

OFFICIAL STATEMENT

New Issue Book-Entry Only

Rating: S&P "AA" (BAM Insured)

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metro Government, interest on the Bonds (i) will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).

\$3,292,000

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE WATER REVENUE AND TAX REFUNDING BONDS, SERIES 2019 (Bank Qualified)

Dated: Date of Issuance

Due: June 1, as shown below

The \$3,292,000 Water Revenue and Tax Refunding Bonds, Series 2019 (the "Bonds") of the Metropolitan Government of Lynchburg, Moore County, Tennessee (the "Metro Government") will be issued in fully registered book-entry only form, without coupons, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, in denominations of \$1,000 and \$1,000 increments in excess thereof, through DTC Participants. The Bonds will bear interest at the annual rates shown below, payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2020 calculated on the basis of a 360-day year consisting of twelve 30-day months.

So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., which will in turn remit principal and interest payments on the Bonds to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. Purchasers will not receive physical delivery of Bonds purchased by them. See "DESCRIPTION OF THE BONDS-Book-Entry-Only System." U.S. Bank National Association, Nashville, Tennessee, is the registration and paying agent for the Bonds (the "Registration Agent").

The Bonds are subject to redemption prior to their stated maturities as more fully set forth herein. The Bonds are payable as follows:

Maturity (June 1)	Principal	Interest Rate	Yield	CUSIP Number*	Maturity (June 1)	Principal	Interest Rate	Yield	CUSIP Number*
2023	\$107,000	3.000%	1.625%	592010AD4	2027	\$121,000	3.000%	1.800%	592010AH5
2024	110,000	3.000	1.650	592010AE2	2028	124,000	3.000	1.900	592010AJ1
2025	114,000	3.000	1.700	592010AF9	2029	128,000	3.000	2.000	592010AK8
2026	117,000	3.000	1.750	592010AG7					

\$264,000 1.600% Term Bond Due June 1, 2022, Yield 1.600% 592010AC6
\$552,000 3.000% Term Bond Due June 1, 2033, Yield 2.150% c 592010AM4
\$580,000 3.000% Term Bond Due June 1, 2037, Yield 2.400% c 592010AP7
\$450,000 3.000% Term Bond Due June 1, 2040, Yield 2.600% c 592010AQ5
\$625,000 2.875% Term Bond Due June 1, 2044, Yield 3.000% 592010AR3

c = Yield to call date of June 1, 2029.

The Bonds shall be payable primarily from and be secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of Metro Government's waterworks system, subject to prior pledges of such Net Revenues in favor of Prior Lien Bonds (as defined herein), and in the event of a deficiency of such Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Metro Government. See "Security and Source of Payment" herein. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Metro Government are irrevocably pledged.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds have been designated by the Metro Government as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Metro Government by John T. Bobo, Esq., Shelbyville, Tennessee, Counsel to the Metro Government. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about December 20, 2019.

Duncan-Williams, Inc.

Memphis, Tennessee
Underwriter

December 12, 2019

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the Metropolitan Government of Lynchburg, Moore County, Tennessee (the "Metro Government") from time to time, is an Official Statement with respect to the Bonds described herein that is deemed final by the Metro Government as of the date hereof (or of any such supplement or amendment).

No dealer, broker, salesman or other person has been authorized by the Metro Government to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the Metro Government or the Bonds must not be relied upon as having been authorized by the Metro Government. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Metro Government since the date as of which information is given in this Official Statement.

In making an investment decision, investors must rely on their own examination of the Metro Government and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under "Appendix E – Bond Insurance and Specimen Municipal Bond Insurance Policy".

The Metropolitan Government of Lynchburg, Moore County, Tennessee

Water Revenue and Tax Refunding Bonds, Series 2019
Dated December 20, 2019

<u>Maturity</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u> <u>Number</u>
2022 [†]	\$264,000	1.600%	1.600%	592010AC6
2023	107,000	3.000	1.625	592010AD4
2024	110,000	3.000	1.650	592010AE2
2025	114,000	3.000	1.700	592010AF9
2026	117,000	3.000	1.750	592010AG7
2027	121,000	3.000	1.800	592010AH5
2028	124,000	3.000	1.900	592010AJ1
2029	128,000	3.000	2.000	592010AK8
2033 [†]	552,000	3.000	2.150 c	592010AM4
2037 [†]	580,000	3.000	2.400 c	592010AP7
2040 [†]	450,000	3.000	2.600 c	592010AQ5
2044 [†]	625,000	2.875	3.000	592010AR3

c = Yield to call date of June 1, 2029.

* Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

[†] Term Bond

The information contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the Metropolitan Government of Lynchburg, Moore County, Tennessee Water Revenue and Tax Refunding Bonds, Series 2019.

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OFFICIALS

METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

The Honorable Bonnie Lewis, Metropolitan Mayor

Metropolitan Council

Shawn Adams
Meghan Bailey
Arvis Bobo
David Boyce
Tommy Brown

Gerald Burnett
Amy Cashion
Denning Harder
Wayne Hawkins
Sandy Lewis

Houston Lindsey
Gordon Millsaps
Sunny Rae Moorehead
Keith Moses
John Taylor

Metro Officials

Nancy Hatfield, Metropolitan Clerk
Russell Sells, Utility Manager

Metro Attorney

John T. Bobo, Esq.
Shelbyville, Tennessee

Bond Counsel

Bass, Berry & Sims, PLC
Nashville, Tennessee

Registration Agent and Paying Agent

U.S. Bank National Association
Nashville, Tennessee

Underwriter

Duncan-Williams, Inc.
Memphis, Tennessee

SUMMARY STATEMENT

This Summary is expressly qualified by the entire Official Statement which should be viewed in its entirety by potential investors.

ISSUER..... The Metropolitan Government of Lynchburg, Moore County, Tennessee (the "Metro Government").

ISSUE \$3,292,000 Water Revenue and Tax Refunding Bonds, Series 2019 (the "Bonds"), dated December 20, 2019, maturing June 1, 2022, June 1, 2023 through June 1, 2029, inclusive, June 1, 2033, June 1, 2037, June 1, 2040 and June 1, 2044, with interest payable each June 1 and December 1, commencing June 1, 2020.

PURPOSE (i) refund the Metro Government's outstanding Water Revenue and Tax Bond, Series 1997, dated November 3, 1997, maturing in monthly installments through 2035; Water Revenue and Tax Bond, Series 2001, dated April 10, 2002, maturing in monthly installments through 2040; Water Revenue and Tax Bond, Series 2006, dated January 24, 2007, maturing in monthly installments through 2045; Water Revenue and Tax Bond, Series 2007, dated October 17, 2007, maturing in monthly installments through 2045; and Water Revenue and Tax Bond, Series 2008, dated June 4, 2009, maturing in monthly installments through 2047, and (ii) pay costs incident to the issuance and sale of the Bonds.

OPTIONAL REDEMPTION The Bonds are be subject to redemption prior to maturity at the option of the Metro Government on June 1, 2029 and thereafter, as a whole or in part at any time at the redemption price of par plus accrued interest to the redemption date.

SECURITY The Bonds shall be payable primarily from and be secured by a pledge of the Net Revenues (as defined herein) to be derived from the operation of the waterworks system of the Metro Government, subject to prior pledges of such Net Revenues in favor of Prior Lien Bonds (as defined herein); and in the event of a deficiency of such Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Metro Government. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Metro Government are irrevocably pledged. See "THE BONDS – Security and Sources of Payment" herein.

MUNICIPAL BOND

INSURANCE POLICY Build America Mutual Assurance Company ("BAM") has issued a commitment to issue a municipal bond insurance policy covering the Bonds. The policy will guarantee the payment when due of principal of and interest on the Bonds. See Appendix E – Bond Insurance and Specimen Municipal Bond Insurance Policy.

RATING S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AA" to the Bonds with the understanding that, upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal and interest on the Bonds will be issued by BAM. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from S&P. The rating reflects only the view of S&P and neither the Metro Government nor the Underwriter makes any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time

or that it will not be lowered or withdrawn entirely by S&P if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The Bonds have not been assigned an underlying rating by a rating agency.

TAX MATTERS Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under "TAX MATTERS" herein.

BANK QUALIFICATION The Bonds will be "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

REGISTRATION AND PAYING

AGENT U.S. Bank National Association, Nashville, Tennessee.

UNDERWRITER Duncan-Williams, Inc., Memphis, Tennessee.

OFFICIAL STATEMENT

\$3,292,000

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

WATER REVENUE AND TAX REFUNDING BONDS, SERIES 2019 (BANK QUALIFIED)

The purpose of this Official Statement, including the appendices attached hereto, is to set forth certain information concerning the Metropolitan Government of Lynchburg, Moore County, a political subdivision of the State of Tennessee (the "Metro Government"), and its \$3,292,000 Water Revenue and Tax Refunding Bonds, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to the authority of Sections 9-21-101, et seq. Tennessee Code Annotated (the "Act") by resolution of the Metropolitan Council of the Metro Government, adopted on November 25, 2019 (collectively, the "Resolution"). The Resolution authorizes and sets forth the terms and conditions of the Bonds.

The proceeds from the sale of the Bonds will be used to (i) refund the Metro Government's outstanding Water Revenue and Tax Bond, Series 1997, dated November 3, 1997, maturing in monthly installments through 2035; Water Revenue and Tax Bond, Series 2001, dated April 10, 2002, maturing in monthly installments through 2040; Water Revenue and Tax Bond, Series 2006, dated January 24, 2007, maturing in monthly installments through 2045; Water Revenue and Tax Bond, Series 2007, dated October 17, 2007, maturing in monthly installments through 2045; and Water Revenue and Tax Bond, Series 2008, dated June 4, 2009, maturing in monthly installments through 2047 (collectively, the "Outstanding Bonds"), and (ii) pay costs incident to the issuance and sale of the Bonds. For a more complete description of the use of Bond proceeds, see the sections entitled "THE BONDS" – Disposition of Bond Proceeds" contained herein.

Included in this Official Statement are descriptions of the Bonds, the Resolution and the Metro Government. All references to the Resolution are qualified in their entirety by references to the document itself. All capitalized terms used herein and not otherwise defined have the meanings set forth in the Resolution. Copies of the Resolution and any other documents described in this Official Statement may be obtained from the office of the Metropolitan Mayor.

THE BONDS

Description

The Bonds, dated as of the date of issuance, will be issued as fully registered book-entry Bonds, without coupons, in denominations of \$1,000 and \$1,000 increments in excess thereof. The Bonds will mature on the date and in the amount set forth on the cover page and bear interest at the rate per annum set forth on the cover page calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year (herein an "Interest Payment Date"), commencing June 1, 2020.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. U.S. Bank National Association, Nashville, Tennessee (the "Registration Agent"), will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the Interest Payment Date (the "Regular Record Date")

by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Metro Government in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Metro Government to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The Metro Government shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Metro Government shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Metro Government of such Special Record Date and, in the name and at the expense of the Metro Government, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Metro Government to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

Optional Redemption

The Bonds shall be subject to redemption prior to maturity at the option of the Metro Government on June 1, 2029 and thereafter, as a whole or in part at any time at the redemption price of par plus accrued interest to the redemption date.

Mandatory Redemption

Subject to the credit hereinafter provided, the Metro Government shall redeem Bonds maturing June 1, 2022, June 1, 2033, June 1, 2037, June 1, 2040 and June 1, 2044 on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the

Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
6/1/2022	6/1/2020	\$55,000
	6/1/2021	104,000
	6/1/2022*	105,000
6/1/2033	6/1/2030	132,000
	6/1/2031	136,000
	6/1/2032	140,000
	6/1/2033*	144,000
6/1/2037	6/1/2034	148,000
	6/1/2035	148,000
	6/1/2036	140,000
	6/1/2037*	144,000
6/1/2040	6/1/2038	148,000
	6/1/2039	153,000
	6/1/2040*	149,000
6/1/2044	6/1/2041	150,000
	6/1/2042	154,000
	6/1/2043	158,000
	6/1/2044*	163,000

†Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Metro Government may (i) deliver to the Registration Agent for cancellation Bonds maturing June 1, 2022, June 1, 2033, June 1, 2037, June 1, 2040 and June 1, 2044 to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond maturing June 1, 2022, June 1, 2033, June 1, 2037, June 1, 2040 and June 1, 2044 so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Metro Government on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.

Notice of Redemption

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Metro Government not less than twenty (20) nor more than sixty (60) days prior to the date

fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail or certified mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Metro Government nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants, or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Metro Government pursuant to written instructions from an authorized representative of the Metro Government (other than for a mandatory sinking fund redemption, if applicable), notices of which shall be given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided. In the case of a Conditional Redemption, the failure of the Metro Government to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository, if applicable, or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Only one fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with Direct Participants, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial

Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Metro Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the Metro Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Metro Government or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Metro Government or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Metro Government may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Metro Government believes to be reliable, but the Metro Government takes no responsibility for the accuracy thereof.

THE METRO GOVERNMENT AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

Disposition of Bond Proceeds

The following tables set forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

Sources:	Par Amount of Bond	\$3,292,000.00
	Net Original Issue Premium	<u>130,124.10</u>
	Total	<u>\$3,422,124.10</u>
Uses:		
	Payoff of Outstanding Bonds	\$3,356,878.65
	Underwriter's Discount	32,920.00
	Costs of Issuance (incl. Bond Insurance Premium)	31,491.28
	Rounding Amount	<u>834.17</u>
Total		<u>\$3,422,124.10</u>

Plan of Refunding

As provided herein, the Bonds are being issued to provide funds for the (a) refunding of the Outstanding Bonds and (b) payment of costs incident to the issuance and sale of the Bonds. A portion of the proceeds of the Bonds, together with other legally available funds of the Metro Government, if applicable, will be paid to the holder of the Outstanding Bonds, namely the United States of America, acting through Rural Development, for the redemption of the Outstanding Bonds on or about the issuance date of the Bonds.

Security and Sources of Payment

Security and Sources of Payment of the Bonds.

The Bonds are payable primarily from and secured by a pledge of the Net Revenues to be derived from the operation of the System, subject to prior pledges of such Net Revenues in favor of the Metro Government's Prior Lien Bonds; and in the event of a deficiency of such Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Metro Government. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the Metro Government are irrevocably pledged. All terms used in this paragraph and not defined herein are defined below and in the Resolution.

