmental funds:

> **General Fund** – This is the metropolitan government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **Highway/Public Works Fund** – This special revenue fund accounts for transactions of the metropolitan government's Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.
>
> **General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund type:

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

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

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

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

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

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

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

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

1. Deposits and Investments

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

The metropolitan trustee maintains a cash and internal investment pool that is used by all funds (excluding the Water and Sewer Fund, enterprise fund) and the discretely presented Metropolitan School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. The metropolitan government and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost.

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

2. Receivables and Payables

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

All ambulance, solid waste collection fees, and property taxes receivables are shown with allowances for uncollectibles. Ambulance and solid waste receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to one-half percent of total taxes levied.

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the

following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Inventories

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

4. Capital Assets

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

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

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

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

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

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The metropolitan government has no items that qualify for reporting in this category.

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

6. Compensated Absences

Primary Government

It is the metropolitan government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the metropolitan government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred for the metropolitan government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Metropolitan School Department

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

for accrued sick leave exists. A liability for annual leave is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

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

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

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

8. Net Position and Fund Balance

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

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

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors,

grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, the metropolitan government had $8,686,865 in outstanding debt for capital purposes for the discretely presented Metropolitan School Department. This debt is a liability of the metropolitan government, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, the metropolitan government has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the metropolitan government's capital assets.

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

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

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

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Metropolitan School Department

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

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

Primary Government

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

Discretely Presented Metropolitan School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Metropolitan Council and the Board of Education in major appropriation categories (the legal level of control) of the General Purpose School Fund:

Major Appropriation Category	Amount Overspent
Board of Education	$ 1,660
Director of Schools	10,358
Transportation	5,867

Expenditures exceeded total appropriations in the Central Cafeteria Fund by $36,976.

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the affected funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

in an escrow account in a second bank for the benefit of the metropolitan government.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the 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 metropolitan government had no pooled and nonpooled investments as of June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	$ 393,779	$ 0	$ 0	$ 393,779
Construction in Progress	151,189	0	(151,189)	0
Total Capital Assets Not Depreciated	$ 544,968	$ 0	$ (151,189)	$ 393,779

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and Improvements	$ 2,246,892	$ 75,224	$ 0	$ 2,322,116
Other Capital Assets	3,826,829	140,251	(14,000)	3,953,080
Roads and Bridges	2,179,361	416,368	0	2,595,729
Total Capital Assets Depreciated	$ 8,253,082	$ 631,843	$ (14,000)	$ 8,870,925
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 1,000,120	$ 33,431	$ 0	$ 1,033,551
Other Capital Assets	2,600,529	286,221	(14,000)	2,872,750
Roads and Bridges	442,125	161,245	0	603,370
Total Accumulated Depreciation	$ 4,042,774	$ 480,897	$ (14,000)	$ 4,509,671
Total Capital Assets Depreciated, Net	$ 4,210,308	$ 150,946	$ 0	$ 4,361,254
Governmental Activities Capital Assets, Net	$ 4,755,276	$ 150,946	$ (151,189)	$ 4,755,033

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

Governmental Activities:

General Government	$ 15,888
Administration of Justice	540
Public Safety	122,020
Public Health and Welfare	47,002
Social, Cultural, and Recreational Services	81,034
Highway/Public Works	214,413
Total Depreciation Expense - Governmental Activities	$ 480,897

Discretely Presented Metropolitan School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	$ 39,342	$ 0	$ 0	$ 39,342
Construction in Progress	454,684	0	(454,684)	0
Total Capital Assets Not Depreciated	$ 494,026	$ 0	$ (454,684)	$ 39,342
Capital Assets Depreciated:				
Buildings and Improvements	$ 19,004,398	$ 498,494	$ 0	$ 19,502,892
Other Capital Assets	1,220,736	143,335	(158,422)	1,205,649
Total Capital Assets Depreciated	$ 20,225,134	$ 641,829	$ (158,422)	$ 20,708,541
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 6,955,616	$ 411,760	$ 0	$ 7,367,376
Other Capital Assets	754,972	55,460	(158,422)	652,010
Total Accumulated Depreciation	$ 7,710,588	$ 467,220	$ (158,422)	$ 8,019,386
Total Capital Assets Depreciated, Net	$ 12,514,546	$ 174,609	$ 0	$ 12,689,155
Governmental Activities Capital Assets, Net	$ 13,008,572	$ 174,609	$ (454,684)	$ 12,728,497

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

Governmental Activities:

Instruction	$ 390,041
Support Services	70,090
Operation of Non-Instructional Services	7,089
Total Depreciation Expense - Governmental Activities	$ 467,220

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Primary Government and Component Units:

Receivable	Payable	Amount
Primary Government	Component Unit: Metropolitan School Department	$ 161,702

This receivable/payable is for principal on debt issued by the primary government for the School Department, which is being retired (contributed) by the School Department to the primary government.

Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following amount:

Primary Government

Transfer Out	Transfer In: General Debt Service Fund
Water and Sewer Fund	$ 23,284

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

D. Capital Lease

On September 17, 2008, the metropolitan government entered into an 11-year lease-purchase agreement for the School Department for a TAC Energy Management System. The terms of the agreement require total lease payments of $244,766 plus interest of 4.79 percent. Title to the equipment will transfer to the School Department at the end of the lease period. The School Department is making contributions to the metropolitan government's General Debt Service Fund for these lease payments.

The assets acquired through the capital lease are as follows:

Assets		Governmental Activities
Equipment	$	244,766
Less: Accumulated Depreciation		(112,831)
Total Book Value	$	131,935

Future minimum lease payments and the net present value of these lease payments as of June 30, 2013, were as follows:

Year Ending June 30		Governmental Funds
2014	$	29,101
2015		29,100
2016		29,101
2017		29,100
2018		29,100
2019-2020		43,650
Total Minimum Lease Payments	$	189,152
Less: Amount Representing Interest		(27,450)
Present Value of Minimum Lease Payments	$	161,702

E. Long-term Obligations

Primary Government

Note and Other Loans

The metropolitan government issues other loans to provide funds for the construction of major capital facilities for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital lease outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
Capital Outlay Notes	2.62 %	12-1-23	$ 510,000	$ 476,000
Other Loans	variable	5-25-35	11,271,980	9,689,980
Capital Leases	4.79	12-15-19	244,766	161,702

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to make $8,300,000 and $3,000,000 available for loan to the metropolitan government on an as-needed basis for various capital projects. As of June 30, 2013, the metropolitan government had borrowed $8,300,000 and $2,971,980, respectively, of those amounts authorized. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2013, the variable interest rate was .27 percent, and other fees totaled approximately .55 percent (letter of credit), .08 percent (remarketing), and $85 per month (trustee) for the $8,300,000 loan. At June 30, 2013, the variable interest rate was .26 percent, and other fees totaled approximately .54 percent (letter of credit), .08 percent month (remarketing), and $85 per month (trustee) for the $3,000,000 loan.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	$ 36,000	$ 12,000	$ 48,000
2015	37,000	11,043	48,043
2016	38,000	10,061	48,061
2017	40,000	9,039	49,039
2018	41,000	7,978	48,978
2019-2023	232,000	22,454	254,454
2024	52,000	680	52,680
Total	$ 476,000	$ 73,255	$ 549,255

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	$ 351,000	$ 25,696	$ 62,899	$ 439,595
2015	365,000	24,766	60,697	450,463
2016	377,000	23,800	58,408	459,208
2017	391,000	22,802	56,043	469,845
2018	405,000	21,767	53,591	480,358
2019-2023	2,261,000	91,933	227,914	2,580,847
2024-2028	2,676,980	59,750	151,584	2,888,314
2029-2033	1,980,000	27,909	71,156	2,079,065
2034-2035	883,000	3,546	10,342	896,888
Total	$ 9,689,980	$ 301,969	$ 752,634	$ 10,744,583

There is $1,276,573 available in the General Debt Service Fund to service long-term debt. Debt per capita, including the note, other loans, and the capital lease totaled $1,623, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
Capital Lease	
Payable through General Purpose School Fund	
TAC Energy Management System	$ 161,702

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Notes	Other Loans
Balance, July 1, 2012	$ 752,869	$ 10,028,980
Reductions	(276,869)	(339,000)
Balance, June 30, 2013	$ 476,000	$ 9,689,980
Balance Due Within One Year	$ 36,000	$ 351,000

	Capital Lease	Compensated Absences
Balance, July 1, 2012	$ 0	$ 81,317
Reclassification of School Debt	182,428	0
Additions	0	112,808
Reductions	(20,726)	(117,418)
Balance, June 30, 2013	$ 161,702	$ 76,707
Balance Due Within One Year	$ 21,738	$ 30,683

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	$ 10,404,389
Less: Balance Due Within One Year	(439,421)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 9,964,968

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

Discretely Presented Metropolitan School Department

Changes in Long-term Obligations

Long-term obligations activity for the School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:	Capital Lease	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	$ 182,428	$ 13,852	$ 540,319
Additions	0	15,834	130,672
Reductions	0	(15,834)	(104,234)
Reclassification of School Debt	(182,428)	0	0
Balance, June 30, 2013	$ 0	$ 13,852	$ 566,757
Balance Due Within One Year	$ 0	$ 13,852	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	$ 580,609
Less: Due Within One Year	(13,852)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 566,757

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

F. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Metropolitan School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were $14,758 and $8,718, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

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

Employee Health Insurance

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34);* Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The metropolitan government early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62,* which have an effective date of June 30, 2014. However, the Metropolitan Lynchburg – Moore County Water and Sewer Department did not early implement these statements.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Contingent Liabilities

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

D. Change in Administration

Assessor of Property Wayne Harrison resigned on August 31, 2012, and was succeeded by Darin Harrison effective September 1, 2012.

E. Joint Ventures

The Seventeenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Seventeenth Judicial District, Marshall, Lincoln, Moore, and Bedford counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. The metropolitan government did not contribute to the DTF for the year ended June 30, 2013.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Giles, Franklin, Moore and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each participating County Commission or City Council appointed the authority's board for varying terms of office. The metropolitan government made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2013.

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

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

Administrative Offices:

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

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

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

Employees of the metropolitan government 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 metropolitan government 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

Metropolitan Government Employees

The metropolitan government requires employees to contribute five percent of their earnable compensation to the plan. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 10.46 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.

School Department Employees

The metropolitan government requires employees to contribute five percent of their earnable compensation to the plan. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 2.78 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

Metropolitan Government Employees

For the year ended June 30, 2013, the metropolitan government's annual pension cost of $51,921 to TCRS was equal to the metropolitan government's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 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 metropolitan government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was seven years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	$51,921	100%	$0
6-30-12	47,159	100	0
6-30-11	47,170	100	0

School Department Employees

For the year ended June 30, 2013, the metropolitan government's annual pension cost of $29,897 to TCRS was equal to the metropolitan government's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 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 metropolitan government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	$29,897	100%	$0
6-30-12	63,053	100	0
6-30-11	63,927	100	0

Funded Status and Funding Progress

Metropolitan Government Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 86.02 percent funded. The actuarial accrued liability for benefits was $1.26 million, and the actuarial value of assets was $1.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.18 million. The covered payroll (annual payroll of active employees covered by the plan) was $.44 million, and the ratio of the UAAL to the covered payroll was 40.14 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 Department Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was $3.03 million, and the actuarial value of assets was $3.03 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was $1.04 million, and the ratio of the UAAL to the covered payroll was zero.

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 Metropolitan 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 SETHEEPP. 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.

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, 2013, was 8.88 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, 2013, 2012, and 2011, were $346,406, $351,043, and $344,533, respectively, equal to the required contributions for each year.

2. Deferred Compensation

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

G. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 members in the Medicare Supplement Plan. The School Department retirees' contributions vary depending on the insurance options they select, ranging from $0 to $476 per month. The School Department recognized expenditures of $104,234 for postemployment health care during the year ended June 30, 2013.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Insurance Plan
ARC	$ 132,000
Interest on the NOPEBO	21,613
Adjustment to the ARC	(22,941)
Annual OPEB cost	$ 130,672
Amount of contribution	(104,234)
Increase/decrease in NOPEBO	$ 26,438
Net OPEB obligation, 7-1-12	540,319
Net OPEB obligation, 6-30-13	$ 566,757

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	$ 176,951	49%	$ 490,854
6-30-12	"	129,793	62	540,319
6-30-13	"	130,672	80	566,757

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 Insurance Plan
Actuarial valuation date		7-1-11
Actuarial accrued liability (AAL)	$	1,137
Actuarial value of plan assets	$	0
Unfunded actuarial accrued liability (UAAL)	$	1,137
Actuarial value of assets as a % of the AAL		0%
Covered payroll (active plan members)	$	4,809
UAAL as a % of covered payroll		24%

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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 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 July 1, 2007.