The following terms are defined in the Resolution:

"System" means the complete waterworks system of the Metro Government, together with, and including all waterworks system properties of every nature hereafter owned by the Metro Government, including all improvements and extensions made by the Metro Government while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the waterworks system, and including all appurtenances, contracts, leases, franchises and other intangibles.

"Net Revenues" means Gross Earnings less Current Expenses.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the Metro Government).

"Current Expenses" means the expenses incurred by the Metro Government in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, but excluding depreciation and payments of principal, premium and interest when due with respect to all bonds, notes or other obligations of the Metro Government.

"Prior Lien Bonds" means, to the extent outstanding and not refunded by the Bonds, the Outstanding Bonds, and all other indebtedness of the Metro Government, if any, dated prior to the date hereof and payable from and secured by revenues of the System. The Outstanding Bonds are to be refunded in their entirety by the Bonds.

As provided above, in the event of a deficiency in Net Revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Metro Government, and the full faith and credit of the Metro Government are irrevocably pledged.

See Appendix B for information regarding State review of the audited financial statements of the System mandated by a negative change in net position for fiscal years 2017 and 2018 and implementation of a new rate structure for the System effective fiscal year 2020. See also Appendix B and Appendix D herein for information regarding outstanding debt of the Metro Government and System, debt service coverage for System debt and other financial information regarding the Metro Government and System.

Parity Bonds.

There are currently no other debt obligations secured by System revenues on a parity of lien with the Bonds. The Metro Government may issue future debt on parity with the Bonds ("Parity Bonds") under the following conditions but not otherwise:

(a) Parity Bonds may be issued without regard to the requirements of subsection (b) below if such bonds shall be issued for the purpose of refunding any of the Bonds or Parity Bonds which shall have matured or which shall mature not later than three months after the date of delivery of such refunding bonds.

(b) Parity Bonds may be issued if all of the following conditions are met:

(i) The Net Revenues of the System for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the issuance of the additional bonds must have been equal to 1.20 times the maximum annual interest and principal requirements for any succeeding fiscal year on all bonds, notes and other debt obligations then outstanding payable from the Gross Earnings of the System (but excluding any bonds, notes and other debt obligations to be refunded from the proceeds of such bonds proposed to be issued) and the bonds, notes and other debt obligations so proposed to be issued; provided, however, that if prior to the authorization of such additional bonds, notes and other debt obligations, the Metro Government shall have adopted and put into effect a revised schedule of rates for the System or expanded the System (or will expand the System in connection with the issuance of the additional bonds) so that its capacity is increased, then the Net Revenues for the twelve (12) months of the eighteen (18) months immediately preceding the issuance of such additional bonds, notes, or loan agreements, as certified by an independent engineer or engineering firm with a favorable reputation for skill and experience in the design and operation of water system or a nationally recognized firm of financial feasibility consultants having a favorable reputation for skill and experience in the financial feasibility of water system, which would have resulted from such rates had they been in effect for such period or would have resulted from such additional capacity, may be used in lieu of the actual Net Revenues for such period;

(ii) No default in the payment of principal of and interest on the Bonds and any Parity Bonds shall have occurred; and

(iii) The proceeds of the additional bonds must be used solely for the making of improvements, extensions, renewals or replacements to the System, or to refund Bonds, Parity Bonds, if any, and Prior Lien Bonds, or subordinate lien bonds, notes or other obligations.

Municipal Bond Insurance

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”). See Appendix E – Bond Insurance and Specimen Municipal Bond Insurance Policy.

FUTURE DEBT

To finance System improvements, the Metro Government plans to enter into a \$500,000 State Revolving Fund loan (the “Future SRF Loan”) in fiscal year 2020. The Future SRF Loan is expected to be secured by and payable from revenues of the System and additionally secured by pledges of the full faith and credit and state-shared taxes of the Metro Government. The Future SRF Loan is expected to have 100% principal forgiveness. The Metro Government additionally expects to issue approximately \$3,000,000 in general obligation debt around the end of fiscal year 2020 and beginning of fiscal year 2021 for school improvements. Before any future debt, including the debt described herein, may be issued, the Metro Government must authorize such debt by legislative action of its Metropolitan Council.

LITIGATION

The Metro Government, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The Metro Government, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the Metro Government, the System or its officials in such capacity are adequately

covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the Metro Government or of the System.

There is no litigation of any nature now pending or, to the knowledge of the Metro Government, threatened to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Metro Government taken with respect to the issuance and sale of the Bonds, the pledge or application of any monies or security provided for the payment of the Bonds or the existence or the powers of the Metro Government insofar as they relate to the authorization, sale and issuance of the Bonds or such pledge or application of monies and security.

RATING

S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “AA” to the Bonds with the understanding that, upon delivery of the Bonds, a policy guaranteeing the payment when due of the principal and interest on the Bonds will be issued by BAM. Such rating reflects only the views of such organization and explanations of the significance of such rating should be obtained from S&P. The rating reflects only the view of S&P, and neither the Metro Government nor the Underwriter makes any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by S&P if in its judgment circumstances so warrant. The above rating is not a recommendation to buy, sell, or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The Bonds have not been assigned an underlying rating by a rating agency.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with the Bonds. (See Appendix A). Certain legal matters will be passed upon for the Metro Government by John T. Bobo, Esq., Shelbyville, Tennessee, Counsel to the Metro Government.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the Metro Government and assuming compliance by the Metro Government with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder’s federal gross income under the Internal Revenue Code of 1986 (the “Code”), and
- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Bonds that the Metro Government must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Metro Government does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to

the date of issue. The Metro Government has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also "Miscellaneous" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in the Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Information Reporting and Backup Withholding. Unless the recipient is otherwise exempt, interest on the Bonds is subject to Federal information reporting requirements which can be generally satisfied upon the filing of a Form W-9, "Request for Taxpayer Identification Number and Certification." Failure to satisfy the information reporting requirements does not affect the excludability of the interest on the Bonds, but will result in a tax being withheld from the interest payment, calculated as set forth in the Code. Once the required information is provided, such amounts withheld would be allowed as a refund or credit against the Bondholder's Federal income tax.

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the Metro Government as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. For example, various proposals have been made in Congress and by the President which, if enacted, would subject interest on bonds, such as the Bonds, that is otherwise excluded from gross income for federal income tax purposes, to a tax payable by certain bondholders with an adjusted gross income in excess of certain proposed thresholds. Further, such proposals may impact the marketability of the Bonds simply by being proposed. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Miscellaneous

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

THE UNDERWRITER

Duncan-Williams, Inc. (the "Underwriter"), acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Bonds for an aggregate purchase price of \$3,389,204.10,

which is par, less \$32,920.00 underwriter's discount and plus \$130,124.10 net original issue premium. The Underwriter's obligation to purchase the Bonds is subject to certain conditions contained in a Bond Purchase Agreement by and between the Metro Government and the Underwriter.

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction but does not guarantee the accuracy or completeness of such information.

CONTINUING DISCLOSURE

The Metro Government will at the time the Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Metro Government and the System and to provide notice of the occurrence of certain enumerated events. The notices of events will be filed by the Metro Government with the Municipal Securities Rulemaking Board ("MSRB") at emma.msrb.org and with any State Information Depository which may hereafter be established in Tennessee. The specific nature of the information to be contained in the Annual Report or the notices of events can be found in the form of the Continuing Disclosure Agreement attached hereto as Appendix A. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders of the Bonds. Any of the estimates is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Metro Government since the date hereof.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available on the date hereof, and assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions

related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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CERTIFICATE OF ISSUER

I, Bonnie Lewis, do hereby certify that I am the duly qualified and acting Metropolitan Mayor of the Metropolitan Government of Lynchburg, Moore County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement issued in connection with the sale of \$3,292,000 Water Revenue and Tax Refunding Bonds, Series 2019, dated December 20, 2019, of said Metro Government that to the best of my knowledge, information and belief (a) the description and statements contained in said Official Statement were at the time of the acceptance of the winning bid and are on the date hereof true and correct in all material respects; and (b) that said Official Statement did not at the time of acceptance of the winning bid and does not on the date hereof contain any untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature this 12th day of December, 2019.

/s/ Bonnie Lewis

Metropolitan Mayor

I, Nancy Hatfield, do hereby certify that I am the duly qualified and acting County Clerk of the Metropolitan Government of Lynchburg, Moore County, Tennessee, and as such official I do hereby further certify that Bonnie Lewis is the duly qualified and acting Metropolitan Mayor of said Metro Government and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

WITNESS my official signature and the seal of The Metropolitan Government of Lynchburg, Moore County, Tennessee as of the date subscribed to the foregoing certificate.

/s/ Nancy Hatfield

County Clerk

(SEAL)

APPENDIX A

Form of Continuing Disclosure Agreement

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

WATER REVENUE AND TAX REFUNDING BONDS, SERIES 2019

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered this 20th day of December, 2019 by the Metropolitan Government of Lynchburg, Moore County, Tennessee (the “Issuer”) in connection with the issuance of Water Revenue and Tax Refunding Bonds, Series 2019 (the “Bonds”). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Fiscal Year” shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on July of each calendar year and ending June 30 of the following calendar year.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement of the Issuer, dated December 12 2019, relating to the Bonds.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Registered Owner” means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

“Resolution” shall mean the bond resolution adopted by the Metropolitan Council of the Issuer on November 25, 2019.

“State” shall mean the State of Tennessee.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository pursuant to which continuing disclosure information shall be sent pursuant to State law.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information*. For Fiscal Years ending on or after June 30, 2019, the Issuer shall provide annual financial information within 12 months after the end of the Fiscal Year. The annual financial information shall include the Issuer's audited financial statements, prepared in accordance with generally accepted accounting principles, or, if the Issuer's audited financial statements are not available, then the Issuer's unaudited financial statements; and

(b) *Event Notices*. The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation* of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information.* The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement.* The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

(a) This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY,
TENNESSEE

By: _____
Metropolitan Mayor

APPENDIX B

Demographic and General Financial Information of the Metro Government

DEMOGRAPHIC AND GENERAL FINANCIAL INFORMATION OF THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

GENERAL INFORMATION

The Issuer

The Metropolitan Government of Lynchburg, Moore County, Tennessee (the “Metro Government”) is located in the southern central portion of the State of Tennessee (the “State”). It is surrounded by Bedford County, Coffee County, Lincoln County and Franklin County. It lies approximately 266 miles east of Memphis, Tennessee; 75 miles south of Nashville, Tennessee and 46 miles north of Huntsville, Alabama.

With a total area of 129 square miles, the Metro Government contains a diverse landscape, with nearly one half of the Metro Government lying along the Highland Rim and most of the remaining area part of the Central Basin. The Tennessee General Assembly established Moore County in 1871 in honor of General William Moore, who was one of Lincoln County's first settlers and a long-time member of the General Assembly. The City of Lynchburg was established as the County seat. In 1988, Moore County and the City of Lynchburg voted to consolidate governments and form the Metropolitan Government of Lynchburg, Moore County, Tennessee.

Source: Tennessee Encyclopedia (Megan Dobbs Eades)

The Metro Government is governed by a fifteen-member Metropolitan Council and a Metropolitan Mayor. Council members and the Metro Mayor serve four-year terms.

DEMOGRAPHIC DATA

Population

Population amounts for the Metro Government and State are below.

	Moore County	Tennessee
2000 Census	5,740	5,689,283
2010 Census	6,362	6,346,105
2011 Census Estimate	6,370	6,397,410
2012 Census Estimate	6,306	6,451,281
2013 Census Estimate	6,277	6,493,432
2014 Census Estimate	6,296	6,540,826
2015 Census Estimate	6,255	6,590,808
2016 Census Estimate	6,284	6,645,011
2017 Census Estimate	6,363	6,708,794
2018 Census Estimate	6,411	6,770,010

Source: U.S Census Bureau

Income and Housing

In 2017, the Metro Government had a per capita personal income of \$39,185, which was 86.089% of the State average of \$45,517.

	Metro Government	Tennessee	% of State
2010 Per Capita Personal Income	30,395	35,835	84.819%
2011 Per Capita Personal Income	32,806	37,798	86.793%
2012 Per Capita Personal Income	34,655	39,439	87.870%
2013 Per Capita Personal Income	35,788	39,549	90.490%
2014 Per Capita Personal Income	37,982	40,977	92.691%
2015 Per Capita Personal Income	39,019	42,810	91.145%
2016 Per Capita Personal Income	38,860	43,932	88.455%
2017 Per Capita Personal Income	39,185	45,517	86.089%

Source: Bureau of Economic Analysis

2017 Median Household Income	\$51,671	\$48,708	106.083%
2017 Median Value of Housing Units	\$166,000	\$151,700	109.426%
2017 Housing Units	3,065	2,903,199	

Source: U.S Census Bureau

ECONOMIC DATA

Economic Base

The Metro Government has a long history in the whiskey industry. The first distillery was erected in 1825 along the West Mulberry. By 1876, at least fifteen distilleries were registered in Moore County, and the product formerly known as Lincoln County Whiskey became a Lynchburg specialty. One of the largest and most famous distilleries was founded by Jack Daniel, who made Tennessee Sour Mash whiskey a major commodity. Today, Jack Daniel Distillery is the central tourist attraction in the Metro Government and a primary source of tourism revenue for the Metro Government.

The Metro Government's labor market area is within the Tullahoma-Manchester micropolitan statistical area. This area in south central Tennessee consists of three counties—Coffee County, Franklin County and the Metro Government. The estimated size of the total labor force for this area in March of 2019 was 50,631.

Major Employers in Tullahoma-Manchester Micropolitan Statistical Area

Employer	Estimated Employees
Arnold Engineering Development Complex	3,100
Brown-Forman Corporation	690
Motlow State Community College	500
Cubic Transportation Systems	352
Jack Daniel Distillery	300
Wisco Envelopes Co., Inc.	265
TE Connectivity	248
JSP International	170
Moore County School District	161
Sonoco Corporation	150
Schmiede Corporation	140
Coca-Cola Bottling Works	115
Lynchburg Nursing Center	100

Source: Tullahoma Economic Development Corporation, 2019 Community Data Profile; Tennessee Department of Economic and Community Development

Retail Sales

The Metro Government's retail sales in 2018 totaled \$32,772,657, an 83.2% increase since 2010.

Year	Retail Sales
2010	17,858,267
2011	18,272,892
2012	20,047,838
2013	22,262,498
2014	23,548,660
2015	24,811,797
2016	29,191,914
2017	30,644,060
2018	32,722,657

Source: Tennessee Department of Revenue

Labor Force, Employment and Unemployment Data

The labor force within the Metro Government has increased to 3,536 as of 2018. Employment has increased 8.56% from 2010.

Year	Total Labor Force	Employment	Unemployment	Unemployment Percent		
				Metro Government	State	U.S.
2010	3,257	3,000	257	7.90	9.70	9.60
2011	3,341	3,111	230	6.90	9.00	8.90
2012	3,395	3,198	197	5.80	7.80	8.10
2013	3,323	3,123	200	6.00	7.80	7.40
2014	3,275	3,108	167	5.10	6.60	6.20
2015	3,299	3,150	149	4.50	5.60	5.30
2016	3,380	3,253	127	3.80	4.70	4.90
2017	3,475	3,366	109	3.10	3.80	4.40
2018	3,536	3,429	107	3.00	3.50	3.90

Source: Bureau of Labor Statistics

EDUCATION

The Moore County School District (the “District”) funds and operates Lynchburg Elementary School and Moore County High School in the Metro Government. The District had an average daily attendance for school year 2017-2018 of 862 students, up from 848 in 2016-17.

Moreover, the Metro Government is home to Motlow State Community College. In 1967, the 187-acre site for the Moore County campus of Motlow College was donated by the Motlow family of Lynchburg, Tennessee. The College offers certificates and associate degrees to its students. Roughly, 1,900 students were enrolled at the Moore County Campus in Fall 2018.

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THE WATER AND SEWER DEPARTMENT

The Metropolitan Lynchburg-Moore County Water and Sewer Department (the “Department”) is an enterprise fund of the Metro Government. The Department is governed by a utility board (the “Utility Board”). The Utility Board is comprised of members of the Metropolitan Council.

The first water supplied to the residents inside the city limits of Lynchburg, TN was furnished by Mr. Lem Motlow, Proprietor Jack Daniel Distillery, through a small steel pipe from the cave spring located on Jack Daniel Distillery property. In 1963, the Lynchburg Water Department was established, and the water plant had a maximum production of 100 gallons per minute, serving a population of 361. The Lynchburg Sewer System was completed in 1970, serving the City of Lynchburg.

The growth of the area required the expansion of the Water Plant to 200 gallons per minute (“GPM”) in 1972. An agreement was made in 1978 to acquire raw water from Tims Ford Lake to supplement the raw water intake at Mulberry Creek between the City of Lynchburg and Jack Daniels Distillery. In 1996, the Water Plant was once again doubled in size to produce 400 GPM.

Although the Department consists of both water and sewer systems (collectively, the “Systems”), the Systems are considered separate credits and support different debt instruments of the Metro Government. The Bonds described in this Official Statement are secured by certain water revenues of the Systems and, in the case of any deficiency, by a full faith and credit pledge of the Metro Government. The Bonds are not secured by any sewer revenues of the Systems.

STATE REVIEW OF DEPARTMENT FINANCIAL STATEMENTS

For Fiscal Years 2017 and 2018, the audited financial statements of the Department showed a negative change in net position, prompting State review of the Department’s audited financial statements. On November 15, 2018, the Tennessee Water and Wastewater Financing Board (the “Water and Wastewater Financing Board”) reviewed the financially distressed status of the Systems pursuant to Section 68-221-1010 Tennessee Code Annotated. Based on the Systems’ financial deficiencies, the Water and Wastewater Financing Board ordered the preparation of a rate study by a qualified expert. On September 19, 2019, the Water and Wastewater Financing Board staff indicated that the Department had complied with all previous directives and is on a positive trajectory. The Department must provide updated financials to the Water and Wastewater Financing Board every six months.

RATE STUDY

Per the order of the Water and Wastewater Financing Board, Rate Studies, LLC completed its assessment of the Department’s rate structure for the Systems. The rate study recommended the Department create residential, commercial and industrial classes of customers for each of the Systems. Under the new rate structure, each class will be charged a different rate per 1,000 gallons with a standard monthly service fee. The following is the list of rates proposed by Rate Studies, LLC and adopted by the Utility Board in September 2019. These new rates will be implemented in Fiscal Year 2020. According to the study, these rates are projected to increase revenues by 17%. In particular as it relates to the Bonds, water revenues are expected to increase by 14.5% as a result of the new rates.

WATER RATES

Residential Customers	
Service Fee	\$7.70
Rate per 1,000 gallons	9.65
Commercial Customers	
Service Fee	\$7.70
Rate per 1,000 gallons	12.28
Industrial Customers	
Service Fee	\$7.70
Rate per 1,000 gallons	13.94

SEWER RATES

Residential Customers	
Service Fee	\$5.38
Rate per 1,000 gallons	11.00
Commercial Customers	
Service Fee	\$5.38
Rate per 1,000 gallons	14.00

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HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

DEBT SERVICE COVERAGE

For the years ending June 30

	2014	2015	2016	2017 ⁽¹⁾	2018	Unaudited 2019	Projected		
							2020	2021	2022
Operating Revenue									
Water Sales	1,476,116	1,442,863	1,494,829	1,536,479	1,568,766				
Sewer Service Charges	241,042	235,400	238,697	221,040	252,570				
Penalties	20,711	18,817	18,101	22,455	21,704				
Service Fees	11,037	11,910	10,311	9,700	9,000				
Sanitation revenue	7,030	7,200	7,275	6,600	7,786				
Tap Connection fees	28,985	27,713	27,161	21,333	18,959				
Pre-treatment income	9,123	9,952	9,952	9,952	9,123				
Credit Card income	1,132	1,764	2,296	3,060	3,518				
Surcharges	60,061	6,637	-	-	-				
Miscellaneous	1,003	8,713	8,235	9,789	6,745				
Uncollectible accounts	(6,948)	(1,631)	(3,896)	(2,961)	(6,600)				
Total Operating Revenue	1,849,292	1,769,338	1,812,961	1,837,447	1,891,571	2,306,363	2,447,694	2,639,722	2,877,125
Operating Expenses									
General and administrative	313,411	295,874	333,988	351,220	361,155				
Water operating expenses	904,307	923,783	920,725	987,523	1,084,742				
Sewer operating expenses	180,778	203,576	214,781	217,775	250,748				
Utility Maintenance	175,363	176,461	195,470	256,943	275,539				
Total Operating Expenses	1,573,859	1,599,694	1,664,964	1,813,461	1,972,184	1,983,077	2,347,225	2,528,522	2,590,022
Non-Operating Revenue (excluding interest expense)	(4,810)	1,274	916	1,007	810	935	-	-	-
Add back Deprecitation	459,837	494,440	499,989	492,585	565,054	564,242	676,668	751,254	733,108
Available for Debt Service	730,460	665,358	648,902	517,578	485,251	888,464	777,137	862,454	1,020,211
Annual Debt Service ⁽²⁾	421,524	421,524	421,524	421,524	421,524	421,524	682,866	682,866	682,866
Debt Service Coverage Ratio	1.733	1.578	1.539	1.228	1.151	2.108	1.138	1.263	1.494

⁽¹⁾Excludes Loss on retirement of fixed assets of \$237,991

⁽²⁾Assumes additional debt borrowed to finance Water & Wasterwater Improvements in 2020 and savings from 2019 Refunding Bonds

Sources: Metropolitan Lynchburg, Moore County, Tennessee Comprehensive Annual Financial Reports for the years ending June 30, 2014 - 2018, Department Financial Records and Report by Rate Studies, LLC dated 7/17/2019

WATER AND SEWER DEPARTMENT DEBT SERVICE REQUIREMENTS ⁽¹⁾

Year Ended June 30	Existing Principal	Existing Interest	LESS Refunded Principal	LESS Refunded Interest	PLUS Series 2019 Principal	PLUS Series 2019 Interest	Total Debt Service Requirements
2020	157,183	198,713	(40,475)	(80,372)	55,000	42,165	332,215
2021	233,045	188,563	(80,607)	(140,541)	104,000	93,403	397,863
2022	238,952	182,656	(84,171)	(136,977)	105,000	91,739	397,199
2023	245,083	176,425	(87,893)	(133,255)	107,000	90,059	397,419
2024	251,446	170,162	(91,424)	(129,724)	110,000	86,849	397,309
2025	258,048	163,236	(95,824)	(125,324)	114,000	83,549	397,685
2026	227,431	157,280	(100,063)	(121,085)	117,000	80,129	360,692
2027	210,726	151,434	(104,491)	(116,657)	121,000	76,619	338,631
2028	216,278	145,882	(108,808)	(112,340)	124,000	72,989	338,001
2029	222,055	140,105	(113,932)	(107,216)	128,000	69,269	338,281
2030	228,070	134,090	(118,976)	(102,172)	132,000	65,429	338,441
2031	234,331	127,829	(124,244)	(96,904)	136,000	61,469	338,481
2032	240,849	121,312	(129,497)	(91,651)	140,000	57,389	338,401
2033	247,635	114,526	(135,483)	(85,665)	144,000	53,189	338,201
2034	254,700	107,460	(141,486)	(79,662)	148,000	48,869	337,881
2035	257,541	100,122	(143,372)	(73,411)	148,000	44,429	333,309
2036	185,960	93,064	(135,998)	(67,642)	140,000	39,989	255,373
2037	193,033	85,991	(142,110)	(61,530)	144,000	35,789	255,173
2038	200,392	78,632	(148,305)	(55,335)	148,000	31,469	254,853
2039	208,048	70,976	(154,772)	(48,868)	153,000	27,029	255,413
2040	504,342	63,120	(153,441)	(42,338)	149,000	22,439	543,122
2041	270,945	55,383	(155,762)	(35,734)	150,000	17,969	302,801
2042	219,501	47,379	(162,492)	(29,004)	154,000	13,656	243,040
2043	227,827	39,053	(169,514)	(21,982)	158,000	9,229	242,613
2044	236,485	30,395	(176,804)	(14,692)	163,000	4,686	243,070
2045	213,741	21,713	(153,722)	(7,316)	-	-	74,416
2046	114,886	15,652	(66,633)	(2,244)	-	-	61,660
2047	87,432	12,723	(25,001)	(525)	-	-	74,629
2048	64,592	10,792					75,384
2049	66,060	9,324					75,384
2050	67,563	7,821					75,384
2051	69,099	6,285					75,384
2052	70,669	4,715					75,384
2053	72,275	3,109					75,384
2054	73,918	1,466					75,384
2055	24,950	145					25,095
TOTALS	6,895,087	3,037,535	(3,345,300)	(2,120,165)	3,292,000	1,319,795	9,078,951

Sources: Metropolitan Government of Lynchburg, Moore County, Tennessee Comprehensive Annual Financial Report for the year ending June 30, 2018

(1) Includes all outstanding indebtedness payable from Water or Sewer revenues, including indebtedness backed by a General Obligation Pledge of the Metro Government

WATER AND SEWER CUSTOMERS
(For Fiscal Years Ending June 30)

Year	Water Customers	Sewer Customers
2009	2175	308
2010	2303	309
2011	2317	310
2012	2320	311
2013	2329	310
2014	2326	308
2015	2357	307
2016	2382	311
2017	2403	309
2018	2449	315
2019	2472	311

Source: Comprehensive Annual Financial Reports prepared by the Metro Government of Lynchburg, Moore County, Tennessee for the years ending 2009 through 2018 and Department Records

LARGEST WATER AND SEWER CUSTOMERS

	Annual Totals	% Total Revenue
Jack Daniels Distillery	\$ 634,084.86	33.522%
Moore County High School	36,419.02	1.925%
Lynchburg Nursing Center	28,576.94	1.511%
Lynchburg Elementary	16,843.43	0.890%
Marvin Betts -Chicken Barns	11,556.14	0.611%
Metro Jail	8,204.25	0.434%
Woodard's Market	7,804.66	0.413%
ML & G Car Wash	7,389.52	0.391%
Story Brooke Springs	3,037.63	0.161%

Source: Metropolitan Government of Lynchburg, Moore County, Tennessee Water and Sewer Department, as of June 30, 2019

SUMMARY OF OUTSTANDING GENERAL OBLIGATION DEBT

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 6/30/2018
\$8,300,000	Montgomery County Public Building Authority	7/17/2007	5/25/2035	Variable	\$6,004,000
\$2,971,980	Montgomery County Public Building Authority	6/9/2008	5/25/2022	Variable	\$596,980
\$84,000	City of Clarksville Public Building Authority ⁽¹⁾	12/22/2017	3/1/2035	2.510%	\$84,000
\$302,000	Water Revenue and Tax Bonds ⁽²⁾	11/3/1997	11/3/2035	4.875%	\$200,102
\$213,000	Water Revenue and Tax Bonds ⁽²⁾	4/10/2002	4/10/2040	4.750%	\$162,701
\$1,050,000	Water Revenue and Tax Bonds ⁽²⁾	1/24/2007	1/24/2045	4.250%	\$885,616
\$2,000,000	Water Revenue and Tax Bonds ⁽²⁾	10/17/2007	10/17/2045	4.125%	\$1,707,113
\$558,000	Water Revenue and Tax Bonds ⁽²⁾	6/4/2009	6/4/2047	4.625%	\$497,159
\$1,436,000	Sewer Revenue and Tax Bonds ⁽³⁾	10/26/2016	11/26/2054	2.250%	\$1,395,179
\$485,000	Sewer Revenue and Tax Bonds ⁽³⁾	3/14/2017	3/14/2055	2.250%	\$474,740
\$897,240	State Revolving Loan Drinking Water Fund 00-026 ⁽²⁾	6/30/2006	12/30/2024	2.950%	\$344,517
\$1,615,000	State Revolving Loan Clean Water 10-259 ⁽³⁾	9/20/2010	9/20/2030	0.000%	\$1,152,042
					<u>\$13,504,149</u>

(1) Total amount approved was \$14,000,000, of which \$13,916,000 remains available for draws

(2) These obligations are primarily payable and secured by net water revenues and, in the event of a deficiency therefor, from a full faith and credit pledge of the Metro Government's ad valorem taxing power

(3) These obligations are primarily payable and secured by net sewer revenues and, in the event of a deficiency therefor, from a full faith and credit pledge of the Metro Government's ad valorem taxing power

Sources: Metropolitan Government of Lynchburg, Moore County, Tennessee Comprehensive Annual Financial Report for the year ending June 30, 2018

DEBT STATEMENT

As of June 30, 2018 Adjusted to Include Current Offering

Outstanding Debt⁽¹⁾

Total Current Outstanding Debt	\$13,504,149
Less: Refunded Obligations	(\$3,452,691)
Plus: Water and Tax Revenue Refunding Bonds, Series 2019	<u>\$3,292,000</u>
Gross Direct Debt	\$13,343,458
Less: Debt Service Fund Balance as of June 30, 2018	(\$1,117,490)
Net Direct Debt	<u>\$12,225,968</u>

(1) This statement includes principal only

Sources: Annual Financial Reports of the Metropolitan Government of Lynchburg, Moore County, Tennessee as required by the State Comptroller of the Treasury and Metro Government Financial Records

DEBT RECORD OF THE METRO GOVERNMENT

There is no record of a default on bond principal and interest from information available.