H. Purchasing Law

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

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

1. Purchase orders are required for all purchases estimated to exceed $500.

2. Purchase orders shall be approved by the metropolitan mayor for the general metropolitan government, the director of schools for the School Department, and the highway superintendent for the Highway Department.

3. Evidence of receiving goods or services should be noted on all invoices prior to payment.

4. The Metropolitan Council set the bid requirements for the Office of Metropolitan Mayor to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for competitive bids on all purchases exceeding $10,000.

5. The Metropolitan Council set the bid requirements for the Office of Highway Superintendent to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *TCA* and the Uniform Road Law, Section 54-7-113, *TCA*, which provide for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

6. The Metropolitan Council set the bid requirements for the Office of Director of Schools to follow the general statutes applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding $10,000.

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

A. General

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

B. Summary of Significant Accounting Policies

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

Accounting Method – These financial statements have been prepared on the accrual basis of accounting. The department accrues the unbilled revenue from the dates of the most recent meter readings to the balance sheet date.

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

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

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

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

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

Amortization of Deferred Loan Costs – Deferred loan costs are being amortized on the straight-line method over the life of the bonds.

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

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

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

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

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

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

C. Utility Plant Additions and Retirements

Business-type Activities:

	Balance 7-1-12	Additions	Deductions	Balance 6-30-13
Capital Assets Not Depreciated or Amortized:				
Land and Land Rights	$ 92,459	$ 0	$ 0	$ 92,459
Construction in Progress	88,900	637,903	0	726,803
Total Capital Assets Not Depreciated or Amortized	$ 181,359	$ 637,903	$ 0	$ 819,262

Business-type Activities (Cont.):

	Balance 7-1-12	Additions	Deductions	Balance 6-30-13
Other Capital Assets:				
General	$ 338,563	$ 0	$ 0	$ 338,563
Water	13,399,998	97,338	0	13,497,336
Sewer	1,794,296	0	(163,941)	1,630,355
Maintenance	142,615	3,700	0	146,315
Acquistion Adjustment	301,099	0	0	301,099
Utility Plant	$ 15,976,571	$ 101,038	$ (163,941)	$ 15,913,668
Less Accumulated Depreciation/ Amortization for:				
General	$ 133,186	$ 18,232	$ 0	$ 151,418
Water	2,749,517	358,602	0	3,108,119
Sewer	1,152,431	47,264	(117,791)	1,081,904
Maintenance	82,562	12,243	0	94,805
Acquistion Adjustment	69,744	15,055	0	84,799
Total Accumulated Depreciation/ Amortization	$ 4,187,440	$ 451,396	$ (117,791)	$ 4,521,045
Other Capital Assets, Net	$ 11,789,131	$ (350,358)	$ (46,150)	$ 11,392,623
Business-type Activities Capital Assets, Net	$ 11,970,490	$ 287,545	$ (46,150)	$ 12,211,885

D. Cash and Restricted Funds

The following is a summary of cash and restricted funds at June 30, 2013:

	Cash Equivalents	Certificates of Deposit	Total
Cash for General Use	$ 555,534	$ 56,726	$ 612,260
Restricted Funds:			
Bond Reserve Fund	0	50,184	50,184
Total	$ 555,534	$ 106,910	$ 662,444

The Bond Reserve Fund is restricted for future bond and interest payments. The department has also designated $411,710 to be used to fund capital asset replacements.

Legal Provisions: All deposits with financial institutions must be secured by one of two methods depending on whether the financial institution participates in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount

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

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

E. Revenue Bonds

A summary of revenue bond transactions for the year ended June 30, 2013, includes the following:

Balance, July 1, 2012	$ 4,210,559
Reductions	(129,338)
	4,081,221
Less current maturities	(62,817)
Balance, less current maturities, June 30, 2013	$ 4,018,404

Details of water and sewer revenue bonds are as follows:

Series 1997 Water Revenue and Tax Bonds, 4.875%, payable $1,459 per month including principal and interest with final maturity in 2036	$ 237,135
Series 2000 Water Revenue and Tax Bonds, 4.75%, payable $1,711 per month including principal and interest with final maturity in 2038	299,016
Series 2001 Water Revenue and Tax Bonds, 4.75%, payable $1,012 per month including principal and interest with final maturity in 2040	183,241

Series 2006 Water Revenue and Tax Bonds, 4.25%, payable $4,652 per month including principal and interest with final maturity in 2045	$ 967,392
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable $8,700 per month including principal and interest with final maturity in 2046	1,860,392
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable $2,606 per month including principal and interest with final maturity in 2047	534,045
Total	$ 4,081,221

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

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2013, are as follows:

Year	Principal	Interest
2014	$ 62,817	$ 178,779
2015	68,791	172,805
2016	71,848	169,749
2017	75,041	166,555
2018	78,378	163,218
2019-2023	447,376	760,604
2024-2028	556,193	651,787
2029-2033	688,510	519,470
2034-2038	804,094	351,284
2039-2043	795,334	181,260
2044-2047	432,839	28,301
Total	$ 4,081,221	$ 3,343,812

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

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

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

Bond Funds – The next monies available are to be used to establish bond funds to pay the principal and interest on the bonds as such payments are due. As part of the bond funds, Debt Service Reserve Accounts are also to be funded totaling $17,508 for the 1997 series, $20,532 for the 2000 series, and $12,144 for the 2001 series. All reserve accounts were funded as required at June 30, 2013.

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

	Balance 6-30-12	Balance 6-30-13
Revenue	$ 307,881	$ 610,350
Operation and Maintenance	1,899	1,910
Bond	55,728	50,184

Principal and interest payments for these revenue bonds as a percentage of pledged revenue totaled 16 percent for the year.

F. Notes Payable

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

Year	Principal	Interest
2014	$ 43,036	$ 16,412
2015	44,323	15,125
2016	45,648	13,800
2017	47,013	12,435
2018	48,419	11,029
2019-2023	264,696	32,544
2024-2025	83,166	1,854
Total	$ 576,301	$ 103,199

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

The department has borrowed $620,133 on a second loan to finance sewer system improvements. As the project is still in process, the repayment

schedule has not been finalized, but the obligation will be non-interest bearing.

The department has purchased water lines from Winchester Utilities under three agreements, which require the following payments:

	Winchester Utilities		
Year	Principal	Principal	Principal
2014	$ 18,103	$ 14,206	$ 11,376
2015	18,103	14,206	11,375
2016	18,103	14,206	11,376
2017	6,035	14,206	11,375
2018	0	10,656	11,376
2019	0	0	11,375
Total	$ 60,344	$ 67,480	$ 68,253

The obligations are non-interest bearing.
Notes payable activity for the year ended June 30, 2013, is as follows:

Balance 7-1-12	Draws	Repayments	Balance 6-30-13
$ 1,158,092	$ 492,686	$ (258,267)	$ 1,392,511

The department incurred $204,667 in interest costs during the current year, of which $1,022 was capitalized.

G. Line of Credit

The department obtained a line of credit with Clayton Bank for $300,000, to provide funding to pay construction project costs pending receipt of state funding. The line has an interest rate of 2.34 percent, and the outstanding balance as of June 30, 2013, was $69,937. Draws during the year totaled $580,585 with repayments of $510,648.

H. Risk Management

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

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

I. Income Taxes

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

J. Significant Concentrations

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2013, totaled $90,381. Deposits from these customers, totaling $25,061 at June 30, 2013, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 27 percent of the department's total water and sewer revenues.

K. Environmental Contingency

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

L. Funding Approval

The department has been approved for funding totaling $1,615,000 from the State Revolving Loan Fund for sewer system improvements. As of June 30, 2013, the department had used $775,166 of this funding.

Subsequent to June 30, 2013, the department was awarded loan/grant funding from the United States Department of Agriculture-Rural Development totaling $2,200,000. The loan portion of the award is $1,436,000, with an interest rate of 2.75 percent and a term of 38 years. The remaining amount of $764,000 will be a grant.

M. Transfers

In prior years, the metropolitan government provided funding to the department to complete a water service expansion project. Surcharges to customers benefiting from the expansion have been collected by the department and transferred to the metropolitan government. The amount transferred for the year totaled $23,284.

N. Commitments

The utility board awarded a contract for collection system rehabilitation totaling $1,047,441 to Cleary Construction Company. As of June 30, 2013, costs totaling $572,585 had been incurred under this contract.

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

A. Summary of Significant Accounting Policies

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

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

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

Asset	Method	Estimated Useful Life in Years	Depreciation
Office Equipment	S/L	5, 7, 10	$ 1,346
Communications Equipment	S/L	5, 10	24,205
Total			$ 25,551

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

B. Cash and Cash Investments

Tennessee Code Annotated (*TCA*) requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The following is a schedule of bank accounts at June 30, 2013:

Checking - Farmer's Bank	$ 176,655
Certificates of Deposit - Moore County Bank	311,539
Total	$ 488,194

At June 30, 2013, the carrying amount of the Moore County Emergency Communications District's cash deposits was $488,194. The district's deposit accounts are covered up to $250,000 by the Federal Deposit Insurance Corporation. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

C. Bonding and Insurance

The district has a bond covering certain members of the board at June 30, 2013. There have been no losses or settlements that exceeded coverage during the past three years. All other potential risks such as theft, property damage, and public liability are covered under the county's insurance policy.

D. Capital Assets

The following is a schedule of capital assets and depreciation at June 30, 2013:

Assets	Cost	Accumulated Depreciation	Book Value 6-30-13
Capital Assets Not Depreciated:			
Land	$ 168,756	$ 0	$ 168,756
Total Capital Assets Not Depreciated	$ 168,756	$ 0	$ 168,756

Assets	Cost	Accumulated Depreciation	Book Value 6-30-13
Capital Assets Depreciated:			
Office Equipment	$ 13,592	$ 10,437	$ 3,155
Communications Equipment	298,348	164,263	134,085
Total Capital Assets Depreciated	$ 311,940	$ 174,700	$ 137,240
Total Capital Assets	$ 480,696	$ 174,700	$ 305,996

A schedule of changes in capital assets (at cost) for the year ended June 30, 2013, follows:

Assets	Balance 7-1-12	Additions	Disposals	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	$ 100,000	$ 68,756	$ 0	$ 168,756
Total Capital Assets Not Depreciated	$ 100,000	$ 68,756	$ 0	$ 168,756
Capital Assets Depreciated:				
Office Equipment	$ 13,592	$ 0	$ 0	$ 13,592
Communications Equipment	289,035	9,313	0	298,348
Total Capital Assets Depreciated	$ 302,627	$ 9,313	$ 0	$ 311,940
Total Capital Assets	$ 402,627	$ 78,069	$ 0	$ 480,696

E. Cash and Cash Equivalents

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

F. Accounts Receivable/Due From State Emergency Communications Board

The amounts of $1,367 from AT&T, $78 from other telephone service companies, and $2,594 due from the State of Tennessee represent amounts due the district for subscriber service charges and wireless charges at June 30, 2013. There is no need for an allowance for bad debts.

G. Compensated Absences

There were no employees at June 30, 2013.