Real Property Assessment, Tax Levy and Collection Procedures

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the “*General Assembly*”) exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its values upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are

assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to

determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Series 2019 Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

ACCOUNTING AND FINANCIAL REPORTING FOR POST-EMPLOYMENT BENEFITS

The Metro Government is presently required to implement Governmental Accounting Standards Board ("GASB Statement 43 and GASB Statement 45, which require disclosure of the nature and size of the County's long-term financial obligations and commitments relative to Other Post-employment Benefits. Certain employees of the metropolitan government are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated (TCA), Title 8, Chapters

34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

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METROPOLITAN GOVERNMENT PROPERTY VALUATION AND PROPERTY TAX

Tax Year	2018	2017	2016	2015	2014
ESTIMATED ACTUAL VALUES					
Residential & Farm	\$549,540,100	\$516,023,179	\$469,353,834	\$468,468,702	\$466,978,619
Commercial & Industrial	287,053,900	262,979,094	239,487,906	217,503,222	202,881,106
Personal Tangible Property	126,632,284	117,786,761	115,462,931	83,673,564	79,160,850
Public Utilities	21,272,341	18,871,837	20,801,666	20,276,186	18,465,404
Total Estimated Actual Values	\$984,498,625	\$915,660,871	\$845,106,337	\$789,921,674	\$767,485,979
Annual Percentage Change	7.52%	8.35%	6.99%	2.92%	
Estimated Per Capita Amount	\$153,563.97	\$142,826.53	\$131,821.30	\$123,213.49	\$119,713.93
ASSESSED VALUES					
Residential & Farm (at 25%)	\$137,392,510	\$117,869,735	\$116,453,815	\$116,227,075	\$116,359,400
Commercial & Industrial (at 40%)	114,821,560	96,103,080	95,067,120	86,340,080	80,884,640
Personal Tangible Property (at 30%)	37,989,697	32,353,317	34,379,000	24,915,235	23,671,683
Public Utilities (at 43.65%)	9,285,377	8,237,557	9,079,927	8,850,555	8,060,149
Total Assessed Values	\$299,489,144	\$254,563,689	\$254,979,862	\$236,332,945	\$228,975,872
Annual Percentage Change	17.65%	-0.16%	7.89%	3.21%	
Estimated Per Capita Amount	\$46,714.89	\$39,707.33	\$39,772.24	\$36,863.66	\$35,716.09
Property Tax Rate	\$2.28	\$2.69	\$2.69	\$2.47	\$2.47
Taxes Levied	\$6,828,352	\$6,847,763	\$6,858,958	\$5,837,424	\$5,655,704
Collections					
Current Fiscal Year	\$6,660,728	\$6,677,560	\$6,484,411	\$5,447,309	\$5,306,207
Percent Collected Current FY	97.55%	97.51%	94.54%	93.32%	93.82%

Sources: 2014-2018 Tax Aggregate Reports of Tennessee Prepared by the State Division of Property Assessments;

Metropolitan Government of Lynchburg, Moore County, Tennessee Financial Statements for Fiscal Years Ended June 30, 2014-2018

TOP TAXPAYERS IN METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

		Taxes Assessed as a % of Total
Business	2019 Taxes Assessed	Taxes Levied
JACK DANIELS DISTILLERY	\$2,298,894	33.667%
DANIEL JACK DIST	723,546	10.596%
DANIEL JACK DIST	484,345	7.093%
DANIEL JACK DIST	448,396	6.567%
BROWN-FORMAN CORP	387,794	5.679%
JACK DANIELS DISTILLERY	335,878	4.919%
JACK DANIELS DISTILLERY	134,964	1.977%
DANIEL JACK DIST	96,529	1.414%
CUMBERLAND SPRINGS	63,089	0.924%
BROWN-FORMAN CORP	33,240	0.487%
	5,006,675	73.322%

Source: Metro Government Trustee Office

FUND BALANCES

For Fiscal Years ending June 30

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
General Fund	\$1,454,963	\$1,410,781	\$1,186,009	\$1,099,606	\$1,246,987
Highway / Public Works	527,815	528,718	374,548	729,094	635,850
Debt Service	1,117,490	1,514,339	2,281,644	1,782,312	1,386,078
Nonmajor Governmental Funds	566,310	490,763	873,061	562,797	440,819
School Funds	1,620,708	1,536,797	1,067,708	1,305,229	1,054,893
Water & Sewer Fund	578,104	720,457	359,685	653,582	692,555
	<u>\$5,865,390</u>	<u>\$6,201,855</u>	<u>\$6,142,655</u>	<u>\$6,132,620</u>	<u>\$5,457,182</u>

NET ASSETS

For Fiscal Years ending June 30

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
WATER & SEWER DEPARTMENT					
Invested in Capital Assets, net	\$7,448,554	\$7,427,421	\$7,297,099	\$6,875,172	\$6,825,803
Restricted Assets	28,980	11,925	-	50,184	50,184
Unrestricted Assets	578,104	720,457	359,685	653,582	692,555
	<u>\$8,055,638</u>	<u>\$8,159,803</u>	<u>\$7,656,784</u>	<u>\$7,578,938</u>	<u>\$7,568,542</u>

DEBT TREND

For Fiscal Years ending June 30

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Metro Government Debt*	\$6,684,980	\$8,205,980	\$8,596,980	\$8,973,980	\$9,338,980
Water & Sewer Department Debt	6,819,169	5,819,226	3,965,250	4,360,342	4,549,059
Capital Leases	-	-	-	-	139,964
Total Debt	\$13,504,149	\$14,025,206	\$12,562,230	\$13,334,322	\$13,888,039

% Increase

-3.72%

11.65%

-5.79%

-3.99%

*Includes School District debt

DEBT RATIOS

	Per Capita	Assessed Value	Est. Actual Value
Outstanding Debt	\$2,106.40	4.51%	1.37%
Net Direct Debt	\$1,907.03	4.08%	1.24%

Source: Metropolitan Government of Lynchburg, Moore County Comprehensive Annual Financial Report for the years ending June 30, 2014 - 2018

**STATEMENT OF OPERATING REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
for the years ending June 30**

	2018	2017	2016	2015	2014
REVENUES					
Local Taxes	\$5,050,254	\$5,057,544	\$4,086,531	\$3,782,365	\$3,682,486
Licenses and Permits	20,098	18,161	19,259	22,138	36,406
Fines, Forfeitures, and Penalties	37,925	33,883	35,615	26,664	48,189
Charges for Current Services	436,523	382,199	371,003	361,334	351,601
Other Local Revenues	124,591	114,652	116,130	134,200	95,411
Fees Received from County Officials	344,181	332,023	314,351	289,790	288,478
State of Tennessee	2,819,979	2,572,492	1,936,099	1,750,298	3,444,001
Federal Government	115,782	55,798	140,856	91,083	120,042
Other Governments and Citizens Groups	30,706	90,702	88,782	201,768	64,536
Total Revenues & Other Sources	\$8,980,039	\$8,657,454	\$7,108,626	\$6,659,640	\$8,131,150
Annual Percent Increase	3.73%	21.79%	6.74%	-18.10%	
EXPENDITURES					
General Government	\$721,335	\$588,336	\$549,207	\$536,950	\$486,083
Finance	279,458	259,630	255,189	220,513	203,465
Administration of Justice	248,516	242,133	232,725	229,836	220,702
Public Safety	1,685,919	1,635,265	1,399,786	1,468,337	1,312,186
Public Health and Welfare	1,114,133	1,221,500	918,958	922,924	885,131
Social, Cultural and Recreational Services	215,687	204,133	202,617	181,708	184,115
Agriculture and Natural Resources	83,422	79,301	78,588	74,654	60,780
Other Operations	695,124	982,058	621,838	574,826	1,997,212
Highways	2,302,115	1,761,743	1,838,626	1,195,162	1,362,425
Debt Service	1,872,164	2,198,534	474,405	609,943	970,175
Capital Projects	124,189	255,482	1,595,234	185,360	662
Total Expenditures	\$9,342,062	\$9,428,115	\$8,167,173	\$6,200,213	\$7,682,936
Annual Percent Increase	-0.91%	15.44%	31.72%	-19.30%	
Net Transfers	-	-	-	4,648	21,304
Debt Proceeds	84,000	-	1,600,000	-	-
Excess of Revenues Over Expenditures	(278,023)	(770,661)	541,453	464,075	469,518
Fund Balance July 1	\$3,944,601	\$4,715,262	\$4,173,809	\$3,709,734	\$3,240,216
Fund Balance June 30	\$3,666,578	\$3,944,601	\$4,715,262	\$4,173,809	\$3,709,734

Source: Metropolitan Government of Lynchburg, Moore County, Tennessee Comprehensive Annual Financial Reports for the years ending June 30, 2014 - 2018

APPENDIX C

Form of Legal Opinion of Bass, Berry & Sims PLC,
Nashville, Tennessee relating to the Bonds.

(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

December 20, 2019

We have acted as bond counsel to the Metropolitan Government of Lynchburg, Moore County, Tennessee (the "Issuer") in connection with the issuance of \$3,292,000 Water Revenue and Tax Refunding Bonds, Series 2019, dated December 20, 2019 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.

2. The resolutions of the Metropolitan Council of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are a valid and binding agreement of the Issuer enforceable in accordance with their terms.

3. The Bonds shall be payable primarily from and secured by a pledge of the income and revenues to be derived from the operation of the Issuer's waterworks system (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System. In the event of a deficiency in such revenues, the Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. For the prompt payment of principal of and interest on the Bonds, the Issuer has irrevocably pledged its full faith and credit.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Internal Revenue Code of 1986, as amended (the "Code"). The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State

of Tennessee and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

BASS, BERRY & SIMS PLC

APPENDIX D

Audited Financial Statements for the Fiscal Year Ended June 30, 2018

ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY,
TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2018

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
Senior Auditor

SHERRIE GILL, CFE
EDUARDO SEBASTIAN, JR
CHRISVONTA SMITH
State Auditors

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

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Metropolitan Government of Lynchburg, Moore County, Tennessee
For the Year Ended June 30, 2018

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, 2018.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF METROPOLITAN MAYOR

- ◆ The Solid Waste/Sanitation Fund required material audit adjustments for proper financial statement presentation.
- ◆ Competitive bids were not solicited for custodial services.

INTRODUCTORY SECTION

Metropolitan Lynchburg, Moore County Officials June 30, 2018

Officials

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

Metropolitan Council

Marty Copeland, Chairman	
Amy Cashion	Wayne Rhoton
Darrell Richards	Gordon Millsaps
Tommy Brown	Shawn Adams
Wayne Hawkins	Sandy Lewis
Patrick Maynard	Glenn Searcy
Arvis Bobo	Denning Harder
David Boyce	Keith Huffer

Board of Education

Ronnie Smith, Chairman	
Jammie Cashion	Lorrie McKenzie
Ed Cashion	Chris Roberts

Audit Committee

Gordon Millsaps, Chairman	
Sandy Lewis	Shawn Adams
Patrick Maynard	Denning Harder
Rebecca Gold-Johnson	

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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 Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Lynchburg – Moore County Water and Sewer Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements,

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of June 30, 2018, 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.