H. Calculation of Invested in Capital Assets

Net Book Value	$ 305,996
Current and Noncurrent Debt	0
Invested in Capital Assets	$ 305,996

I. Restricted and Unrestricted Resources

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

J. Budgetary Information

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

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Metropolitan School Department
June 30, 2013

(Dollar amounts in thousands)

Member	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Metropolitan Government Employees	7-1-11	$ 1,084	$ 1,261	$ 176	86.02 %	$ 439	40.14 %
"	7-1-09	861	956	95	90.07	439	21.62
"	7-1-07	763	866	103	88.11	390	26.41
School Department Employees	7-1-11	3,025	3,025	0	100	1,038	0
"	7-1-09	2,505	2,505	0	100	985	0
"	7-1-07	2,349	2,349	0	100	949	0

Exhibit F-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Metropolitan School Department
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-09	$ 0	$ 1,536	$ 1,536	0 %	$ 4,638	33 %
"	7-1-10	0	1,554	1,554	0	4,721	33
"	7-1-11	0	1,137	1,137	0	4,809	24

THE METROPOLITAN GOVERNMENT OF LYNCHBURG
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			Total
	Urban Services	Solid Waste / Sanitation	Drug Control	Nonmajor Governmental Funds
ASSETS				
Equity in Pooled Cash and Investments	$ 28,498	$ 290,160	$ 48,387	$ 367,045
Accounts Receivable	0	36,470	214	36,684
Allowance for Uncollectibles	0	(527)	0	(527)
Property Taxes Receivable	6,460	210,035	0	216,495
Allowance for Uncollectible Property Taxes	(154)	(5,207)	0	(5,361)
Total Assets	$ 34,804	$ 530,931	$ 48,601	$ 614,336
LIABILITIES				
Accounts Payable	$ 0	$ 4,461	$ 0	$ 4,461
Payroll Deductions Payable	0	37	0	37
Total Liabilities	$ 0	$ 4,498	$ 0	$ 4,498
DEFERRED INFLOWS OF RESOURCES				
Deferred Current Property Taxes	$ 5,684	$ 200,900	$ 0	$ 206,584
Deferred Delinquent Property Taxes	569	3,564	0	4,133
Other Deferred/Unavailable Revenue	0	17,209	0	17,209
Total Deferred Inflows of Resources	$ 6,253	$ 221,673	$ 0	$ 227,926
FUND BALANCES				
Restricted:				
Restricted for Public Safety	$ 0	$ 0	$ 48,601	$ 48,601
Restricted for Public Health and Welfare	0	232,048	0	232,048
Restricted for Other Purposes	28,551	0	0	28,551
Committed:				
Committed for Public Health and Welfare	0	72,712	0	72,712
Total Fund Balances	$ 28,551	$ 304,760	$ 48,601	$ 381,912
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 34,804	$ 530,931	$ 48,601	$ 614,336

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Total Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 23,467	$ 213,742	$ 0	$ 0	$ 237,209
Licenses and Permits	4,734	0	0	0	4,734
Fines, Forfeitures, and Penalties	0	0	10,204	0	10,204
Charges for Current Services	0	175,405	0	77	175,482
Other Local Revenues	84	30,290	0	0	30,374
State of Tennessee	0	30,680	0	0	30,680
Total Revenues	$ 28,285	$ 450,117	$ 10,204	$ 77	$ 488,683
Expenditures					
Current:					
General Government	$ 18,531	$ 0	$ 0	$ 0	$ 18,531
Finance	0	0	0	77	77
Public Safety	0	0	7,869	0	7,869
Public Health and Welfare	0	403,433	0	0	403,433
Total Expenditures	$ 18,531	$ 403,433	$ 7,869	$ 77	$ 429,910
Excess (Deficiency) of Revenues Over Expenditures	$ 9,754	$ 46,684	$ 2,335	$ 0	$ 58,773
Net Change in Fund Balances	$ 9,754	$ 46,684	$ 2,335	$ 0	$ 58,773
Fund Balance, July 1, 2012	18,797	258,076	46,266	0	323,139
Fund Balance, June 30, 2013	$ 28,551	$ 304,760	$ 48,601	$ 0	$ 381,912

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 23,467	$ 21,750	$ 21,750	$ 1,717
Licenses and Permits	4,734	2,200	2,200	2,534
Other Local Revenues	84	85	85	(1)
Total Revenues	$ 28,285	$ 24,035	$ 24,035	$ 4,250
Expenditures				
General Government				
Other General Administration	$ 18,531	$ 18,960	$ 18,960	$ 429
Total Expenditures	$ 18,531	$ 18,960	$ 18,960	$ 429
Excess (Deficiency) of Revenues Over Expenditures	$ 9,754	$ 5,075	$ 5,075	$ 4,679
Net Change in Fund Balance	$ 9,754	$ 5,075	$ 5,075	$ 4,679
Fund Balance, July 1, 2012	18,797	19,993	19,993	(1,196)
Fund Balance, June 30, 2013	$ 28,551	$ 25,068	$ 25,068	$ 3,483

Exhibit G-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 213,742	$ 201,750	$ 201,750	$ 11,992
Charges for Current Services	175,405	190,000	190,000	(14,595)
Other Local Revenues	30,290	25,500	25,500	4,790
State of Tennessee	30,680	40,600	40,600	(9,920)
Total Revenues	$ 450,117	$ 457,850	$ 457,850	$ (7,733)
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 30,420	$ 39,200	$ 39,163	$ 8,743
Recycling Center	373,013	395,472	423,758	50,745
Total Expenditures	$ 403,433	$ 434,672	$ 462,921	$ 59,488
Excess (Deficiency) of Revenues Over Expenditures	$ 46,684	$ 23,178	$ (5,071)	$ 51,755
Net Change in Fund Balance	$ 46,684	$ 23,178	$ (5,071)	$ 51,755
Fund Balance, July 1, 2012	258,076	247,745	247,745	10,331
Fund Balance, June 30, 2013	$ 304,760	$ 270,923	$ 242,674	$ 62,086

Exhibit G-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 10,204	$ 1,100	$ 1,100	$ 9,104
Total Revenues	$ 10,204	$ 1,100	$ 1,100	$ 9,104
Expenditures				
Public Safety				
Drug Enforcement	$ 7,869	$ 19,375	$ 19,375	$ 11,506
Total Expenditures	$ 7,869	$ 19,375	$ 19,375	$ 11,506
Excess (Deficiency) of Revenues Over Expenditures	$ 2,335	$ (18,275)	$ (18,275)	$ 20,610
Net Change in Fund Balance	$ 2,335	$ (18,275)	$ (18,275)	$ 20,610
Fund Balance, July 1, 2012	46,266	50,551	50,551	(4,285)
Fund Balance, June 30, 2013	$ 48,601	$ 32,276	$ 32,276	$ 16,325

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,016,201	$ 899,450	$ 899,450	$ 116,751
Other Governments and Citizens Groups	29,100	22,500	29,100	0
Total Revenues	$ 1,045,301	$ 921,950	$ 928,550	$ 116,751
Expenditures				
Principal on Debt				
General Government	$ 319,249	$ 259,355	$ 420,052	$ 100,803
Education	317,346	296,620	317,346	0
Interest on Debt				
General Government	16,950	89,503	89,503	72,553
Education	57,511	349,291	194,968	137,457
Other Debt Service				
General Government	22,855	21,500	23,500	645
Education	43,842	93,500	93,500	49,658
Total Expenditures	$ 777,753	$ 1,109,769	$ 1,138,869	$ 361,116
Excess (Deficiency) of Revenues Over Expenditures	$ 267,548	$ (187,819)	$ (210,319)	$ 477,867
Other Financing Sources (Uses)				
Transfers In	$ 23,284	$ 0	$ 22,500	$ 784
Total Other Financing Sources	$ 23,284	$ 0	$ 22,500	$ 784
Net Change in Fund Balance	$ 290,832	$ (187,819)	$ (187,819)	$ 478,651
Fund Balance, July 1, 2012	985,741	1,204,366	1,204,366	(218,625)
Fund Balance, June 30, 2013	$ 1,276,573	$ 1,016,547	$ 1,016,547	$ 260,026

Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 18,371	$ 1,018,076	$ 1,018,195	$ 18,252
Total Assets	$ 18,371	$ 1,018,076	$ 1,018,195	$ 18,252
Liabilities				
Due to Litigants, Heirs, and Others	$ 18,371	$ 1,018,076	$ 1,018,195	$ 18,252
Total Liabilities	$ 18,371	$ 1,018,076	$ 1,018,195	$ 18,252

Metropolitan School Department

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

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

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

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

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

Exhibit J-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Activities
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities
Governmental Activities:					
Instruction	$ 5,108,587	$ 22,561	$ 396,105	$ 0	$ (4,689,921)
Support Services	3,279,054	24,513	53,140	49,550	(3,151,851)
Operation of Non-Instructional Services	690,513	259,686	432,473	0	1,646
Interest on Long-term Debt	8,374	0	0	0	(8,374)
Total Governmental Activities	$ 9,086,528	$ 306,760	$ 881,718	$ 49,550	$ (7,848,500)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					$ 2,313,279
Local Option Sales Tax					381,332
Other Local Taxes					494
Grants and Contributions Not Restricted to Specific Programs					4,762,815
Unrestricted Investment Income					213
Miscellaneous					20,181
Total General Revenues					$ 7,478,314
Change in Net Position					$ (370,186)
Net Position, July 1, 2012					13,219,397
Net Position, June 30, 2013					$ 12,849,211

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2013

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Governmental Funds
ASSETS			
Cash	$ 0	$ 1,378	$ 1,378
Equity in Pooled Cash and Investments	681,836	211,172	893,008
Inventories	0	14,471	14,471
Due from Other Governments	129,479	4,611	134,090
Property Taxes Receivable	2,494,376	0	2,494,376
Allowance for Uncollectible Property Taxes	(60,854)	0	(60,854)
Total Assets	$ 3,244,837	$ 231,632	$ 3,476,469
LIABILITIES			
Accounts Payable	$ 1,414	$ 5,742	$ 7,156
Payroll Deductions Payable	192,231	23,347	215,578
Total Liabilities	$ 193,645	$ 29,089	$ 222,734
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	$ 2,390,710	$ 0	$ 2,390,710
Deferred Delinquent Property Taxes	38,849	0	38,849
Other Deferred/Unavailable Revenue	34,633	0	34,633
Total Deferred Inflows of Resources	$ 2,464,192	$ 0	$ 2,464,192
FUND BALANCES			
Nonspendable:			
Inventory	$ 0	$ 14,471	$ 14,471
Restricted:			
Restricted for Education	6,684	132,023	138,707
Committed:			
Committed for Education	27,078	20,000	47,078
Committed for Capital Projects	0	36,049	36,049
Unassigned	553,238	0	553,238
Total Fund Balances	$ 587,000	$ 202,543	$ 789,543
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,244,837	$ 231,632	$ 3,476,469

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Metropolitan School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		$ 789,543
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 39,342	
Add: buildings and improvements net of accumulated depreciation	12,135,516	
Add: other capital assets net of accumulated depreciation	553,639	12,728,497
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due on primary government debt	$ (161,702)	
Less: other postemployment benefits liability	(566,757)	
Less: compensated absences payable	(13,852)	(742,311)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		73,482
Net position of governmental activities (Exhibit A)		$ 12,849,211

Exhibit J-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern-mental Funds	Total Governmental Funds
Revenues			
Local Taxes	$ 2,708,663	$ 0	$ 2,708,663
Licenses and Permits	637	0	637
Charges for Current Services	60,728	224,489	285,217
Other Local Revenues	40,513	1,424	41,937
State of Tennessee	4,840,988	5,672	4,846,660
Federal Government	0	797,236	797,236
Other Governments and Citizens Groups	49,550	0	49,550
Total Revenues	$ 7,701,079	$ 1,028,821	$ 8,729,900
Expenditures			
Current:			
Instruction	$ 4,260,623	$ 381,866	$ 4,642,489
Support Services	3,291,254	94,640	3,385,894
Operation of Non-Instructional Services	132,550	549,102	681,652
Capital Outlay	42,339	0	42,339
Debt Service:			
Other Debt Service	29,100	0	29,100
Capital Projects	0	19,267	19,267
Total Expenditures	$ 7,755,866	$ 1,044,875	$ 8,800,741
Excess (Deficiency) of Revenues Over Expenditures	$ (54,787)	$ (16,054)	$ (70,841)
Net Change in Fund Balances	$ (54,787)	$ (16,054)	$ (70,841)
Fund Balance, July 1, 2012	641,787	218,597	860,384
Fund Balance, June 30, 2013	$ 587,000	$ 202,543	$ 789,543

Exhibit J-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

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)		$ (70,841)
(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	$ 187,145	
Less: current-year depreciation expense	(467,220)	(280,075)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	$ 73,482	
Less: deferred delinquent property taxes and other deferred June 30, 2012	(87,040)	(13,558)
(3) The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal payments on debt for primary government		20,726
(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		(26,438)
Change in net position of governmental activities (Exhibit B)		$ (370,186)

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2013

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 1,378	$ 1,378	$ 0	$ 1,378
Equity in Pooled Cash and Investments	29,706	145,417	175,123	36,049	211,172
Inventories	0	14,471	14,471	0	14,471
Due from Other Governments	4,611	0	4,611	0	4,611
Total Assets	$ 34,317	$ 161,266	$ 195,583	$ 36,049	$ 231,632
LIABILITIES					
Accounts Payable	$ 0	$ 5,742	$ 5,742	$ 0	$ 5,742
Payroll Deductions Payable	9,144	14,203	23,347	0	23,347
Total Liabilities	$ 9,144	$ 19,945	$ 29,089	$ 0	$ 29,089
FUND BALANCES					
Nonspendable:					
Inventory	$ 0	$ 14,471	$ 14,471	$ 0	$ 14,471
Restricted:					
Restricted for Education	5,173	126,850	132,023	0	132,023
Committed:					
Committed for Education	20,000	0	20,000	0	20,000
Committed for Capital Projects	0	0	0	36,049	36,049
Total Fund Balances	$ 25,173	$ 141,321	$ 166,494	$ 36,049	$ 202,543
Total Liabilities and Fund Balances	$ 34,317	$ 161,266	$ 195,583	$ 36,049	$ 231,632

Exhibit J-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
Revenues					
Charges for Current Services	$ 0	$ 224,489	$ 224,489	$ 0	$ 224,489
Other Local Revenues	0	1,424	1,424	0	1,424
State of Tennessee	0	5,672	5,672	0	5,672
Federal Government	467,643	329,593	797,236	0	797,236
Total Revenues	$ 467,643	$ 561,178	$ 1,028,821	$ 0	$ 1,028,821
Expenditures					
Current:					
Instruction	$ 381,866	$ 0	$ 381,866	$ 0	$ 381,866
Support Services	94,640	0	94,640	0	94,640
Operation of Non-Instructional Services	0	549,102	549,102	0	549,102
Capital Projects	0	0	0	19,267	19,267
Total Expenditures	$ 476,506	$ 549,102	$ 1,025,608	$ 19,267	$ 1,044,875
Excess (Deficiency) of Revenues Over Expenditures	$ (8,863)	$ 12,076	$ 3,213	$ (19,267)	$ (16,054)
Net Change in Fund Balances	$ (8,863)	$ 12,076	$ 3,213	$ (19,267)	$ (16,054)
Fund Balance, July 1, 2012	34,036	129,245	163,281	55,316	218,597
Fund Balance, June 30, 2013	$ 25,173	$ 141,321	$ 166,494	$ 36,049	$ 202,543

Exhibit J-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 2,708,663	$ 2,569,825	$ 2,644,513	$ 64,150
Licenses and Permits	637	600	600	37
Charges for Current Services	60,728	63,680	64,800	(4,072)
Other Local Revenues	40,513	12,185	30,378	10,135
State of Tennessee	4,840,988	4,799,763	4,841,239	(251)
Other Governments and Citizens Groups	49,550	0	49,550	0
Total Revenues	$ 7,701,079	$ 7,446,053	$ 7,631,080	$ 69,999
Expenditures				
Instruction				
Regular Instruction Program	$ 3,445,244	$ 3,518,911	$ 3,474,532	$ 29,288
Alternative Instruction Program	88,482	87,876	89,012	530
Special Education Program	483,097	480,187	493,432	10,335
Vocational Education Program	243,800	243,806	244,806	1,006
Support Services				
Attendance	7,768	8,114	8,195	427
Health Services	57,589	55,872	58,057	468
Other Student Support	336,152	327,711	336,956	804
Regular Instruction Program	466,109	464,662	468,925	2,816
Special Education Program	3,261	3,296	3,555	294
Vocational Education Program	26,948	26,971	26,972	24
Other Programs	23,476	0	23,476	0
Board of Education	201,864	199,730	200,204	(1,660)
Director of Schools	168,805	161,760	158,447	(10,358)
Office of the Principal	483,100	493,292	495,050	11,950
Fiscal Services	81,448	80,298	83,460	2,012
Operation of Plant	683,444	688,211	698,916	15,472
Maintenance of Plant	195,620	179,993	195,794	174
Transportation	555,670	542,251	549,803	(5,867)
Operation of Non-Instructional Services				
Community Services	35,474	38,906	35,599	125
Early Childhood Education	97,076	97,143	97,968	892
Capital Outlay				
Regular Capital Outlay	42,339	30,000	46,550	4,211
Principal on Debt				
Education	0	20,726	482	482
Interest on Debt				
Education	0	8,374	2,001	2,001
Other Debt Service				
Education	29,100	0	29,100	0
Total Expenditures	$ 7,755,866	$ 7,758,090	$ 7,821,292	$ 65,426
Excess (Deficiency) of Revenues Over Expenditures	$ (54,787)	$ (312,037)	$ (190,212)	$ 135,425
Net Change in Fund Balance	$ (54,787)	$ (312,037)	$ (190,212)	$ 135,425
Fund Balance, July 1, 2012	641,787	614,990	614,990	26,797
Fund Balance, June 30, 2013	$ 587,000	$ 302,953	$ 424,778	$ 162,222

Exhibit J-9

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
School Federal Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 467,643	$ 480,027	$ 533,599	$ (65,956)
Total Revenues	$ 467,643	$ 480,027	$ 533,599	$ (65,956)
Expenditures				
Instruction				
Regular Instruction Program	$ 171,876	$ 189,997	$ 215,168	$ 43,292
Special Education Program	200,030	183,056	200,724	694
Vocational Education Program	9,960	9,295	9,960	0
Support Services				
Health Services	19,074	17,840	19,074	0
Other Student Support	9,300	13,283	13,483	4,183
Regular Instruction Program	47,095	53,766	74,628	27,533
Special Education Program	18,523	15,036	20,070	1,547
Vocational Education Program	648	400	648	0
Total Expenditures	$ 476,506	$ 482,673	$ 553,755	$ 77,249
Excess (Deficiency) of Revenues Over Expenditures	$ (8,863)	$ (2,646)	$ (20,156)	$ 11,293
Net Change in Fund Balance	$ (8,863)	$ (2,646)	$ (20,156)	$ 11,293
Fund Balance, July 1, 2012	34,036	2,646	20,156	13,880
Fund Balance, June 30, 2013	$ 25,173	$ 0	$ 0	$ 25,173

Exhibit J-10

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
Central Cafeteria Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 224,489	$ 286,000	$ 286,000	$ (61,511)
Other Local Revenues	1,424	550	550	874
State of Tennessee	5,672	5,600	5,600	72
Federal Government	329,593	215,000	215,000	114,593
Total Revenues	$ 561,178	$ 507,150	$ 507,150	$ 54,028
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 549,102	$ 512,126	$ 512,126	$ (36,976)
Total Expenditures	$ 549,102	$ 512,126	$ 512,126	$ (36,976)
Excess (Deficiency) of Revenues Over Expenditures	$ 12,076	$ (4,976)	$ (4,976)	$ 17,052
Net Change in Fund Balance	$ 12,076	$ (4,976)	$ (4,976)	$ 17,052
Fund Balance, July 1, 2012	129,245	81,899	81,899	47,346
Fund Balance, June 30, 2013	$ 141,321	$ 76,923	$ 76,923	$ 64,398

MISCELLANEOUS SCHEDULES

Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Capital Leases
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE							
Payable through General Debt Service Fund							
Fire Truck	$ 180,000	3.58 %	1-2-08	6-3-13	$ 106,805	$ 106,805	$ 0
Ambulance	100,000	2.83	6-25-08	6-3-13	16,006	16,006	0
Patrol Cars	97,000	2.09	3-2-10	2-27-13	32,994	32,994	0
Park Lights	100,000	3.12	8-9-10	6-3-13	87,064	87,064	0
School	510,000	2.62	12-12-11	12-1-23	510,000	34,000	476,000
Total Notes Payable					$ 752,869	$ 276,869	$ 476,000
OTHER LOANS PAYABLE							
Payable through General Debt Service Fund							
School Construction	8,300,000	Variable	7-17-07	5-25-35	$ 7,466,000	$ 225,000	$ 7,241,000
School Construction/Public Water	(1)	Variable	6-9-08	5-25-28	2,562,980	114,000	2,448,980
Total Other Loans Payable					$ 10,028,980	$ 339,000	$ 9,689,980
CAPITAL LEASES PAYABLE							
Payable by School Department Contribution from the General Purpose School Fund to the General Debt Service Fund							
TAC Energy Management System	244,766	4.79	9-17-08	12-15-19	$ 182,428	$ 20,726	$ 161,702
Total Capital Leases Payable					$ 182,428	$ 20,726	$ 161,702

(1) Total amount approved was $3,000,000, of which $28,020 remains available for draws as of June 30, 2013.

Exhibit K-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2014	$ 36,000	$ 12,000	$ 48,000
2015	37,000	11,043	48,043
2016	38,000	10,061	48,061
2017	40,000	9,039	49,039
2018	41,000	7,978	48,978
2019	43,000	6,878	49,878
2020	45,000	5,725	50,725
2021	46,000	4,533	50,533
2022	48,000	3,301	51,301
2023	50,000	2,017	52,017
2024	52,000	680	52,680
Total	$ 476,000	$ 73,255	$ 549,255

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	$ 351,000	$ 25,696	$ 62,899	$ 439,595
2015	365,000	24,766	60,697	450,463
2016	377,000	23,800	58,408	459,208
2017	391,000	22,802	56,043	469,845
2018	405,000	21,767	53,591	480,358
2019	421,000	20,695	51,051	492,746
2020	435,000	19,580	48,411	502,991
2021	451,000	18,429	45,683	515,112
2022	469,000	17,235	42,855	529,090
2023	485,000	15,994	39,914	540,908
2024	503,000	14,710	36,873	554,583
2025	521,000	13,379	33,719	568,098
2026	540,000	12,000	30,453	582,453
2027	560,000	10,571	27,067	597,638
2028	552,980	9,090	23,472	585,542
2029	372,000	7,626	19,069	398,695
2030	383,000	6,635	16,724	406,359
2031	396,000	5,615	14,309	415,924
2032	408,000	4,560	11,813	424,373
2033	421,000	3,473	9,241	433,714
2034	435,000	2,352	6,587	443,939
2035	448,000	1,194	3,755	452,949
Total	$ 9,689,980	301,969	752,634	$ 10,744,583

(Continued)

Exhibit K-2

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

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2014	$ 21,738	$ 7,363	$ 29,101
2015	22,798	6,302	29,100
2016	23,911	5,190	29,101
2017	25,077	4,023	29,100
2018	26,301	2,799	29,100
2019	27,584	1,516	29,100
2020	14,293	257	14,550
Total	$ 161,702	$ 27,450	$ 189,152

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

From Fund	To Fund	Purpose	Amount
Water and Sewer Department	General Debt Service	Surcharges to help retire debt	$ 23,284
Total Transfers			$ 23,284

Exhibit K-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period		Bond	Surety
Metropolitan Mayor	Section 8-24-102, *TCA,* and Metropolitan Council	$ 61,491		$ 25,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, *TCA*	61,316		100,000	"
Director of Schools	State Board of Education and Metropolitan Board of Education	78,000	(1)	50,000	Western Surety Company
Trustee	Section 8-24-102, *TCA*	53,239		479,000	Auto-Owners (Mutual) Insurance
Assessor of Property:				10,000	RLI Insurance Company
Wayne Harrison (7-1-12 through 8-31-12)	Section 8-24-102, *TCA*	8,873		10,000	"
Darin Harrison (9-1-12 through 6-30-13)	Section 8-24-102, *TCA*	44,366		10,000	"
Metropolitan Clerk	Section 8-24-102, *TCA*	53,239		25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, *TCA*	53,239		25,000	"
Clerk and Master	Section 8-24-102, *TCA*	53,239		25,000	"
Register of Deeds	Section 8-24-102, *TCA*	53,239		25,000	"
Sheriff	Section 8-24-102, *TCA*	58,563	(2)	25,000	"
Employee Bonds					
Metropolitan Employees				150,000	Tennessee Risk Management Trust
School Department Employees				150,000	"