Change in Accounting Principle

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

Emphasis of Matter

We draw attention to Note 1.D.10 to the financial statements, which describes a restatement reducing the beginning net position of the discretely presented Metropolitan School Department by \$450,286. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, and schedule of school's proportionate share of the net pension liability, and schedule of changes in the school's total OPEB liability and related ratios on pages 98-107 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 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), miscellaneous schedules and the other information such as the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

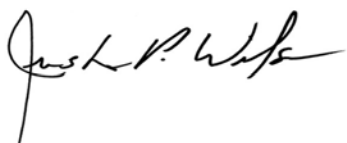
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Metropolitan School Department (a discretely presented component unit), schedule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

The introductory section and management's corrective action plans have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2019, 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 the effectiveness of the metropolitan government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the metropolitan government's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 16, 2019

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Metropolitan School Department
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 275	\$ 440,240	\$ 440,515	\$ 4,174
Equity in Pooled Cash and Investments	3,383,914	0	3,383,914	1,728,118
Inventories	0	66,387	66,387	12,363
Accounts Receivable	303,842	123,929	427,771	0
Allowance for Uncollectibles	(46,805)	(6,000)	(52,805)	0
Prepaid Items	0	118	118	0
Other Receivables	0	86,455	86,455	0
Due from Other Governments	571,348	0	571,348	247,344
Internal Balances	(18,016)	18,016	0	0
Unbilled Charges for Services	0	83,147	83,147	0
Net Pension Asset - Agent Plan	80,756	0	80,756	139,905
Net Pension Asset - Teacher Retirement Plan	0	0	0	26,290
Net Pension Asset - Teacher Legacy Pension Plan	0	0	0	31,322
Property Taxes Receivable	3,599,182	0	3,599,182	3,060,644
Allowance for Uncollectible Property Taxes	(88,938)	0	(88,938)	(75,433)
Restricted Assets:				
Customer Deposits	0	520	520	0
Capital Assets:				
Assets Not Depreciated:				
Land	393,779	92,459	486,238	39,342
Construction in Progress	610,725	16,800	627,525	401,928
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,894,535	0	2,894,535	10,730,737
Other Capital Assets	1,401,005	14,158,464	15,559,469	807,930
Infrastructure	3,529,779	0	3,529,779	0
Total Assets	\$ 16,615,381	\$ 15,080,535	\$ 31,695,916	\$ 17,154,664

(Continued)

Exhibit A

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

	Primary Government			Component Units
	Governmental	Business-		Metropolitan
	Activities	type	Total	School
		Activities		Department
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Contributions after Measurement Date	\$ 67,843	\$ 0	\$ 67,843	\$ 382,466
Pension Changes in Experience	2,689	0	2,689	19,804
Pension Changes in Investment Earnings	0	0	0	4,755
Pension Changes in Proportionate Share of NPL	0	0	0	29,854
Pension Changes in Assumptions	33,910	0	33,910	334,839
OPEB Benefits Paid after Measurement Date	0	0	0	82,872
Total Deferred Outflows of Resources	<u>\$ 104,442</u>	<u>\$ 0</u>	<u>\$ 104,442</u>	<u>\$ 854,590</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,300	\$ 130,901	\$ 133,201	\$ 29,695
Accrued Payroll	11,223	18,216	29,439	0
Payroll Deductions Payable	20,777	0	20,777	343,681
Contracts Payable	34,568	0	34,568	0
Accrued Interest Payable	0	7,018	7,018	0
Other Current Liabilities	0	31,041	31,041	0
Accrued Leave - Current	0	18,552	18,552	0
Noncurrent Liabilities:				
Due Within One Year	552,536	222,811	775,347	15,901
Due in More Than One Year	6,251,282	6,596,358	12,847,640	1,197,197
Total Liabilities	<u>\$ 6,872,686</u>	<u>\$ 7,024,897</u>	<u>\$ 13,897,583</u>	<u>\$ 1,586,474</u>

(Continued)

Exhibit A

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

	Primary Government			Component Units
	Governmental	Business-		Metropolitan
	Activities	type	Total	School
		Activities		Department
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,473,124	\$ 0	\$ 3,473,124	\$ 2,955,680
Pension Changes in Experience	78,731	0	78,731	779,469
Pension Changes in Investment Earnings	1,343	0	1,343	1,973
Pension Changes in Proportionate Share of NPL	0	0	0	56,758
OPEB Changes in Assumptions	0	0	0	54,501
Total Deferred Inflows of Resources	<u>\$ 3,553,198</u>	<u>\$ 0</u>	<u>\$ 3,551,855</u>	<u>\$ 3,848,381</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 8,429,846	\$ 7,448,554	\$ 15,878,400	\$ 11,979,937
Restricted for:				
Administration of Justice	41,483	0	41,483	0
Public Safety	78,487	0	78,487	0
Public Health and Welfare	124,326	0	124,326	0
Debt Service	25,951	0	25,951	0
Highway/Public Works	756,780	0	756,780	0
Pensions	80,756	0	80,756	197,517
Other Operations	6,086	0	6,086	0
Education	0	0	0	159,741
Other Purposes	14,303	28,980	43,283	0
Capital Projects	170,329	0	170,329	0
Unrestricted	(3,434,408)	578,104	(2,856,304)	237,204
Total Net Position	<u>\$ 6,293,939</u>	<u>\$ 8,055,638</u>	<u>\$ 14,349,577</u>	<u>\$ 12,574,399</u>

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, 2018

					Net (Expense) Revenue and Changes in Net Position					
								Component Unit		
					Primary Government			Metropolitan School Department		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total			
Primary Government:										
Governmental Activities:										
General Government	\$ 745,247	\$ 54,414	\$ 129,856	\$ 0	\$ (560,977)	\$ 0	\$ (560,977)	\$	0	
Finance	340,359	250,863	0	0	(89,496)	0	(89,496)		0	
Administration of Justice	317,176	95,642	7,131	0	(214,403)	0	(214,403)		0	
Public Safety	2,270,273	190,595	78,012	0	(2,001,666)	0	(2,001,666)		0	
Public Health and Welfare	1,271,982	496,795	167,126	0	(608,061)	0	(608,061)		0	
Social, Cultural, and Recreational Services	267,232	11,308	11,248	0	(244,676)	0	(244,676)		0	
Agriculture and Natural Resources	102,327	0	7,900	0	(94,427)	0	(94,427)		0	
Highways/Public Works	1,459,269	0	1,557,879	801,301	899,911	0	899,911		0	
Interest on Long-term Debt	132,794	0	0	0	(132,794)	0	(132,794)		0	
Education	105,290	0	0	0	(105,290)	0	(105,290)		0	
Total Governmental Activities	\$ 7,011,949	\$ 1,099,617	\$ 1,959,152	\$ 801,301	\$ (3,151,879)	\$ 0	\$ (3,151,879)	\$	0	
Business-type Activities:										
Water and Sewer Department	\$ 2,175,490	\$ 1,891,571	\$ 124,773	\$ 0	\$ 0	\$ (159,146)	\$ (159,146)	\$	0	
Total Business-type Activities	\$ 2,175,490	\$ 1,891,571	\$ 124,773	\$ 0	\$ 0	\$ (159,146)	\$ (159,146)	\$	0	
Total Primary Government	\$ 9,187,439	\$ 2,991,188	\$ 2,083,925	\$ 801,301	\$ (3,151,879)	\$ (159,146)	\$ (3,311,025)	\$	0	
Component Unit:										
Metropolitan School Department	\$ 9,349,395	\$ 262,438	\$ 741,117	\$ 120,684	\$ 0	\$ 0	\$ 0	\$	(8,225,156)	

(Continued)

Exhibit B

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

					Net (Expense) Revenue and Changes in Net Position			Component
								Unit
Program Revenues					Primary Government			Metropolitan
					Governmental	Business-type		School
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Activities	Activities	Total	Department
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 2,940,042	\$ 0	\$ 2,940,042	\$ 3,033,338
Property Taxes Levied for Debt Service					790,160	0	790,160	0
Local Option Sales Tax					545,938	0	545,938	540,350
Wholesale Beer Tax					83,373	0	83,373	0
Business Tax					33,660	0	33,660	0
Litigation Tax - Jail, Workhouse, & Courthouse					26,646	0	26,646	0
Litigation Tax - General					20,778	0	20,778	0
Other Local Taxes					16,923	0	16,923	0
Grants and Contributions Not Restricted to Specific Programs					748,328	0	748,328	5,117,087
Unrestricted Investment Income					31,884	810	32,694	80
Miscellaneous					25,958	0	25,958	56,549
Gain on Sale of Capital Assets					2,535	0	2,535	0
Total General Revenues					\$ 5,266,225	\$ 810	\$ 5,267,035	\$ 8,747,404
Change in Net Position								
Prior Period Adjustment - See Note VI.L.					\$ 2,114,346	\$ (158,336)	\$ 1,956,010	\$ 522,248
Restatement - See Note I.D.10.					0	54,171	54,171	0
Net Position, July 1, 2017					0	0	0	(450,286)
					4,179,593	8,159,803	12,339,396	12,502,437
Net Position, June 30, 2018								
					\$ 6,293,939	\$ 8,055,638	\$ 14,349,577	\$ 12,574,399

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, 2018

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 275	\$ 0	\$ 0	\$ 0	\$ 275
Equity in Pooled Cash and Investments	1,293,982	430,293	1,092,089	567,550	3,383,914
Accounts Receivable	245,604	11,206	0	47,032	303,842
Allowance for Uncollectibles	(46,805)	0	0	0	(46,805)
Due from Other Governments	103,652	398,015	50,481	19,200	571,348
Property Taxes Receivable	2,414,370	44,054	794,630	346,128	3,599,182
Allowance for Uncollectible Property Taxes	(59,879)	(1,057)	(19,269)	(8,733)	(88,938)
Total Assets	<u>\$ 3,951,199</u>	<u>\$ 882,511</u>	<u>\$ 1,917,931</u>	<u>\$ 971,177</u>	<u>\$ 7,722,818</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 300	\$ 15	\$ 0	\$ 1,985	\$ 2,300
Accrued Payroll	0	11,223	0	0	11,223
Payroll Deductions Payable	9,910	10,247	0	620	20,777
Contracts Payable	0	34,568	0	0	34,568
Due to Other Funds	0	0	0	18,016	18,016
Total Liabilities	<u>\$ 10,210</u>	<u>\$ 56,053</u>	<u>\$ 0</u>	<u>\$ 20,621</u>	<u>\$ 86,884</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 2,330,440	\$ 42,630	\$ 767,340	\$ 332,714	\$ 3,473,124
Deferred Delinquent Property Taxes	22,372	340	7,150	4,418	34,280
Other Deferred/Unavailable Revenue	133,214	255,673	25,951	47,114	461,952
Total Deferred Inflows of Resources	<u>\$ 2,486,026</u>	<u>\$ 298,643</u>	<u>\$ 800,441</u>	<u>\$ 384,246</u>	<u>\$ 3,969,356</u>

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Administration of Justice	\$ 41,483	\$ 0	\$ 0	\$ 0	\$ 41,483
Restricted for Public Safety	7,440	0	0	71,047	78,487
Restricted for Public Health and Welfare	31,043	0	0	64,179	95,222
Restricted for Other Operations	6,086	0	0	0	6,086
Restricted for Highways/Public Works	0	527,815	0	0	527,815
Restricted for Capital Projects	0	0	0	168,632	168,632
Restricted for Other Purposes	0	0	0	14,193	14,193
Committed:					
Committed for General Government	688,855	0	0	0	688,855
Committed for Public Health and Welfare	0	0	0	248,259	248,259
Committed for Social, Cultural, and Recreational Services	1,082	0	0	0	1,082
Committed for Debt Service	0	0	1,117,490	0	1,117,490
Assigned:					
Assigned for Administration of Justice	1,135	0	0	0	1,135
Assigned for Public Safety	34,205	0	0	0	34,205
Unassigned	643,634	0	0	0	643,634
Total Fund Balances	<u>\$ 1,454,963</u>	<u>\$ 527,815</u>	<u>\$ 1,117,490</u>	<u>\$ 566,310</u>	<u>\$ 3,666,578</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,951,199</u>	<u>\$ 882,511</u>	<u>\$ 1,917,931</u>	<u>\$ 971,177</u>	<u>\$ 7,722,818</u>

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, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,666,578
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	393,779	
Add: construction in progress		610,725	
Add: buildings and improvements net of accumulated depreciation		2,894,535	
Add: other capital assets net of accumulated depreciation		1,401,005	
Add: infrastructure net of accumulated depreciation		<u>3,529,779</u>	8,829,823
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable	\$	(6,684,980)	
Less: compensated absences payable		<u>(118,838)</u>	(6,803,818)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	104,442	
Less: deferred inflows of resources related to pensions		<u>(80,074)</u>	24,368
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			80,756
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>496,232</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>6,293,939</u></u>

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

Exhibit C-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>					
Local Taxes	\$ 3,173,409	\$ 49,543	\$ 1,391,315	\$ 435,987	\$ 5,050,254
Licenses and Permits	13,330	0	0	6,768	20,098
Fines, Forfeitures, and Penalties	26,618	0	0	11,307	37,925
Charges for Current Services	200,900	0	0	235,623	436,523
Other Local Revenues	79,163	2,889	0	42,539	124,591
Fees Received From County Officials	344,181	0	0	0	344,181
State of Tennessee	537,234	2,248,780	0	33,965	2,819,979
Federal Government	115,782	0	0	0	115,782
Other Governments and Citizens Groups	25,706	0	0	5,000	30,706
Total Revenues	\$ 4,516,323	\$ 2,301,212	\$ 1,391,315	\$ 771,189	\$ 8,980,039
<u>Expenditures</u>					
Current:					
General Government	\$ 702,776	\$ 0	\$ 0	\$ 18,559	\$ 721,335
Finance	279,409	0	0	49	279,458
Administration of Justice	248,516	0	0	0	248,516
Public Safety	1,674,598	0	0	11,321	1,685,919
Public Health and Welfare	572,609	0	0	541,524	1,114,133
Social, Cultural, and Recreational Services	215,687	0	0	0	215,687
Agriculture and Natural Resources	83,422	0	0	0	83,422
Other Operations	695,124	0	0	0	695,124
Highways	0	2,302,115	0	0	2,302,115
Debt Service:					
Principal on Debt	0	0	1,605,000	0	1,605,000
Interest on Debt	0	0	105,290	0	105,290
Other Debt Service	0	0	161,874	0	161,874

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 124,189	\$ 124,189
Total Expenditures	\$ 4,472,141	\$ 2,302,115	\$ 1,872,164	\$ 695,642	\$ 9,342,062
Excess (Deficiency) of Revenues Over Expenditures	\$ 44,182	\$ (903)	\$ (480,849)	\$ 75,547	\$ (362,023)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 0	\$ 84,000	\$ 0	\$ 84,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 84,000	\$ 0	\$ 84,000
Net Change in Fund Balances	\$ 44,182	\$ (903)	\$ (396,849)	\$ 75,547	\$ (278,023)
Fund Balance, July 1, 2017	1,410,781	528,718	1,514,339	490,763	3,944,601
Fund Balance, June 30, 2018	\$ 1,454,963	\$ 527,815	\$ 1,117,490	\$ 566,310	\$ 3,666,578

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, 2018

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (278,023)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,443,143	
Less: current-year depreciation expense	<u>(784,767)</u>	658,376
(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, 2018	\$ 496,232	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(349,976)</u>	146,256
(3) The issuance of long-term debt (e.g., bonds, 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: other loan proceeds	\$ (84,000)	
Add: principal payments on other loans	<u>1,605,000</u>	1,521,000
(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 net pension asset	\$ 68,380	
Change in deferred outflows of resources related to pensions	(14,305)	
Change in deferred inflows of resources related to pensions	22,141	
Change in compensated absences payable	<u>(9,479)</u>	66,737
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,114,346</u>