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

Exhibit K-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2013

		Special Revenue Funds					Debt Service Fund	
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Local Taxes								
County Property Taxes								
Current Property Tax	$ 1,751,540	$ 13,388	$ 206,358	$ 0	$ 0	$ 30,920	$ 567,491	$ 2,569,697
Trustee's Collections - Prior Year	45,987	758	5,047	0	0	767	13,450	66,009
Circuit/Clerk & Master Collections - Prior Years	12,788	350	1,504	0	0	225	4,137	19,004
Interest and Penalty	7,075	185	833	0	0	125	2,227	10,445
Payments in-Lieu-of Taxes - T.V.A.	0	8,786	0	0	0	0	0	8,786
County Local Option Taxes								
Local Option Sales Tax	189,591	0	0	0	0	0	189,591	379,182
Hotel/Motel Tax	3,737	0	0	0	0	0	0	3,737
Litigation Tax - General	15,352	0	0	0	0	0	0	15,352
Litigation Tax - Special Purpose	114	0	0	0	0	0	0	114
Litigation Tax - Jail, Workhouse, or Courthouse	19,568	0	0	0	0	0	0	19,568
Business Tax	5,923	0	0	0	0	24,632	0	30,555
Mineral Severance Tax	0	0	0	0	0	331	0	331
Statutory Local Taxes								
Bank Excise Tax	10,345	0	0	0	0	0	0	10,345
Wholesale Beer Tax	73,680	0	0	0	0	0	0	73,680
Interstate Telecommunications Tax	542	0	0	0	0	0	0	542
Other Statutory Local Taxes	0	0	0	0	0	0	239,305	239,305
Total Local Taxes	$ 2,136,242	$ 23,467	$ 213,742	$ 0	$ 0	$ 57,000	$ 1,016,201	$ 3,446,652
Licenses and Permits								
Licenses								
Cable TV Franchise	$ 9,104	$ 4,734	$ 0	$ 0	$ 0	$ 0	$ 0	$ 13,838
Permits								
Building Permits	13,100	0	0	0	0	0	0	13,100
Other Permits	200	0	0	0	0	0	0	200
Total Licenses and Permits	$ 22,404	$ 4,734	$ 0	$ 0	$ 0	$ 0	$ 0	$ 27,138
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	$ 1,710	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,710
Officers Costs	1,213	0	0	0	0	0	0	1,213
Drug Control Fines	0	0	0	8,006	0	0	0	8,006
Drug Court Fees	133	0	0	0	0	0	0	133
Data Entry Fee - Circuit Court	192	0	0	0	0	0	0	192

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Fines, Forfeitures, and Penalties (Cont.)								
Criminal Court								
DUI Treatment Fines	$ 332	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 332
Courtroom Security Fee	10	0	0	0	0	0	0	10
General Sessions Court								
Fines	4,500	0	0	0	0	0	0	4,500
Officers Costs	6,692	0	0	0	0	0	0	6,692
Game and Fish Fines	3,621	0	0	0	0	0	0	3,621
Drug Control Fines	14	0	0	2,198	0	0	0	2,212
Drug Court Fees	327	0	0	0	0	0	0	327
Jail Fees	5,348	0	0	0	0	0	0	5,348
DUI Treatment Fines	1,254	0	0	0	0	0	0	1,254
Data Entry Fee - General Sessions Court	1,164	0	0	0	0	0	0	1,164
Courtroom Security Fee	217	0	0	0	0	0	0	217
Juvenile Court								
Data Entry Fee - Juvenile Court	148	0	0	0	0	0	0	148
Chancery Court								
Officers Costs	370	0	0	0	0	0	0	370
Data Entry Fee - Chancery Court	212	0	0	0	0	0	0	212
Total Fines, Forfeitures, and Penalties	$ 27,457	$ 0	$ 0	$ 10,204	$ 0	$ 0	$ 0	$ 37,661
Charges for Current Services								
General Service Charges								
Solid Waste Disposal Fees	$ 0	$ 0	$ 175,405	$ 0	$ 0	$ 0	$ 0	$ 175,405
Patient Charges	161,697	0	0	0	0	0	0	161,697
Other General Service Charges	10	0	0	0	0	0	0	10
Fees								
Recreation Fees	9,505	0	0	0	0	0	0	9,505
Copy Fees	143	0	0	0	0	0	0	143
Library Fees	1,530	0	0	0	0	0	0	1,530
Vending Machine Collections	40	0	0	0	0	0	0	40
Constitutional Officers' Fees and Commissions	0	0	0	0	77	0	0	77
Data Processing Fee - Register	2,482	0	0	0	0	0	0	2,482
Data Processing Fee - Sheriff	706	0	0	0	0	0	0	706
Sexual Offender Registration Fees - Sheriff	1,056	0	0	0	0	0	0	1,056
Data Processing Fee - County Clerk	576	0	0	0	0	0	0	576
Total Charges for Current Services	$ 177,745	$ 0	$ 175,405	$ 0	$ 77	$ 0	$ 0	$ 353,227

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
Other Local Revenues								
Recurring Items								
Investment Income	$ 26,772	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 26,772
Lease/Rentals	11,728	0	0	0	0	0	0	11,728
Commissary Sales	5,964	0	0	0	0	0	0	5,964
Sale of Recycled Materials	0	0	30,058	0	0	0	0	30,058
Refund of Telecommunication and Internet Fees (E-Rate)	600	0	0	0	0	0	0	600
Miscellaneous Refunds	9,183	84	232	0	0	11,350	0	20,849
Nonrecurring Items								
Contributions and Gifts	7,885	0	0	0	0	0	0	7,885
Other Local Revenues								
Other Local Revenues	3,675	0	0	0	0	0	0	3,675
Total Other Local Revenues	$ 65,807	$ 84	$ 30,290	$ 0	$ 0	$ 11,350	$ 0	$ 107,531
Fees Received from County Officials								
Fees in-Lieu-of Salary								
County Clerk	$ 51,927	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 51,927
Circuit Court Clerk	14,358	0	0	0	0	0	0	14,358
General Sessions Court Clerk	23,306	0	0	0	0	0	0	23,306
Clerk and Master	16,150	0	0	0	0	0	0	16,150
Juvenile Court Clerk	2,060	0	0	0	0	0	0	2,060
Register	31,152	0	0	0	0	0	0	31,152
Sheriff	4,165	0	0	0	0	0	0	4,165
Trustee	142,855	0	0	0	0	0	0	142,855
Total Fees Received from County Officials	$ 285,973	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 285,973
State of Tennessee								
General Government Grants								
Juvenile Services Program	$ 4,500	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,500
Public Safety Grants								
Law Enforcement Training Programs	7,200	0	0	0	0	0	0	7,200
Health and Welfare Grants								
Health Department Programs	87,229	0	0	0	0	0	0	87,229
Public Works Grants								
State Aid Program	0	0	0	0	0	15,302	0	15,302
Litter Program	0	0	30,680	0	0	0	0	30,680
Other State Revenues								
Income Tax	48,704	0	0	0	0	0	0	48,704

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	
	General	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu-tional Officers - Fees	Highway / Public Works	General Debt Service	Total
State of Tennessee (Cont.)								
Other State Revenues (Cont.)								
Beer Tax	$ 18,869	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 18,869
Alcoholic Beverage Tax	13,414	0	0	0	0	0	0	13,414
State Revenue Sharing - T.V.A.	202,544	0	0	0	0	0	0	202,544
Contracted Prisoner Boarding	111,143	0	0	0	0	0	0	111,143
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,177,297	0	1,177,297
Petroleum Special Tax	0	0	0	0	0	5,763	0	5,763
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
State Shared Sales Tax - Cities	40,386	0	0	0	0	0	0	40,386
Other State Grants	6,517	0	0	0	0	0	0	6,517
Other State Revenues	800	0	0	0	0	0	0	800
Total State of Tennessee	$ 556,470	$ 0	$ 30,680	$ 0	$ 0	$ 1,198,362	$ 0	$ 1,785,512
Federal Government								
Federal Through State								
Homeland Security Grants	$ 21,568	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 21,568
Other Federal through State	40,725	0	0	0	0	0	0	40,725
Direct Federal Revenue								
Other Direct Federal Revenue	0	0	0	0	0	23,680	0	23,680
Total Federal Government	$ 62,293	$ 0	$ 0	$ 0	$ 0	$ 23,680	$ 0	$ 85,973
Other Governments and Citizens Groups								
Other Governments								
Contributions	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 29,100	$ 29,100
Citizens Groups								
Donations	57,961	0	0	0	0	0	0	57,961
Total Other Governments and Citizens Groups	$ 57,961	$ 0	$ 0	$ 0	$ 0	$ 0	$ 29,100	$ 87,061
Total	$ 3,392,352	$ 28,285	$ 450,117	$ 10,204	$ 77	$ 1,290,392	$ 1,045,301	$ 6,216,728

Exhibit K-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds: School Federal Projects	Special Revenue Funds: Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 2,250,749	$ 0	$ 0	$ 2,250,749
Trustee's Collections - Prior Year	52,766	0	0	52,766
Circuit/Clerk & Master Collections - Prior Years	16,399	0	0	16,399
Interest and Penalty	9,073	0	0	9,073
County Local Option Taxes				
Local Option Sales Tax	379,182	0	0	379,182
Statutory Local Taxes				
Interstate Telecommunications Tax	494	0	0	494
Total Local Taxes	$ 2,708,663	$ 0	$ 0	$ 2,708,663
Licenses and Permits				
Licenses				
Marriage Licenses	$ 637	$ 0	$ 0	$ 637
Total Licenses and Permits	$ 637	$ 0	$ 0	$ 637
Charges for Current Services				
Education Charges				
Tuition - Regular Day Students	$ 22,561	$ 0	$ 0	$ 22,561
Lunch Payments - Children	0	0	138,896	138,896
Lunch Payments - Adults	0	0	12,266	12,266
Income from Breakfast	0	0	20,918	20,918
A la carte Sales	0	0	52,409	52,409
Receipts from Individual Schools	1,410	0	0	1,410
Community Service Fees - Children	35,197	0	0	35,197
TBI Criminal Background Fees	1,560	0	0	1,560
Total Charges for Current Services	$ 60,728	$ 0	$ 224,489	$ 285,217
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 213	$ 213
Sale of Materials and Supplies	4,062	0	0	4,062
Sale of Recycled Materials	995	0	0	995
Refund of Telecommunication and Internet Fees (E-Rate)	21,543	0	0	21,543
Miscellaneous Refunds	7,446	0	1,211	8,657
Nonrecurring Items				
Sale of Property	6,220	0	0	6,220
Other Local Revenues				
Other Local Revenues	247	0	0	247
Total Other Local Revenues	$ 40,513	$ 0	$ 1,424	$ 41,937
State of Tennessee				
General Government Grants				
On-Behalf Contributions for OPEB	$ 23,476	$ 0	$ 0	$ 23,476
State Education Funds				
Basic Education Program	4,538,191	0	0	4,538,191
Early Childhood Education	97,208	0	0	97,208
School Food Service	0	0	5,672	5,672
Driver Education	1,118	0	0	1,118
Other State Education Funds	87,328	0	0	87,328
Career Ladder Program	38,951	0	0	38,951
Career Ladder - Extended Contract	5,600	0	0	5,600
Other State Revenues				
Beer Tax	46,817	0	0	46,817
Other State Revenues	2,299	0	0	2,299
Total State of Tennessee	$ 4,840,988	$ 0	$ 5,672	$ 4,846,660

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds: School Federal Projects	Special Revenue Funds: Central Cafeteria	Total
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 230,448	$ 230,448
USDA - Commodities	0	0	18,213	18,213
Breakfast	0	0	80,932	80,932
Vocational Education - Basic Grants to States	0	13,392	0	13,392
Title I Grants to Local Education Agencies	0	151,395	0	151,395
Special Education - Grants to States	0	223,637	0	223,637
Special Education Preschool Grants	0	14,974	0	14,974
Eisenhower Professional Development State Grants	0	30,304	0	30,304
Race-to-the-Top - ARRA	0	22,836	0	22,836
Other Federal through State	0	11,105	0	11,105
Total Federal Government	$ 0	$ 467,643	$ 329,593	$ 797,236
Other Governments and Citizens Groups				
Citizens Groups				
Donations	$ 49,550	$ 0	$ 0	$ 49,550
Total Other Governments and Citizens Groups	$ 49,550	$ 0	$ 0	$ 49,550
Total	$ 7,701,079	$ 467,643	$ 561,178	$ 8,729,900

Exhibit K-7

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund				
General Government				
County Commission				
Other Per Diem and Fees	$	3,660		
Audit Services		1,909		
Dues and Memberships		1,000		
Liability Insurance		44,450		
Trustee's Commission		45,588		
Workers' Compensation Insurance		18,525		
Total County Commission			$	115,132
County Mayor/Executive				
County Official/Administrative Officer	$	61,491		
Accountants/Bookkeepers		34,000		
Part-time Personnel		135		
Longevity Pay		1,000		
Communication		1,164		
Data Processing Services		9,751		
Dues and Memberships		5,817		
Legal Notices, Recording, and Court Costs		1,383		
Printing, Stationery, and Forms		269		
Travel		600		
Other Charges		1,924		
Office Equipment		3,036		
Total County Mayor/Executive				120,570
County Attorney				
County Official/Administrative Officer	$	6,655		
Total County Attorney				6,655
Election Commission				
County Official/Administrative Officer	$	47,915		
Other Salaries and Wages		3,090		
Election Commission		500		
Election Workers		4,700		
In-Service Training		1,500		
Communication		691		
Dues and Memberships		123		
Legal Notices, Recording, and Court Costs		1,121		
Maintenance and Repair Services - Office Equipment		3,200		
Postal Charges		407		
Printing, Stationery, and Forms		1,194		
Travel		1,892		
Other Contracted Services		5,717		
Office Supplies		721		
Total Election Commission				72,771
Register of Deeds				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		182		
Communication		413		
Dues and Memberships		352		
Maintenance Agreements		4,116		

(Continued)

Exhibit K-7

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

General Fund (Cont.)				
General Government (Cont.)				
Register of Deeds (Cont.)				
Printing, Stationery, and Forms	$	987		
Office Equipment		2,000		
Total Register of Deeds			$	61,289
Planning				
County Official/Administrative Officer	$	4,782		
Communication		416		
Contracts with Government Agencies		14,978		
Legal Notices, Recording, and Court Costs		22		
Office Supplies		31		
Total Planning				20,229
County Buildings				
Custodial Personnel	$	19,665		
Legal Notices, Recording, and Court Costs		164		
Maintenance and Repair Services - Buildings		19,177		
Pest Control		765		
Postal Charges		4,692		
Custodial Supplies		2,499		
Electricity		13,062		
Natural Gas		4,577		
Office Supplies		4,185		
Water and Sewer		3,971		
Total County Buildings				72,757
Preservation of Records				
Part-time Personnel	$	3,690		
Communication		669		
Maintenance Agreements		298		
Office Supplies		2,079		
Total Preservation of Records				6,736
Finance				
Property Assessor's Office				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		6,000		
In-Service Training		30		
Other Per Diem and Fees		570		
Communication		430		
Data Processing Services		2,579		
Travel		810		
Other Contracted Services		1,923		
Premiums on Corporate Surety Bonds		348		
Office Equipment		220		
Total Property Assessor's Office				66,149
County Trustee's Office				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		2,087		
In-Service Training		125		

(Continued)

Exhibit K-7

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

General Fund (Cont.)				
Finance (Cont.)				
County Trustee's Office (Cont.)				
Communication	$	423		
Data Processing Services		5,309		
Dues and Memberships		337		
Legal Notices, Recording, and Court Costs		104		
Printing, Stationery, and Forms		42		
Travel		359		
Office Equipment		1,005		
Total County Trustee's Office			$	63,030
County Clerk's Office				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		11,327		
Communication		434		
Dues and Memberships		412		
Printing, Stationery, and Forms		352		
Office Equipment		119		
Total County Clerk's Office				65,883
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		5,730		
Jury and Witness Expense		600		
Communication		484		
Data Processing Services		11,474		
Dues and Memberships		397		
Legal Notices, Recording, and Court Costs		623		
Maintenance Agreements		1,869		
Printing, Stationery, and Forms		262		
Office Equipment		327		
Total Circuit Court				75,005
General Sessions Court				
Judge(s)	$	65,276		
Travel		750		
Total General Sessions Court				66,026
Chancery Court				
County Official/Administrative Officer	$	53,239		
Part-time Personnel		1,669		
Communication		416		
Dues and Memberships		420		
Printing, Stationery, and Forms		324		
Travel		122		
Periodicals		515		
Office Equipment		976		
Total Chancery Court				57,681
Juvenile Court				
Supervisor/Director	$	9,000		
Total Juvenile Court				9,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)				
Administration of Justice (Cont.)				
Judicial Commissioners				
County Official/Administrative Officer	$	13,116		
In-Service Training		250		
Communication		90		
Total Judicial Commissioners			$	13,456
Public Safety				
Sheriff's Department				
County Official/Administrative Officer	$	58,563		
Assistant(s)		38,722		
Supervisor/Director		37,519		
Deputy(ies)		165,906		
Investigator(s)		35,469		
Sergeant(s)		64,259		
Dispatchers/Radio Operators		116,648		
Longevity Pay		30,000		
Overtime Pay		11,859		
Other Salaries and Wages		15,490		
In-Service Training		10,056		
Communication		8,295		
Contracts with Private Agencies		8,144		
Dues and Memberships		35		
Maintenance and Repair Services - Equipment		1,511		
Maintenance and Repair Services - Vehicles		18,434		
Medical and Dental Services		105		
Postal Charges		702		
Printing, Stationery, and Forms		2,734		
Travel		3,787		
Other Contracted Services		8,334		
Drugs and Medical Supplies		193		
Gasoline		45,447		
Office Supplies		1,982		
Uniforms		2,137		
Other Supplies and Materials		17,030		
Other Charges		568		
Data Processing Equipment		9,294		
Law Enforcement Equipment		7,784		
Motor Vehicles		11,352		
Total Sheriff's Department				732,359
Administration of the Sexual Offender Registry				
Postal Charges	$	96		
Other Contracted Services		250		
Office Supplies		10		
Total Administration of the Sexual Offender Registry				356
Jail				
Foremen	$	28,697		
Guards		117,696		
Secretary(ies)		24,643		
Longevity Pay		5,000		

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
Jail (Cont.)		
Overtime Pay	$ 252	
Other Salaries and Wages	7,426	
In-Service Training	809	
Maintenance and Repair Services - Buildings	22,170	
Maintenance and Repair Services - Equipment	2,501	
Medical and Dental Services	58,463	
Pest Control	192	
Other Contracted Services	10	
Custodial Supplies	2,849	
Drugs and Medical Supplies	565	
Electricity	16,747	
Food Preparation Supplies	498	
Food Supplies	23,500	
Natural Gas	2,356	
Prisoners Clothing	1,182	
Uniforms	1,498	
Water and Sewer	9,568	
Other Charges	784	
Total Jail		$ 327,406
Commissary		
Printing, Stationery, and Forms	$ 272	
Food Supplies	430	
Office Supplies	52	
Other Supplies and Materials	52	
Total Commissary		806
Fire Prevention and Control		
Part-time Personnel	$ 12,924	
In-Service Training	470	
Communication	1,759	
Maintenance Agreements	5,270	
Maintenance and Repair Services - Buildings	2,451	
Maintenance and Repair Services - Vehicles	12,022	
Pest Control	192	
Electricity	3,515	
Gasoline	3,215	
Natural Gas	2,338	
Office Supplies	252	
Water and Sewer	689	
Excess Risk Insurance	2,642	
Other Equipment	18,583	
Total Fire Prevention and Control		66,322
Other Emergency Management		
Communication	$ 7,852	
Other Supplies and Materials	25,423	
Other Equipment	28	
Total Other Emergency Management		33,303

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Health and Welfare		
Local Health Center		
Medical Personnel	$ 65,211	
Communication	1,891	
Contracts with Government Agencies	21,275	
Contracts with Private Agencies	7,275	
Maintenance and Repair Services - Buildings	1,376	
Pest Control	192	
Travel	607	
Other Contracted Services	200	
Office Supplies	206	
Utilities	5,386	
Water and Sewer	66	
Other Supplies and Materials	252	
Total Local Health Center		$ 103,937
Ambulance/Emergency Medical Services		
Supervisor/Director	$ 45,473	
Paraprofessionals	157,909	
Part-time Personnel	16,575	
Longevity Pay	9,000	
Overtime Pay	30,128	
Other Salaries and Wages	1,795	
In-Service Training	342	
Communication	2,763	
Data Processing Services	11,803	
Dues and Memberships	1,240	
Maintenance and Repair Services - Buildings	4,044	
Maintenance and Repair Services - Equipment	2,817	
Maintenance and Repair Services - Vehicles	4,333	
Medical and Dental Services	1,500	
Pest Control	342	
Travel	330	
Drugs and Medical Supplies	12,798	
Electricity	3,543	
Equipment and Machinery Parts	13,328	
Gasoline	6,592	
Natural Gas	1,155	
Office Supplies	1,050	
Uniforms	1,293	
Water and Sewer	948	
Other Supplies and Materials	521	
Refunds	417	
Motor Vehicles	13,119	
Total Ambulance/Emergency Medical Services		345,158
Alcohol and Drug Programs		
Drug Treatment	$ 732	
Total Alcohol and Drug Programs		732
Regional Mental Health Center		
Contracts with Other Public Agencies	$ 2,500	
Total Regional Mental Health Center		2,500

(Continued)

Exhibit K-7

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

General Fund (Cont.)				
Social, Cultural, and Recreational Services				
Senior Citizens Assistance				
Contributions	$	8,500		
Total Senior Citizens Assistance			$	8,500
Libraries				
Assistant(s)	$	18,475		
Supervisor/Director		26,957		
Part-time Personnel		13,901		
Longevity Pay		3,000		
In-Service Training		15		
Communication		2,250		
Data Processing Services		2,013		
Dues and Memberships		185		
Maintenance and Repair Services - Buildings		946		
Pest Control		192		
Postal Charges		517		
Printing, Stationery, and Forms		466		
Travel		337		
Custodial Supplies		173		
Electricity		4,050		
Instructional Supplies and Materials		1,159		
Library Books/Media		4,805		
Natural Gas		1,605		
Office Supplies		1,964		
Periodicals		659		
Water and Sewer		768		
Other Charges		7,761		
Office Equipment		2,012		
Total Libraries				94,210
Parks and Fair Boards				
Assistant(s)	$	4,000		
Supervisor/Director		5,000		
Attendants		4,842		
Communication		994		
Dues and Memberships		680		
Maintenance and Repair Services - Buildings		6,432		
Maintenance and Repair Services - Equipment		7,446		
Electricity		15,119		
Gasoline		3,224		
Natural Gas		754		
Water and Sewer		7,684		
Chemicals		1,623		
Other Supplies and Materials		22,108		
Refunds		75		
Total Parks and Fair Boards				79,981
Agriculture and Natural Resources				
Agriculture Extension Service				
Salary Supplements	$	35,218		
Part-time Personnel		3,819		

(Continued)

Exhibit K-7

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

General Fund (Cont.)			
Agriculture and Natural Resources (Cont.)			
Agriculture Extension Service (Cont.)			
Longevity Pay	$ 2,400		
Communication	1,035		
Data Processing Services	2,000		
Travel	2,798		
Other Charges	585		
Total Agriculture Extension Service		$ 47,855	
Forest Service			
Contracts with Government Agencies	$ 350		
Total Forest Service		350	
Soil Conservation			
Communication	$ 411		
Matching Share	5,198		
Total Soil Conservation		5,609	
Other Operations			
Tourism			
Dues and Memberships	$ 3,000		
Maintenance and Repair Services - Buildings	122		
Custodial Supplies	361		
Electricity	377		
Natural Gas	161		
Water and Sewer	416		
Total Tourism		4,437	
Veterans' Services			
County Official/Administrative Officer	$ 1,639		
Travel	317		
Total Veterans' Services		1,956	
Other Charges			
Other Charges	$ 6,657		
Total Other Charges		6,657	
Employee Benefits			
Social Security	$ 135,670		
State Retirement	45,499		
Employee and Dependent Insurance	257,733		
Unemployment Compensation	2,205		
Local Retirement	15,148		
Total Employee Benefits		456,255	
Total General Fund			$ 3,211,058
Urban Services Fund			
General Government			
Other General Administration			
Electricity	$ 18,136		
Trustee's Commission	395		
Total Other General Administration		$ 18,531	
Total Urban Services Fund			18,531

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
County Official/Administrative Officer	$ 2,889		
Laborers	16,137		
Social Security	1,423		
Unemployment Compensation	52		
Maintenance and Repair Services - Vehicles	343		
Gasoline	1,741		
Instructional Supplies and Materials	5,916		
Other Supplies and Materials	524		
Motor Vehicles	1,395		
Total Waste Pickup		$ 30,420	
Recycling Center			
Assistant(s)	$ 2,822		
Laborers	85,514		
Part-time Personnel	7,722		
Longevity Pay	6,000		
Other Salaries and Wages	6,960		
Social Security	8,006		
Medical Insurance	41,940		
Unemployment Compensation	237		
Local Retirement	524		
Communication	508		
Contracts with Private Agencies	93,229		
Maintenance and Repair Services - Buildings	504		
Maintenance and Repair Services - Vehicles	18,020		
Other Contracted Services	29,598		
Diesel Fuel	26,436		
Tires and Tubes	6,912		
Utilities	1,307		
Trustee's Commission	5,892		
Vehicle and Equipment Insurance	8,001		
Workers' Compensation Insurance	5,790		
Solid Waste Equipment	17,091		
Total Recycling Center		373,013	
Total Solid Waste/Sanitation Fund			$ 403,433
Drug Control Fund			
Public Safety			
Drug Enforcement			
Communication	$ 1,262		
Maintenance and Repair Services - Vehicles	326		
Gasoline	3,000		
Law Enforcement Supplies	101		
Uniforms	79		
Other Charges	195		
Other Equipment	2,906		
Total Drug Enforcement		$ 7,869	
Total Drug Control Fund			7,869