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

Exhibit C-5

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,173,409	\$ 2,891,372	\$ 2,891,372	\$ 282,037
Licenses and Permits	13,330	12,000	12,000	1,330
Fines, Forfeitures, and Penalties	26,618	19,025	19,025	7,593
Charges for Current Services	200,900	203,346	203,346	(2,446)
Other Local Revenues	79,163	46,050	53,942	25,221
Fees Received From County Officials	344,181	301,500	301,500	42,681
State of Tennessee	537,234	496,925	504,952	32,282
Federal Government	115,782	5,000	5,000	110,782
Other Governments and Citizens Groups	25,706	50,000	57,083	(31,377)
Total Revenues	\$ 4,516,323	\$ 4,025,218	\$ 4,048,220	\$ 468,103
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 171,951	\$ 180,250	\$ 180,250	\$ 8,299
County Mayor/Executive	140,231	136,569	140,794	563
County Attorney	21,015	7,866	32,866	11,851
Election Commission	164,710	88,686	152,486	(12,224)
Register of Deeds	67,719	70,462	70,462	2,743
Planning	9,847	9,602	10,002	155
Engineering	4,510	0	9,020	4,510
County Buildings	105,921	88,851	113,340	7,419
Preservation of Records	16,872	11,950	28,460	11,588
<u>Finance</u>				
Purchasing	33,330	33,145	33,645	315
Property Assessor's Office	81,617	81,690	82,539	922
County Trustee's Office	76,317	76,647	76,647	330
County Clerk's Office	88,145	90,571	90,571	2,426
<u>Administration of Justice</u>				
Circuit Court	81,468	84,502	84,502	3,034
General Sessions Court	71,256	72,277	72,277	1,021
Chancery Court	67,695	72,532	72,532	4,837
Juvenile Court	12,325	9,500	12,500	175
Judicial Commissioners	15,772	16,900	16,900	1,128
<u>Public Safety</u>				
Sheriff's Department	915,270	946,454	994,271	79,001
Special Patrols	2,994	4,150	4,150	1,156
Administration of the Sexual Offender Registry	1,461	1,594	1,594	133
Jail	570,915	531,114	607,733	36,818
Commissary	971	1,350	1,350	379
Fire Prevention and Control	129,041	133,000	138,800	9,759
Other Emergency Management	53,946	49,800	68,615	14,669
<u>Public Health and Welfare</u>				
Local Health Center	157,450	162,842	184,617	27,167
Rabies and Animal Control	5,755	6,000	6,000	245
Ambulance/Emergency Medical Services	406,176	398,075	422,343	16,167
Alcohol and Drug Programs	728	1,050	1,050	322
Regional Mental Health Center	2,500	2,500	2,500	0

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 8,500	\$ 8,500	\$ 8,500	\$ 0
Libraries	123,854	115,238	130,737	6,883
Parks and Fair Boards	83,333	80,469	107,469	24,136
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	77,422	80,324	82,324	4,902
Forest Service	350	350	350	0
Soil Conservation	5,650	8,113	12,313	6,663
<u>Other Operations</u>				
Tourism	16,885	16,950	17,550	665
Veterans' Services	1,976	2,476	2,476	500
Other Charges	7,436	8,000	8,000	564
Employee Benefits	668,827	773,000	773,044	104,217
Total Expenditures	\$ 4,472,141	\$ 4,463,349	\$ 4,855,579	\$ 383,438
Excess (Deficiency) of Revenues Over Expenditures	\$ 44,182	\$ (438,131)	\$ (807,359)	\$ 851,541
Net Change in Fund Balance	\$ 44,182	\$ (438,131)	\$ (807,359)	\$ 851,541
Fund Balance, July 1, 2017	1,410,781	900,457	1,410,781	0
Fund Balance, June 30, 2018	\$ 1,454,963	\$ 462,326	\$ 603,422	\$ 851,541

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 49,543	\$ 49,145	\$ 49,145	\$ 398
Other Local Revenues	2,889	2,500	2,500	389
State of Tennessee	2,248,780	2,253,600	2,253,600	(4,820)
Total Revenues	<u>\$ 2,301,212</u>	<u>\$ 2,305,245</u>	<u>\$ 2,305,245</u>	<u>\$ (4,033)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 211,412	\$ 220,329	\$ 220,329	\$ 8,917
Highway and Bridge Maintenance	722,234	782,700	782,700	60,466
Operation and Maintenance of Equipment	130,001	178,675	178,675	48,674
Other Charges	35,967	54,400	54,400	18,433
Employee Benefits	24,810	30,000	30,000	5,190
Capital Outlay	1,177,691	1,196,000	1,196,000	18,309
Total Expenditures	<u>\$ 2,302,115</u>	<u>\$ 2,462,104</u>	<u>\$ 2,462,104</u>	<u>\$ 159,989</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (903)</u>	<u>\$ (156,859)</u>	<u>\$ (156,859)</u>	<u>\$ 155,956</u>
Net Change in Fund Balance	\$ (903)	\$ (156,859)	\$ (156,859)	\$ 155,956
Fund Balance, July 1, 2017	528,718	451,760	528,718	0
Fund Balance, June 30, 2018	<u><u>\$ 527,815</u></u>	<u><u>\$ 294,901</u></u>	<u><u>\$ 371,859</u></u>	<u><u>\$ 155,956</u></u>

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

Exhibit D-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2018

Major
Enterprise
Fund
Water
and
Sewer
Department

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 440,240
Inventories	66,387
Accounts Receivable	123,929
Allowance for Uncollectibles	(6,000)
Prepaid Items	118
Other Receivables	104,471
Unbilled Charges for Services	83,147
Total Current Assets	<u>\$ 812,292</u>
Noncurrent Assets:	
Restricted Assets:	
Customer Deposits	\$ 520
Capital Assets:	
Assets Not Depreciated:	
Land	92,459
Construction in Progress	16,800
Assets Net of Accumulated Depreciation:	
Utility Plant in Service	14,158,464
Total Noncurrent Assets	<u>\$ 14,268,243</u>
Total Assets	<u>\$ 15,080,535</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 130,901
Accrued Payroll	18,216
Accrued Leave	18,552
Accrued Interest Payable	7,018
Current Portion of Long-term Liabilities	222,811
Customer Advances	6,166
Customer Deposits	24,875
Total Current Liabilities	<u>\$ 428,539</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 6,596,358
Total Noncurrent Liabilities	<u>\$ 6,596,358</u>
Total Liabilities	<u>\$ 7,024,897</u>

NET POSITION

Net Investment in Capital Assets	\$ 7,448,554
Restricted for Other Purposes	28,980
Unrestricted	578,104
Total Net Position	<u>\$ 8,055,638</u>

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

Exhibit D-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Major Enterprise Fund <hr/> Water and Sewer Department <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,891,571
Total Operating Revenues	<u>\$ 1,891,571</u>
<u>Operating Expenses</u>	
Public Health and Welfare	\$ 1,407,130
Depreciation	565,054
Total Operating Expenses	<u>\$ 1,972,184</u>
Operating Income (Loss)	<u>\$ (80,613)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 810
Interest Expense	(203,306)
Total Nonoperating Revenues (Expenses)	<u>\$ (202,496)</u>
Income (Loss) Before Contributions, Grants, and Transfers	\$ (283,109)
Tap Fees in Excess of Costs	9,422
Contributions	14,889
Grants	<u>100,462</u>
Change in Net Position	\$ (158,336)
Prior Period Adjustment - See Note VI.L.	54,171
Net Position, July 1, 2017	<u>8,159,803</u>
Net Position, June 30, 2018	<u><u>\$ 8,055,638</u></u>

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

Exhibit D-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Major Enterprise Fund Water and Sewer Department
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,904,245
Payments to Suppliers	(656,963)
Payments to Employees	(715,346)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 531,936</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchases of Capital Assets	\$ (512,295)
Contributions, Grants, and Transfers in Aid of Construction	124,773
Principal Payments on Long-term Debt	(216,695)
Interest Payments on Long-term Debt	(204,888)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (809,105)</u>
<u>Cash Flows from Investing Activities</u>	
Investment Income	\$ 810
Net Cash Provided By (Used In) Investing Activities	<u>\$ 810</u>
Increase (Decrease) in Cash	\$ (276,359)
Cash, July 1, 2017	<u>716,599</u>
Cash, June 30, 2018	<u><u>\$ 440,240</u></u>

(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
<u>Reconciliation of Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (80,613)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation and Amortization Expense	565,054
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	35,063
(Increase) Decrease in Other Assets	1,527
(Increase) Decrease in Other Accrued Revenue	(6,288)
(Increase) Decrease in Inventories	22,766
Increase (Decrease) in Accounts Payable	(8,036)
Increase (Decrease) in Accrued Wages and Payroll	1,029
Increase (Decrease) in Accrued Vacation Pay	(2,096)
Increase (Decrease) in Customer Deposits and Deferred Fees	3,530
Net Cash Provided By (Used In) Operating Activities	<u>\$ 531,936</u>
<u>Schedule of Capital Activities That Did Not Result in Cash Payments</u>	
Purchase of Capital Assets on Account	\$ (143,810)

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, 2018

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash	\$ 70,516
Accounts Receivable	<u>24</u>
Total Assets	<u>\$ 70,540</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	<u>\$ 70,540</u>
Total Liabilities	<u>\$ 70,540</u>

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

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

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**THE METROPOLITAN GOVERNMENT OF
LYNCHBURG, MOORE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

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 financial statements of the Moore County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of its omission did not affect the independent auditor's opinion thereon. 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 financial statements of the Moore County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. 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, 2018.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the metropolitan government considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are

recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The metropolitan government considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

The metropolitan government reports the following major governmental funds:

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

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

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

The metropolitan government reports the following major proprietary fund:

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

Additionally, the metropolitan government reports the following fund types:

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.

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

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 type:

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

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

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 amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All ambulance and property taxes receivables are shown with allowances for uncollectibles. Ambulance receivables allowances for uncollectibles are based on historical collection data. The allowance for uncollectible property taxes is equal to 0.3 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 Metropolitan 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 acquisition value at the date of donation.

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

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

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

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

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, changes in investment earnings, changes in proportionate share of net pension asset, employer contributions made to the pension plan after the measurement date, changes in assumptions for pension, and benefits made after the measurement date for other post-employment benefits.

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 the governmental funds balance sheet. These items are from the following sources: deferred current property taxes, pension changes in experience, pension changes in investment earnings, changes in proportionate share of net pension asset, and changes in assumptions for other post-employment benefits. 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 Metropolitan 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 Metropolitan School Department earn varying amounts of annual and sick leave days. The Metropolitan 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, 2018, the metropolitan government had \$6,285,003 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 Metropolitan 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 Metropolitan 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 Metropolitan School Department.

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

9. Minimum Fund Balance Policy

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

General Fund – five percent of current-year appropriations.

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

10. Restatement

In prior years, the government was required to recognize a liability for its other postemployment benefits plan under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, the Metropolitan Government of Lynchburg, Moore County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. A restatement reducing the beginning net position of the discretely presented Metropolitan School Department by \$450,286 has been recognized to account for the transitional requirements.

E. Pension Plans

Primary Government

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

Discretely Presented Metropolitan School Department

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

F. Other Postemployment Benefit (OPEB) Plan

Discretely Presented Metropolitan School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the

discretely presented Metropolitan School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The Metropolitan School Department's OPEB plan is not administered through a trust.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented 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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not

budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

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

At June 30, 2018, metropolitan government had outstanding encumbrances in budget funds as follows:

<u>Fund</u>	<u>Amount</u>
Primary Government:	
Nonmajor governmental	<u>\$ 76,471</u>
Total	<u><u>\$ 76,471</u></u>

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the Metropolitan Council in the Election Commission major appropriations category (the legal level of control) of the General Fund by \$12,224. 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 General Fund.

C. Metro Moore County Water and Sewer System Deficiencies

On November 15, 2018, the Tennessee Water and Wastewater Financing Board reviewed the financially distressed status of the Metro Moore County Water and Sewer System pursuant to Section 68-221-1010 *Tennessee Code Annotated*. Based on the system's financial deficiencies, the board ordered the following:

Metro Moore County Water and Sewer System shall have the Municipal Technical Advisory Service, the Tennessee Association of Utility Districts, the County Technical Assistance Service, or another qualified expert aid with the following:

- a. Creating a water and sewer rate structure to include commercial, industrial, and residential classes; minimum monthly charges to recover fixed costs that vary with each class of user; and variable rates based on the cost of treating and distributing water and treating wastewater, including a separate accounting for water and sewer and distinctions for customers having the largest impact on the water and wastewater treatment process.
- b. Creating a meter policy.
- c. Taking a meter inventory of the largest users, including type, size, and brand.
- d. Creating a meter replacement program based on the completed meter inventory.
- e. Updating Metro Moore County Water and Sewer System's capital asset list and creating a five-year capital asset plan with a ten-year projection.

Metro Moore County Water and Sewer System is ordered to implement all recommendations of the rate study by March 31, 2019, and to provide an update to the Tennessee Water and Wastewater Financing Board by April 19, 2019.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

The metropolitan government had no pooled and nonpooled investments as of June 30, 2018.

B. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 393,779	\$ 0	\$ 0	\$ 393,779
Construction in Progress	337,650	603,993	(330,918)	610,725
Total Capital Assets Not Depreciated	<u>\$ 731,429</u>	<u>\$ 603,993</u>	<u>\$ (330,918)</u>	<u>\$ 1,004,504</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,262,666	\$ 27,584	\$ 0	\$ 4,290,250
Other Capital Assets	4,883,365	260,797	22,978	5,167,140
Infrastructure	4,417,336	881,687	0	5,299,023
Total Capital Assets Depreciated	<u>\$ 13,563,367</u>	<u>\$ 1,170,068</u>	<u>\$ 22,978</u>	<u>\$ 14,756,413</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,249,678	\$ 146,037	\$ 0	\$ 1,395,715
Other Capital Assets	3,415,744	327,413	22,978	3,766,135
Infrastructure	1,457,927	311,317	0	1,769,244
Total Accumulated Depreciation	<u>\$ 6,123,349</u>	<u>\$ 784,767</u>	<u>\$ 22,978</u>	<u>\$ 6,931,094</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,440,018</u>	<u>\$ 385,301</u>	<u>\$ 0</u>	<u>\$ 7,825,319</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,171,447</u>	<u>\$ 989,294</u>	<u>\$ (330,918)</u>	<u>\$ 8,829,823</u>

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

Governmental Activities:

General Government	\$	25,932
Administration of Justice		5,420
Public Safety		250,905
Public Health and Welfare		78,077
Social, Cultural, and Recreational Services		77,211
Highway/Public Works		347,222

Total Depreciation Expense - Governmental Activities	\$	<u>784,767</u>
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Discretely Presented Metropolitan School Department**Governmental Activities:**

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 39,342	\$ 0	\$ 0	\$ 39,342
Construction in Progress	86,288	315,640	0	401,928
Total Capital Assets Not Depreciated	<u>\$ 125,630</u>	<u>\$ 315,640</u>	<u>\$ 0</u>	<u>\$ 441,270</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 20,121,980	\$ 30,950	\$ 0	\$ 20,152,930
Other Capital Assets	1,465,334	213,034	0	1,678,368
Total Capital Assets Depreciated	<u>\$ 21,587,314</u>	<u>\$ 243,984</u>	<u>\$ 0</u>	<u>\$ 21,831,298</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,027,527	\$ 394,666	\$ 0	\$ 9,422,193
Other Capital Assets	797,316	73,122	0	870,438
Total Accumulated Depreciation	<u>\$ 9,824,843</u>	<u>\$ 467,788</u>	<u>\$ 0</u>	<u>\$ 10,292,631</u>
Total Capital Assets Depreciated, Net	<u>\$ 11,762,471</u>	<u>\$ (223,804)</u>	<u>\$ 0</u>	<u>\$ 11,538,667</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,888,101</u>	<u>\$ 91,836</u>	<u>\$ 0</u>	<u>\$ 11,979,937</u>

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

Governmental Activities:

Instruction	\$ 365,268
Support Services	<u>102,520</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 467,788</u>

C. Long-term Obligations

Primary Government

Other Loans

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

Other loans are direct obligations and pledge the full faith and credit of the government. The other loans outstanding were issued for original terms of up to 28 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The other loans included in long-term debt as of June 30, 2018, will be retired from the General Debt Service Fund.

Other loans outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
Other Loans	variable %	5-25-35	\$ 11,355,980	\$ 6,684,980

During the 2007-08 year, the metropolitan government entered into two loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$8,300,000 and \$2,971,980 to the metropolitan government for various capital projects. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the metropolitan government pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2018, the variable interest rate was 1.31 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing), and \$85 per month (trustee) for the \$8,300,000 loan. At June 30, 2018, the

variable interest rate was 3.94 percent, and other fees totaled approximately 1.72 percent (letter of credit), .24 percent month (remarketing), and \$85 per month (trustee) for the \$2,971,980 loan.

In the current year, the metropolitan government entered into a loan agreement with the City of Clarksville Public Building Authority. This loan agreement provided for the authority to make \$14,000,000 available for loan to the metropolitan government on an as-needed basis for various renovation and construction projects. The metropolitan government has borrowed \$84,000 of the authorized amount of this loan. This loan is repayable at a fixed interest rate of 2.51 percent.

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

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 505,001	\$ 104,530	\$ 52,746	\$ 662,277
2020	435,979	92,979	48,063	577,021
2021	451,000	83,156	43,191	577,347
2022	429,000	72,977	38,143	540,120
2023	308,000	63,928	33,656	405,584
2024-2028	1,693,000	256,275	131,844	2,081,119
2029-2033	1,980,000	137,711	73,208	2,190,919
2034-2035	883,000	17,494	10,606	911,100
Total	<u>\$ 6,684,980</u>	<u>\$ 829,050</u>	<u>\$ 431,457</u>	<u>\$ 7,945,487</u>

There is \$1,117,490 available in the General Debt Service Fund to service long-term debt. Debt per capita totaled \$1,051, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Other Loans	Compensated Absences
Balance, July 1, 2017	\$ 8,205,980	\$ 109,359
Additions	84,000	132,895
Reductions	(1,605,000)	(123,416)
Balance, June 30, 2018	<u>\$ 6,684,980</u>	<u>\$ 118,838</u>
Balance Due Within One Year	<u>\$ 505,001</u>	<u>\$ 47,535</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 6,803,818
Less: Balance Due Within One Year	<u>(552,536)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,251,282</u>

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

Discretely Presented Metropolitan School Department

Changes in Long-term Obligations

Long-term obligations activity for the Metropolitan School Department for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits*
Balance, July 1, 2017	\$ 18,983	\$ 1,242,620
Additions	18,491	152,618
Reductions	(21,573)	(198,041)
Balance, June 30, 2018	<u>\$ 15,901</u>	<u>\$ 1,197,197</u>
Balance Due Within One Year	<u>\$ 15,901</u>	<u>\$ 0</u>

Governmental Activities:	Net Pension Liability - Agent Plan**	Net Pension Liability - Legacy Plan***
Balance, July 1, 2017	\$ 4,902	\$ 643,822
Additions	74,903	339,546
Reductions	(219,710)	(1,014,690)
Balance, June 30, 2018	<u>\$ (139,905)</u>	<u>\$ (31,322)</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

*OPEB balance at July 1, 2017 was restated. See Note I.D.10.

**The Agent Pension Plan has a Net Pension Asset balance of \$139,905 on June 30, 2018.

***The Teacher Legacy Pension Plan has a Net Pension Asset balance of \$31,322 on June 30, 2018.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 1,213,098
Less: Balance Due Within One Year	<u>(15,901)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,197,197</u>

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

D. On-Behalf Payments – Discretely Presented Metropolitan School Department

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. The plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan for the year ended June 30, 2018, were \$34,674. The Metropolitan 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 Metropolitan 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

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

discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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

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

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

C. Contingent Liabilities

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

D. 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, 2018.

The Interlocal Solid Waste Authority was formed by joint resolution of the counties of Bedford, Franklin, Moore, and Lincoln and the municipalities of Tullahoma and Fayetteville to develop a solid waste regional plan. Each

participating county commission or city council appointed the authority's board for varying terms of office. The metropolitan government made no contribution to the Interlocal Solid Waste Authority for the year ended June 30, 2018.

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

E. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Certain employees of the metropolitan government are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using

the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

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

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

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	3
Active Employees	10
Total	<u><u>17</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of their salary. The metropolitan government makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the metropolitan government were \$67,843 based on a rate of 10.44 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the metropolitan government's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of

administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The metropolitan government's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.7% to 3.46% Based on Age, Including Inflation, Averaging 4.0%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These

best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity	5.69	%	31	%
Developed Market				
International Equity	5.29		14	
Emerging Market				
International Equity	6.36		4	
Private Equity and				
Strategic Lending	2.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 1,489,112	\$ 1,501,488	\$ (12,376)
Changes for the year:			
Service Cost	\$ 55,432	\$ 0	\$ 55,432
Interest	113,805	0	113,805
Differences Between Expected and Actual Experience	(13,152)	0	(13,152)
Changes in Assumptions	42,387	0	42,387
Contributions-Employer	0	64,426	(64,426)
Contributions-Employees	0	30,856	(30,856)
Net Investment Income	0	172,419	(172,419)
Benefit Payments, Including Refunds of Employee Contributions	(54,281)	(54,281)	0
Administrative Expense	0	(849)	849
Other Changes	0	0	0
Net Changes	\$ 144,191	\$ 212,571	\$ (68,380)
Balance, June 30, 2017	\$ 1,633,303	\$ 1,714,059	\$ (80,756)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the metropolitan government calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 129,855	\$ (80,756)	\$ (258,327)

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

Negative Pension Expense. For the year ended June 30, 2018, the metropolitan government recognized negative pension expense of \$8,373.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,689	\$ 78,731
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,343
Changes in Assumptions	33,910	
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	67,843	N/A
Total	\$ 104,442	\$ 80,074

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

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

Year Ending June 30	Amount
2019	\$ (33,486)
2020	(12,207)
2021	8,035
2022	(5,813)
2023	0
Thereafter	0

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

Discretely Presented Metropolitan Government School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. Non-certified employees of the discretely presented Metropolitan School Department, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	32
Inactive Employees Entitled to But Not Yet Receiving Benefits	55
Active Employees	58
Total	<u>145</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of their salary. The Metropolitan School Department makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the Metropolitan School Department were \$28,391 based on a rate of 2.23 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Metropolitan School Department's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The Metropolitan School Department's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.0%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	2.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance, July 1, 2016	\$ 3,682,124	\$ 3,677,222	\$ 4,902
Changes for the year:			
Service Cost	\$ 106,742	\$ 0	\$ 106,742
Interest	278,235	0	278,235
Differences Between Expected and Actual Experience	(116,331)	0	(116,331)
Changes in Assumptions	84,069	0	84,069
Contributions-Employer	0	27,462	(27,462)
Contributions-Employees	0	61,574	(61,574)
Net Investment Income	0	413,102	(413,102)
Benefit Payments, Including Refunds of Employee Contributions	(158,125)	(158,125)	0
Administrative Expense	0	(4,616)	4,616
Other Changes	0	0	0
Net Changes	\$ 194,590	\$ 339,397	\$ (144,807)
Balance, June 30, 2017	\$ 3,876,714	\$ 4,016,619	\$ (139,905)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Metropolitan School Department calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 360,478	\$ (139,905)	\$ (557,797)

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

Pension Expense. For the year ended June 30, 2018, the Metropolitan School Department recognized pension expense of \$7,648.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 130,853
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	558
Changes in Assumptions	67,255	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	28,391	N/A
Total	<u>\$ 95,646</u>	<u>\$ 131,411</u>

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

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

Year Ending June 30	Amount
2019	\$ (47,343)
2020	22,731
2021	(5,071)
2022	(34,467)
2023	0
Thereafter	0

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

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Metropolitan School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan,

benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2018, to the Teacher Retirement Plan were \$26,978, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2018, the Metropolitan School Department reported an asset of \$26,290 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Metropolitan School Department's proportion of the net pension asset was based on the Metropolitan School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the Metropolitan School Department's proportion was .099644 percent. The proportion measured as of June 30, 2016, was .082307 percent.

Pension Expense. For the year ended June 30, 2018, the Metropolitan School Department recognized pension expense of \$11,683.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 921	\$ 1,977
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,415
Changes in Assumptions	2,310	
Changes in Proportion of Net Pension Liability (Asset)	0	2,819
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	26,978	N/A
Total	<u>\$ 30,209</u>	<u>\$ 6,211</u>

The Metropolitan School Department's employer contributions of \$26,978, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (368)
2020	(368)
2021	(449)
2022	(813)
2023	(146)
Thereafter	(839)

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.0%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	2.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Metropolitan School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Metropolitan School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability	\$	5,245	\$	(26,290)	\$	(49,421)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Metropolitan School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Metropolitan School Department for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$327,097, which is 9.08 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2018, the Metropolitan School Department reported an asset of \$31,322 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Metropolitan School Department's proportion of the net pension asset was based on the Metropolitan School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the Metropolitan School Department's proportion was .095730 percent. The proportion measured at June 30, 2016, was .103021 percent.

Negative Pension Expense. For the year ended June 30, 2018, the Metropolitan School Department recognized negative pension expense of \$2,252.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 18,883	\$ 646,639
Changes in Assumptions	265,274	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,755	0
Changes in Proportion of Net Pension Liability (Asset)	29,854	53,939
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	327,097	N/A
Total	<u>\$ 645,863</u>	<u>\$ 700,578</u>

The Metropolitan School Department's employer contributions of \$327,097 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2019	\$ (226,735)
2020	93,689
2021	(83,334)
2022	(165,433)
2023	0
Thereafter	0

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

Actuarial Assumptions. The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.0%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	2.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

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

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Metropolitan School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the Metropolitan School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability	\$ 2,810,420	\$ (31,322)	\$ (2,380,208)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. **Deferred Compensation**

The 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.

Teachers hired after July 1, 2014, by the Metropolitan School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the Metropolitan School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year the Metropolitan School Department contributed \$35,522 and teachers contributed \$11,690 to this deferred compensation pension plan.

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

The discretely presented Metropolitan School Department participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For reporting purposes the plan is considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pools

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

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

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

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

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

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30,

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

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

Closed Local Education (LEP) OPEB Plan

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

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

Employees Covered by Benefit Terms

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

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	119
Total	<u>129</u>

A state insurance committee, created in accordance with *TCA 8-27-301*, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Metropolitan School Department paid \$82,872 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	Metropolitan Moore School Department 65.5526%	State of TN 34.4474%	Total OPEB Liability
Balance July 1, 2016	\$ 1,242,620	\$ 652,988	\$ 1,895,608
Changes for the Year:			
Service Cost	\$ 65,212	\$ 34,269	\$ 99,481
Interest	36,919	19,400	56,319
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(60,557)	(31,823)	(92,380)
Benefit Payments	(86,997)	(45,717)	(132,714)
Net Changes	<u>\$ (45,423)</u>	<u>\$ (23,871)</u>	<u>\$ (69,294)</u>
Balance June 30, 2017	<u>\$ 1,197,197</u>	<u>\$ 629,117</u>	<u>\$ 1,826,314</u>

The Metropolitan School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Metropolitan School Department's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Metropolitan School Department recognized \$50,487 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Metropolitan School Department's proportionate share of the collective OPEB liability was 65.5526% and the State of Tennessee's share was 34.4474%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the Metropolitan School Department recognized OPEB expense of \$146,562, including the state's share of the expense. At June 30, 2018, the Metropolitan School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	54,503
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	82,872	0
Total	<u>\$ 82,872</u>	<u>\$ 54,503</u>

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

<u>Year Ending June 30</u>	<u>School Department</u>
2019	\$ (6,056)
2020	(6,056)
2021	(6,056)
2022	(6,056)
2023	(6,056)
Thereafter	(24,223)

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

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

<u>Discount Rate</u>	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
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Proportionate Share of the Collective Total OPEB Liability	\$ 1,292,515	\$ 1,197,196	\$ 1,106,788
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the Metropolitan School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease 6.5 to 2.71%	Current Rates 7.5 to 3.71%	1% Increase 8.5 to 4.71%
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Proportionate Share of the Collective Total OPEB Liability	\$ 1,051,744	\$ 1,197,196	\$ 1,371,408
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G. 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 Metropolitan 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.