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund			
Finance			
County Clerk's Office			
Bank Charges	$ 77		
Total County Clerk's Office		$ 77	
Total Constitutional Officers - Fees Fund			$ 77
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 61,316		
Assistant(s)	42,621		
Secretary(ies)	36,562		
Temporary Personnel	1,534		
Longevity Pay	3,000		
Social Security	8,946		
State Retirement	8,335		
Employee and Dependent Insurance	2,694		
Life Insurance	261		
Unemployment Compensation	586		
Employer Medicare	2,092		
Data Processing Services	5,421		
Legal Notices, Recording, and Court Costs	14		
Postal Charges	136		
Printing, Stationery, and Forms	72		
Travel	708		
Office Supplies	370		
Other Charges	1,199		
Data Processing Equipment	105		
Total Administration		$ 175,972	
Highway and Bridge Maintenance			
Equipment Operators	$ 117,745		
Truck Drivers	108,552		
Laborers	94,823		
Longevity Pay	24,000		
Social Security	20,208		
State Retirement	3,640		
Employee and Dependent Insurance	83,005		
Life Insurance	959		
Unemployment Compensation	2,519		
Employer Medicare	4,726		
Contracts with Private Agencies	14,994		
Dues and Memberships	1,930		
Rentals	625		
Asphalt	24,358		
Asphalt - Cold Mix	4,780		
Concrete	51		
Crushed Stone	17,002		
Riprap	17,002		
Pipe	5,569		
Road Signs	2,264		

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Highway and Bridge Maintenance (Cont.)			
Chemicals	$ 502		
Other Charges	7,368		
Maintenance Equipment	8,462		
Total Highway and Bridge Maintenance		$ 565,084	
Operation and Maintenance of Equipment			
Mechanic(s)	$ 40,450		
Longevity Pay	2,000		
Social Security	2,363		
State Retirement	985		
Employee and Dependent Insurance	15,159		
Life Insurance	97		
Unemployment Compensation	270		
Employer Medicare	553		
Custodial Supplies	341		
Diesel Fuel	41,221		
Equipment and Machinery Parts	15,593		
Garage Supplies	3,749		
Gasoline	11,610		
Lubricants	1,495		
Small Tools	131		
Tires and Tubes	11,263		
Vehicle Parts	3,749		
Other Charges	387		
Total Operation and Maintenance of Equipment		151,416	
Other Charges			
Advertising	$ 100		
Communication	2,687		
Electricity	2,769		
Propane Gas	788		
Water and Sewer	463		
Liability Insurance	12,002		
Premiums on Corporate Surety Bonds	959		
Trustee's Commission	12,431		
Vehicle and Equipment Insurance	12,002		
Total Other Charges		44,201	
Employee Benefits			
Workers' Compensation Insurance	$ 27,208		
Total Employee Benefits		27,208	
Capital Outlay			
Highway Equipment	$ 18,000		
State Aid Projects	1,954		
Total Capital Outlay		19,954	
Total Highway/Public Works Fund			$ 983,835

(Continued)

Exhibit K-7

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

General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Notes	$ 242,869		
Principal on Other Loans	76,380		
Total General Government		$ 319,249	
Education			
Principal on Notes	$ 34,000		
Principal on Capital Leases	20,726		
Principal on Other Loans	262,620		
Total Education		317,346	
Interest on Debt			
General Government			
Interest on Notes	$ 10,854		
Interest on Other Loans	6,096		
Total General Government		16,950	
Education			
Interest on Notes	$ 19,600		
Interest on Capital Leases	8,374		
Interest on Other Loans	29,537		
Total Education		57,511	
Other Debt Service			
General Government			
Trustee's Commission	$ 16,102		
Other Debt Service	6,753		
Total General Government		22,855	
Education			
Other Debt Service	$ 43,842		
Total Education		43,842	
Total General Debt Service Fund			$ 777,753
Total Governmental Funds - Primary Government			$ 5,402,556

Exhibit K-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Metropolitan School Department
For the Year Ended June 30, 2013

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 2,298,351	
Career Ladder Program	22,661	
Career Ladder Extended Contracts	4,864	
Homebound Teachers	7,376	
Educational Assistants	67,751	
Certified Substitute Teachers	12,248	
Non-certified Substitute Teachers	46,228	
Social Security	144,407	
State Retirement	208,024	
Medical Insurance	425,469	
Employer Medicare	33,772	
Contracts with Private Agencies	23,483	
Instructional Supplies and Materials	35,979	
Textbooks	33,489	
Other Supplies and Materials	1,488	
Other Charges	2,159	
Regular Instruction Equipment	77,495	
Total Regular Instruction Program		$ 3,445,244
Alternative Instruction Program		
Teachers	$ 48,781	
Educational Assistants	17,109	
Social Security	3,828	
State Retirement	4,807	
Medical Insurance	13,062	
Employer Medicare	895	
Total Alternative Instruction Program		88,482
Special Education Program		
Teachers	$ 279,807	
Career Ladder Program	1,000	
Homebound Teachers	5,786	
Educational Assistants	65,523	
Non-certified Substitute Teachers	2,485	
Social Security	20,237	
State Retirement	27,177	
Medical Insurance	76,051	
Employer Medicare	4,733	
Instructional Supplies and Materials	123	
In Service/Staff Development	175	
Total Special Education Program		483,097
Vocational Education Program		
Teachers	$ 181,306	
Career Ladder Program	1,906	
Social Security	10,866	
State Retirement	16,269	
Medical Insurance	26,160	
Employer Medicare	2,541	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)				
Instruction (Cont.)				
Vocational Education Program (Cont.)				
Instructional Supplies and Materials	$	4,267		
Other Charges		485		
Total Vocational Education Program			$	243,800
Support Services				
Attendance				
Supervisor/Director	$	6,311		
Social Security		383		
State Retirement		560		
Medical Insurance		424		
Employer Medicare		90		
Total Attendance				7,768
Health Services				
Medical Personnel	$	43,630		
Social Security		2,602		
State Retirement		3,874		
Medical Insurance		6,105		
Employer Medicare		608		
Other Supplies and Materials		440		
Other Charges		330		
Total Health Services				57,589
Other Student Support				
Career Ladder Program	$	1,000		
Guidance Personnel		140,373		
Clerical Personnel		6,389		
Other Salaries and Wages		30,518		
Social Security		10,503		
State Retirement		15,299		
Medical Insurance		22,618		
Employer Medicare		2,456		
Contracts with Government Agencies		36,612		
Evaluation and Testing		12,763		
Postal Charges		46		
Other Contracted Services		18,000		
Other Supplies and Materials		26,802		
In Service/Staff Development		2,687		
Other Charges		10,086		
Total Other Student Support				336,152
Regular Instruction Program				
Supervisor/Director	$	189,213		
Career Ladder Program		1,000		
Librarians		83,434		
Educational Assistants		15,654		
Other Salaries and Wages		60,509		
Social Security		20,712		
State Retirement		26,417		

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Regular Instruction Program (Cont.)				
Medical Insurance	$	54,224		
Employer Medicare		4,844		
Travel		2,123		
Library Books/Media		5,650		
Other Supplies and Materials		960		
In Service/Staff Development		1,369		
Total Regular Instruction Program			$	466,109
Special Education Program				
Clerical Personnel	$	2,000		
Social Security		119		
State Retirement		56		
Medical Insurance		287		
Employer Medicare		28		
Travel		771		
Total Special Education Program				3,261
Vocational Education Program				
Supervisor/Director	$	20,976		
Career Ladder Program		434		
Social Security		1,278		
State Retirement		1,901		
Medical Insurance		2,060		
Employer Medicare		299		
Total Vocational Education Program				26,948
Other Programs				
On-Behalf Payments to OPEB	$	23,476		
Total Other Programs				23,476
Board of Education				
Board and Committee Members Fees	$	1,400		
Social Security		87		
Medical Insurance		27,250		
Unemployment Compensation		3,695		
Employer Medicare		20		
Audit Services		3,500		
Dues and Memberships		5,102		
Travel		15		
Liability Insurance		14,318		
Premiums on Corporate Surety Bonds		175		
Trustee's Commission		62,448		
Workers' Compensation Insurance		74,288		
In Service/Staff Development		3,483		
Criminal Investigation of Applicants - TBI		1,560		
Other Charges		4,523		
Total Board of Education				201,864

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Director of Schools				
County Official/Administrative Officer	$	78,000		
Career Ladder Program		1,000		
Social Security		4,898		
State Retirement		7,015		
Medical Insurance		15,303		
Dental Insurance		895		
Employer Medicare		1,146		
Communication		36,341		
Travel		2,598		
Office Supplies		5,447		
Other Charges		9,067		
Administration Equipment		7,095		
Total Director of Schools			$	168,805
Office of the Principal				
Principals	$	119,995		
Career Ladder Program		3,000		
Assistant Principals		107,964		
Secretary(ies)		65,006		
Clerical Personnel		60,542		
Social Security		20,815		
State Retirement		23,956		
Medical Insurance		76,477		
Employer Medicare		4,868		
Communication		427		
Other Charges		50		
Total Office of the Principal				483,100
Fiscal Services				
Supervisor/Director	$	9,587		
Accountants/Bookkeepers		57,440		
Social Security		3,945		
State Retirement		1,863		
Medical Insurance		7,690		
Employer Medicare		923		
Total Fiscal Services				81,448
Operation of Plant				
Custodial Personnel	$	159,820		
Social Security		8,769		
State Retirement		3,875		
Medical Insurance		68,864		
Employer Medicare		2,051		
Other Contracted Services		4,674		
Electricity		259,414		
Natural Gas		32,555		
Water and Sewer		48,087		
Other Supplies and Materials		52,381		
Building and Contents Insurance		42,954		
Total Operation of Plant				683,444

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Maintenance of Plant				
Maintenance Personnel	$	83,548		
Social Security		4,989		
State Retirement		2,323		
Medical Insurance		7,706		
Employer Medicare		1,167		
Maintenance and Repair Services - Buildings		4,297		
Maintenance and Repair Services - Equipment		28,143		
Pest Control		2,975		
Other Contracted Services		3,114		
Other Supplies and Materials		48,708		
Other Charges		8,212		
Maintenance Equipment		438		
Total Maintenance of Plant			$	195,620
Transportation				
Mechanic(s)	$	34,953		
Bus Drivers		201,527		
Social Security		13,592		
State Retirement		6,772		
Medical Insurance		8,109		
Employer Medicare		3,365		
Medical and Dental Services		2,298		
Diesel Fuel		66,092		
Tires and Tubes		9,159		
Vehicle Parts		27,452		
Other Supplies and Materials		1,367		
Vehicle and Equipment Insurance		12,572		
Other Charges		5,828		
Transportation Equipment		162,584		
Total Transportation				555,670
Operation of Non-Instructional Services				
Community Services				
Supervisor/Director	$	2,795		
Other Salaries and Wages		24,878		
Social Security		1,704		
State Retirement		212		
Medical Insurance		683		
Employer Medicare		399		
Other Supplies and Materials		4,803		
Total Community Services				35,474
Early Childhood Education				
Supervisor/Director	$	3,617		
Teachers		40,213		
Educational Assistants		15,219		
Social Security		3,157		
State Retirement		4,315		
Medical Insurance		25,420		

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Early Childhood Education (Cont.)			
Employer Medicare	$ 738		
Instructional Supplies and Materials	4,286		
Other Charges	111		
Total Early Childhood Education		$ 97,076	
Capital Outlay			
Regular Capital Outlay			
Building Improvements	$ 42,339		
Total Regular Capital Outlay		42,339	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 29,100		
Total Education		29,100	
Total General Purpose School Fund			$ 7,755,866
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 93,393		
Certified Substitute Teachers	55		
Non-certified Substitute Teachers	1,675		
Social Security	5,626		
State Retirement	8,293		
Medical Insurance	18,695		
Employer Medicare	1,316		
Instructional Supplies and Materials	41,930		
Regular Instruction Equipment	893		
Total Regular Instruction Program		$ 171,876	
Special Education Program			
Teachers	$ 48,960		
Educational Assistants	105,272		
Certified Substitute Teachers	60		
Non-certified Substitute Teachers	195		
Social Security	9,242		
State Retirement	6,059		
Medical Insurance	20,814		
Employer Medicare	2,161		
Maintenance and Repair Services - Equipment	194		
Instructional Supplies and Materials	4,764		
Other Supplies and Materials	194		
Special Education Equipment	2,115		
Total Special Education Program		200,030	
Vocational Education Program			
Instructional Supplies and Materials	$ 2,170		
Vocational Instruction Equipment	7,790		
Total Vocational Education Program		9,960	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)			
Support Services			
Health Services			
Medical Personnel	$ 9,918		
Social Security	495		
State Retirement	881		
Medical Insurance	7,664		
Employer Medicare	116		
Total Health Services		$ 19,074	
Other Student Support			
Evaluation and Testing	$ 6,016		
Travel	2,465		
Other Charges	819		
Total Other Student Support		9,300	
Regular Instruction Program			
Supervisor/Director	$ 14,026		
Social Security	852		
State Retirement	1,245		
Medical Insurance	712		
Employer Medicare	199		
Travel	2,206		
In Service/Staff Development	27,855		
Total Regular Instruction Program		47,095	
Special Education Program			
Supervisor/Director	$ 5,000		
Clerical Personnel	2,000		
Social Security	434		
State Retirement	500		
Employer Medicare	102		
Travel	206		
Other Contracted Services	10,281		
Total Special Education Program		18,523	
Vocational Education Program			
Travel	$ 543		
Other Supplies and Materials	105		
Total Vocational Education Program		648	
Total School Federal Projects Fund			$ 476,506
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Cafeteria Personnel	$ 203,476		
Social Security	11,549		
State Retirement	4,609		
Medical Insurance	59,854		
Employer Medicare	2,701		
Maintenance and Repair Services - Equipment	2,200		

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Food Service (Cont.)			
Transportation - Other than Students	$ 1,029		
Travel	2,903		
Food Supplies	208,178		
Office Supplies	780		
USDA - Commodities	18,213		
Other Supplies and Materials	15,405		
Other Charges	1,838		
Food Service Equipment	16,367		
Total Food Service		$ 549,102	
Total Central Cafeteria Fund			$ 549,102
Education Capital Projects Fund			
Capital Projects			
Education Capital Projects			
Architects	$ 1,575		
Building Improvements	17,692		
Total Education Capital Projects		$ 19,267	
Total Education Capital Projects Fund			19,267
Total Governmental Funds - Metropolitan School Department			$ 8,800,741

SINGLE AUDIT SECTION

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements, and have issued our report thereon dated December 16, 2013. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan Lynchburg – Moore County Water and Sewer Department and the Moore County Emergency Communications District, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or

significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001 and 2013-004.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-002(A,B), 2013-003, 2013-006(A,B,C), and 2013-007.

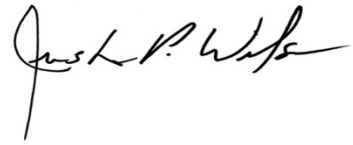
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the metropolitan government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002(C,D), 2013-005, and 2013-006(D).

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 16, 2013

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

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Government of Lynchburg, Moore County, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the metropolitan government's major federal programs for the year ended June 30, 2013. The metropolitan government's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Metropolitan Government of Lynchburg, Moore County, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

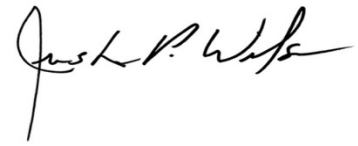
deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements. We issued our report thereon dated December 16, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 16, 2013

JPW/sb

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	
U.S. Department of Agriculture:				
Direct Program:				
Emergency Watershed Protection Program	10.923	N/A	$ 23,680	
Passed-through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	(2)	80,932	
National School Lunch Program	10.555	(2)	230,448	(3)
Passed-through State Department of Agriculture:				
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(2)	18,213	(3)
Total U.S. Department of Agriculture			$ 353,273	
U.S. Department of Transportation:				
Passed-through State Department of Transportation:				
State and Community Highway Safety	20.600	Z-13GHS211	$ 5,268	
Alcohol Open Container Requirements	20.607	Z-13GHS212	19,420	
Total U.S. Department of Transportation			$ 24,688	
U.S. Institute of Museum and Library Services:				
Passed-through Tennessee Secretary of State:				
Grants to States	45.310	(2)	$ 738	
Total U.S. Institute of Museum and Library Services			$ 738	
U.S. Environmental Protection Agency:				
Passed-through State Department of Environment and Conservation:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS7000110-0	$ 254,611	
Total U.S. Environmental Protection Agency			$ 254,611	
U.S. Department of Education:				
Passed-through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	N/A	$ 165,108	
Special Education Cluster:				
Special Education Grants to States	84.027	N/A	227,932	
Special Education Preschool Grants	84.173	N/A	15,578	
Career and Technical Education - Basic Grants to States	84.048	N/A	13,072	
Improving Teacher Quality State Grants	84.367	N/A	38,796	
State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	22,455	
Education Jobs Program	84.410	(2)	11,136	
Total U.S. Department of Education			$ 494,077	
U.S. Department of Homeland Security:				
Passed-through State Department of Military:				
Homeland Security Grant Program	97.067	(2)	$ 21,568	
Total U.S. Department of Homeland Security			$ 21,568	
Total Expenditures of Federal Grants			$ 1,148,955	

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants			
Rural Local Health Services - State Department of Health	N/A	(2)	$ 87,229
Disaster Grants - Public Assistance (Presidentially Declared Disaster) - State Department of Military	N/A	34101-0000008104	583
Local Planning Grant - State Department of Economic and Community Development	N/A	(2)	5,934
Litter Program - State Department of Transportation	N/A	Z-13-LIT064	30,680
Pilot-Lottery for Pre-K Classrooms - Early Childhood Education - State Department of Education	N/A	(2)	97,208
Coordinated School Health - State Department of Education	N/A	(2)	84,695
Statewide Student Management System - State Department of Education	N/A	(2)	2,633
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(2)	4,500
Total State Grants			$ 313,462

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

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Total for CFDA No. 10.555 is $248,661.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICE OF DIRECTOR OF SCHOOLS

Finding Number	Page Number	Subject
12.03	148	Expenditures exceeded appropriations

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

Finding Number	Page Number	Subject
12.04	149	Duties were not segregated adequately

THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee, is unmodified.

2. The audit of the financial statements of the metropolitan government disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.

3. The audit disclosed no instances of noncompliance that were material to the financial statements of the metropolitan government.

4. The audit disclosed no significant deficiencies in internal control over major programs.

5. An unmodified opinion was issued on compliance for major programs.

6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.

8. A $300,000 threshold was used to distinguish between Type A and Type B federal programs.

9. The metropolitan government did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF METROPOLITAN MAYOR

FINDING 2013-001 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the General, General Debt Service, and Urban Services funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Audit adjustments were required to increase property tax receivables and deferred tax revenues by $253,590 and $190,783, respectively, in the General Fund; and by $233,277 and $216,357, respectively, in the General Debt Service Fund. Audit adjustments were required to decrease property tax receivables and deferred tax revenues by $155,822 and $151,679, respectively, in the Urban Services Fund. Generally accepted accounting principles require Moore County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Moore County should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 2013-002 **THE OFFICE HAD PURCHASING DEFICIENCIES**
A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. and D. – Noncompliance Under *Government Auditing Standards*)

As a part of our auditing procedures for determining whether internal controls over purchasing were operating as designed, we selected a sample of 44 disbursements. Our

examination revealed the following deficiencies, which can be attributed to a lack of management oversight.

A. Our sample revealed that purchase orders were not issued for two of 13 applicable disbursements. This calculates to a 15 percent deviation rate. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

B. Also, our sample revealed that purchase orders were issued after the purchases were made for four of 13 applicable purchases. This calculates to a 30 percent deviation rate. The practice of issuing purchase orders after the purchase was made defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.

C. Moore County did not solicit competitive bids for the purchase of food for inmate meals. Moore County paid a total of $23,500 for food for inmate meals during the fiscal year ended June 30, 2013. The metropolitan government follows the Metropolitan Charter, which provides for all purchases and contracts for goods or services to be made through a consolidated Metropolitan Purchasing Department. The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the Metropolitan Council set the bid requirements for the Office of Metropolitan Mayor to follow the general statutes of the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated* (*TCA*), which provide for competitive bids on all purchases exceeding $10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

D. Moore County purchased a used vehicle for the Sheriff's Department without obtaining competitive bids. On January 29, 2013, Moore County traded two older used vehicles for a 2010 Ford Explorer and paid an additional $11,300. Section 12-3-1202, *Tennessee Code Annotated*, permits the purchase of used equipment without competitive bidding if certain documentation is obtained and conditions met. However, the required documentation was not obtained.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Competitive bids should be solicited for purchases exceeding $10,000 as required by the Metropolitan Charter. All purchases of used items should be made in compliance with applicable state statutes.

FINDING 2013-003 **GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments monthly. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected. Auditors proposed an adjustment of $38,444, which management accepted, to correct an employee health insurance liability account. Other errors were not corrected in the financial statements of this report; however, we do not consider the uncorrected differences to be material to the financial statements. This deficiency is the result of a lack of management oversight.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-004 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the General Purpose School Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Audit adjustments were required to increase property tax receivables, deferred property tax, and the allowance for uncollectible taxes by $2,494,376, $2,390,710, and $60,854, respectively. Generally accepted accounting principles require the School Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The School Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 2013-005 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in the budget operations of the office:

A. Expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the General Purpose School Fund:

Major Appropriation Category	Overspent
Board of Education	$ 1,660
Director of Schools	10,358
Transportation	5,867

B. Total expenditures and other uses of the Central Cafeteria Fund exceeded total appropriations approved by the Metropolitan Council by $36,976.

C. Salaries exceeded line-item appropriations in ten accounts in the General Purpose School, School Federal Projects, and Central Cafeteria funds by amounts ranging from $74 to $4,176.

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."

The budget resolution approved by the Metropolitan Council states that the salary, wages, or remuneration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the Metropolitan Council.

These deficiencies exist because management failed to hold spending to the limits authorized by the Metropolitan Council, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the Metropolitan Council.

FINDING 2013-006 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(A., B., and C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; D. – Noncompliance Under *Government Auditing Standards*)

As a part of our auditing procedures for determining whether internal controls over purchasing were operating as designed, we selected a sample of 39 disbursements. Our examination revealed the following deficiencies, which can be attributed to a lack of management oversight.

A. Our sample revealed that purchase orders were either not issued or were substantially incomplete (lacked the estimated amount of the purchase) for 12 of 16 applicable purchases. This calculates to a 75 percent deviation rate. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Without an estimated amount of the purchase, management cannot adequately determine that budgetary authorization exists for the purchase.

B. Invoices were paid without documentation that goods had been received or services rendered for 11 of 34 applicable purchases. This calculates to a 32 percent deviation rate. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for goods or services that were not received.

C. Two of the 39 applicable expenditures were coded to accounts that did not reflect the true nature of the transactions. Misclassifying expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. These misclassifications were not corrected; however, they were not considered material to the financial statements of this report.

D. Competitive bids were not solicited for the purchase of three mobile computer carts. The School Department purchased these carts in October 2012 for $29,160. The Metropolitan Council has not created a consolidated Metropolitan Purchasing Department. However, effective June 21, 1999, (amended October 18, 2004) the Metropolitan Council set the bid requirements for the Office of Director of Schools to follow the general statutes applicable to schools as set forth in Section 49-2-203, *Tennessee Code Annotated*, which provides for the Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding $10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. Invoices should not be paid without documentation that goods had been received or services rendered. Expenditures should be properly classified to reflect the true nature of the transactions. Competitive bids should be solicited for purchases exceeding $10,000 as required by statute.

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

FINDING 2013-007 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

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

BEST PRACTICES

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

ITEM 1. **METROPOLITAN MOORE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING**

Metropolitan Moore County does not have a central system of accounting and budgeting. Sound business practices dictate that establishing a central system would significantly

improve internal controls over the accounting and budgeting processes. The absence of a central system of accounting and budgeting has been a management decision by the Metropolitan Council resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting and budgeting covering all county departments.

ITEM 2. METROPOLITAN MOORE COUNTY SHOULD IMPLEMENT THE PROVISIONS OF THE CHARTER THAT PROVIDE FOR A CONSOLIDATED PURCHASING DEPARTMENT

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

ITEM 3. METROPOLITAN MOORE COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Metropolitan Moore County does not have an Audit Committee. An Audit Committee can assist the Metropolitan Council 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. County officials should establish an Audit Committee as a best practice.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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