H. Subsequent Events

On August 31, 2018, Sloan Stewart left the Office of Metropolitan Mayor and was succeeded by Bonnie Lewis; Christy Millsaps left the Office of Circuit, General Sessions, and Juvenile Courts Clerk and was succeeded by Linda Wolaver; and Mark Logan left the Office of Sheriff and was succeeded by Tyler Hatfield.

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

A. General

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

B. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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 7-1-17	Additions	Deductions	Balance 6-30-18
Capital Assets Not Depreciated or Amortized:				
Land and Land Rights	\$ 92,459	\$ 0	\$ 0	\$ 92,459
Construction in Progress	185,800	301,085	(470,085)	16,800
Total Capital Assets Not Depreciated or Amortized	\$ 278,259	\$ 301,085	\$ (470,085)	\$ 109,259
Other Capital Assets:				
General	\$ 346,016	\$ 0	\$ 0	\$ 346,016
Water	13,916,959	378,012	0	14,294,971
Sewer	5,174,635	96,558	0	5,271,193
Maintenance	142,855	63,922	0	206,777
Acquisition Adjustment	301,099	0	0	301,099
Utility Plant	\$ 19,881,564	\$ 538,492	\$ 0	\$ 20,420,056
Less Accumulated Depreciation/ Amortization for:				
General	\$ 211,888	\$ 12,700	\$ 0	\$ 224,588
Water	4,464,981	409,548	0	4,874,529
Sewer	750,342	120,064	0	870,406
Maintenance	124,308	7,687	0	131,995
Acquisition Adjustment	145,019	15,055	0	160,074
Total Accumulated Depreciation/ Amortization	\$ 5,696,538	\$ 565,054	\$ 0	\$ 6,261,592
Other Capital Assets, Net	\$ 14,185,026	\$ (26,562)	\$ 0	\$ 14,158,464
Business-type Activities Capital Assets, Net	\$ 14,463,285	\$ 274,523	\$ (470,085)	\$ 14,267,723

D. Cash and Restricted Funds

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

	<u>Cash Equivalents</u>
Cash for General Use	\$ 371,803
Restricted for Asset Maintenance	28,980
Restricted for construction	<u>39,457</u>
Total	<u>\$ 440,240</u>

The department has also designated \$259,455 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, 2018, includes the following:

	<u>Revenue Bonds</u>
Balance, July 1, 2017	\$ 5,426,337
Additions	0
Reductions	<u>(103,727)</u>
	5,322,610
Less current maturities	<u>(107,316)</u>
Balance, June 30, 2018, Less current maturities	<u><u>\$ 5,215,294</u></u>

Details of water and sewer revenue bonds are as follows:

Series 1997 Water Revenue and Tax Bonds, 4.875%, payable \$1,459 per month including principal and interest with final maturity in 2036	\$ 200,102
Series 2001 Water Revenue and Tax Bonds, 4.75 payable \$1,012 per month including principal and interest with final maturity in 2040	162,701
Series 2006 Water Revenue and Tax Bonds, 4.25%, payable \$4,652 per month including principal and interest with final maturity in 2045	885,616
Series 2008 Water Revenue and Tax Bonds, 4.12%, payable \$8,700 per month including principal and interest with final maturity in 2046	1,707,113
Series 2008 Water Revenue and Tax Bonds, 4.625%, payable \$2,606 per month including principal and interest with final maturity in 2047	497,159
Series 2014 Sewer Revenue and Tax Bonds, 2.25%, payable \$4,696 per month including principal and interest with final maturity in 2054	1,395,179
Series 2014 Sewer Revenue and Tax Bonds, 2.25%, payable \$1,586 per month including principal and interest with final maturity in 2055	<u>474,740</u>
Total	<u><u>\$ 5,322,610</u></u>

The bonds are payable from and secured primarily by a pledge of the net revenues of the department; in the event such revenues are insufficient, the

bonds are further secured by the taxing power of the Metropolitan Government.

The annual requirements to amortize principal and interest for all revenue bonds as of June 30, 2018, are as follows:

Year	Principal	Interest
2019	\$ 107,316	\$ 189,132
2020	111,324	185,124
2021	115,492	180,956
2022	119,827	176,621
2023	124,337	172,111
2024-2028	695,976	786,264
2029-2033	836,412	645,828
2034-2038	958,506	470,830
2039-2043	1,070,083	282,103
2044-2048	738,803	95,797
2049-2053	345,666	31,254
2054-2056	98,868	1,611
Total	<u>\$ 5,322,610</u>	<u>\$ 3,217,631</u>

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

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

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

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

	Balance 6-30-18	Balance 6-30-17
Revenue	\$ 317,360	\$ 503,569
Operation and Maintenance	93,901	47,726
Short-lived Asset Maintenance	28,980	11,925

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 loans, which are secured by the department's revenues and has a stated interest rates of 2.95 percent and zero percent, respectively, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2019	\$ 49,867	\$ 9,581	\$ 65,628
2020	51,358	8,090	65,628
2021	52,893	6,555	65,628
2022	54,475	4,973	65,628
2023	56,104	3,344	65,628
2024-2028	79,820	1,855	328,140
2029-2033	0	0	328,140
2034-2035	0	0	167,622
Total	<u>\$ 344,517</u>	<u>\$ 34,398</u>	<u>\$ 1,152,042</u>

Principal and interest payments, as a percentage of pledged revenue, totaled seven percent for the year for these loans.

Notes payable activity for the year ended June 30, 2018, is as follows:

<u>Balance</u>			<u>Balance</u>
<u>7-1-17</u>	<u>Draws</u>	<u>Repayments</u>	<u>6-30-18</u>
\$ 1,609,527	\$ 0	\$ (112,968)	\$ 1,496,559

The department incurred \$204,314 in interest costs during the current year, of which \$1,008 was capitalized.

G. Risk Management

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

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

H. Income Taxes

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

I. Significant Concentrations

The department operates principally to distribute water to residents of Moore County, Tennessee. The department grants credit to its customers, which at June 30, 2018, totaled \$123,929. Deposits from these customers, totaling \$24,875 at June 30, 2018, are held as security for these accounts receivable.

Water and sewer revenues from the Jack Daniels Distillery account for approximately 26 percent of the department's total water and sewer revenues.

J. Environmental Contingency

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

K. Defined Contribution Plans

The department offers its employees the following defined contribution plans: State of Tennessee Deferred Compensation Plan I for Participating Governmental Employers – 457(b) and State of Tennessee Deferred Compensation Plan II for Participating Governmental Employers – 401(k) plans. The plans are administered by the State Treasurer. Full-time employees (30 hours or more of service per week) are eligible to make elective deferrals under the plans. The department contributes up to 2.38 percent of employee compensation as matching contributions. Matching contributions related to distributed permissible withdrawals will be placed in a forfeiture account which will be used first to reduce the employer's matching contributions and then to offset plan expenses. The election provisions of the plans may be amended, so long as the amendment is not inconsistent with the plan, the Internal Revenue Code, state law, or other applicable law and is approved by the chair of the Tennessee Consolidated Retirement System. The chair may amend the plans on behalf of all employers for changes in the Internal Revenue Code, the regulations thereunder, state law, revenue rulings, other statements published by the IRS, and for other reasons that are deemed at the chair's sole discretion to be in the interest of the plans. The department recognized \$9,383 in retirement plan expense for the year. There were no contributions to Plan I during the current year other than the

transfer of balances from a predecessor plan. All contributions for March through June were remitted to Plan II. There were no forfeitures for the current year.

Prior-Period Adjustment

During the year ended June 30, 2018, the department determined that a customer's account had not been billed for services in fiscal years 2015, 2016, and 2017. This resulted in net position being understated by \$54,172. The customer was billed in the current year, and net position was adjusted to reflect the revenue attributable to prior fiscal years. The effect of the underbilling on prior years' changes in net position was to understate net position in the following amounts:

<u>Year</u>	<u>Amount</u>
2015	\$ 614
2016	23,755
2017	<u>29,803</u>
Total	<u><u>\$ 54,172</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit F-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ending June 30

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 43,773	\$ 45,336	\$ 45,961	\$ 55,432
Interest	104,800	111,497	105,928	113,805
Changes in Benefit Terms	0	0	0	0
Differences Between Actual and Expected Experience	8,069	(169,046)	(984)	(13,152)
Changes in Assumptions	0	0	0	42,387
Benefit Payments, Including Refunds of Employee Contributions	(68,860)	(68,943)	(56,403)	(54,281)
Net Change in Total Pension Liability	\$ 87,782	\$ (81,156)	\$ 94,502	\$ 144,191
Total Pension Liability, Beginning	1,387,984	1,475,766	1,394,610	1,489,112
Total Pension Liability, Ending (a)	\$ 1,475,766	\$ 1,394,610	\$ 1,489,112	\$ 1,633,303
Plan Fiduciary Net Position				
Contributions - Employer	\$ 54,991	\$ 57,406	\$ 60,945	\$ 64,426
Contributions - Employee	26,286	27,494	29,189	30,856
Net Investment Income	194,294	42,397	38,281	172,419
Benefit Payments, Including Refunds of Employee Contributions	(68,860)	(68,943)	(56,403)	(54,281)
Administrative Expense	(384)	(457)	(748)	(849)
Net Change in Plan Fiduciary Net Position	\$ 206,327	\$ 57,897	\$ 71,264	\$ 212,571
Plan Fiduciary Net Position, Beginning	1,166,000	1,372,327	1,430,224	1,501,488
Plan Fiduciary Net Position, Ending (b)	\$ 1,372,327	\$ 1,430,224	\$ 1,501,488	\$ 1,714,059
Net Pension Liability (Asset), Ending (a - b)	\$ 103,439	\$ (35,614)	\$ (12,376)	\$ (80,756)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.99%	102.55%	100.83%	104.94%
Covered Payroll	\$ 525,725	\$ 549,868	\$ 583,769	\$ 617,107
Net Pension Liability (Asset) as a Percentage of Covered Payroll	19.68%	6.48%	(2.12%)	(13.09%)

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

Exhibit F-2

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

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 89,333	\$ 95,048	\$ 110,147	\$ 106,742
Interest	240,127	249,499	264,200	278,235
Changes in Benefit Terms	0	0	0	0
Differences Between Actual and Expected Experience	(66,797)	(18,827)	(28,157)	(116,331)
Changes in Assumptions	0	0	0	84,069
Benefit Payments, Including Refunds of Employee Contributions	(150,417)	(136,435)	(153,168)	(158,125)
Net Change in Total Pension Liability	\$ 112,246	\$ 189,285	\$ 193,022	\$ 194,590
Total Pension Liability, Beginning	3,187,571	3,299,817	3,489,102	3,682,124
Total Pension Liability, Ending (a)	\$ 3,299,817	\$ 3,489,102	\$ 3,682,124	\$ 3,876,714
Plan Fiduciary Net Position				
Contributions - Employer	\$ 30,992	\$ 25,086	\$ 25,635	\$ 27,462
Contributions - Employee	55,743	56,246	57,478	61,574
Net Investment Income	517,468	110,225	96,230	413,102
Benefit Payments, Including Refunds of Employee Contributions	(150,417)	(136,435)	(153,168)	(158,125)
Administrative Expense	(2,135)	(2,893)	(4,324)	(4,616)
Net Change in Plan Fiduciary Net Position	\$ 451,651	\$ 52,229	\$ 21,851	\$ 339,397
Plan Fiduciary Net Position, Beginning	3,151,491	3,603,142	3,655,371	3,677,222
Plan Fiduciary Net Position, Ending (b)	\$ 3,603,142	\$ 3,655,371	\$ 3,677,222	\$ 4,016,619
Net Pension Liability (Asset), Ending (a - b)	\$ (303,325)	\$ (166,269)	\$ 4,902	\$ (139,905)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	109.19%	104.77%	99.87%	103.61%
Covered Payroll	\$ 1,114,845	\$ 1,124,926	\$ 1,149,541	\$ 1,231,478
Net Pension Liability (Asset) as a Percentage of Covered Payroll	27.21%	14.78%	0.43%	(11.36%)

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

Exhibit F-3

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

	2014	2015	2016	2017	2018
Contractually Determined Contribution	\$ 54,991	\$ 57,406	\$ 60,945	\$ 64,426	\$ 67,843
Less Contributions in Relation to the Contractually Determined Contribution	(54,991)	(57,406)	(60,945)	(64,426)	(67,843)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 525,725	\$ 549,868	\$ 583,769	\$ 617,107	\$ 649,228
Contributions as a Percentage of Covered Payroll	10.46%	10.44%	10.44%	10.44%	10.44%

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

Exhibit F-4

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

	2014	2015	2016	2017	2018
Contractually Determined Contribution	\$ 30,992	\$ 25,086	\$ 25,635	\$ 27,462	\$ 28,391
Less Contributions in Relation to the Contractually Determined Contribution	(30,992)	(25,086)	(25,635)	(27,462)	(28,391)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 1,114,845	\$ 1,124,926	\$ 1,149,541	\$ 1,231,478	\$ 1,273,115
Contributions as a Percentage of Covered Payroll	2.78%	2.23%	2.23%	2.23%	2.23%

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

Exhibit F-5

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

	2015	2016	2017	2018
Contractually Required Contribution	\$ 4,015	\$ 14,486	\$ 26,160	\$ 26,978
Less Contributions in Relation to the Contractually Required Contribution	(4,015)	(14,486)	(26,160)	(26,978)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 100,386	\$ 362,154	\$ 652,058	\$ 674,469
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%	4.00%

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

Exhibit F-6

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

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 342,727	\$ 346,443	\$ 336,183	\$ 305,916	\$ 327,097
Less Contributions in Relation to the Contractually Required Contribution	(342,727)	(346,443)	(336,183)	(305,916)	(327,097)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 3,859,535	\$ 3,832,343	\$ 3,718,842	\$ 3,389,818	\$ 3,602,390
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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

Exhibit F-7

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

	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.048314%	0.082307%	0.099644%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (1,944)	\$ (8,568)	\$ (26,290)
Covered Payroll	\$ 100,386	\$ 362,154	\$ 652,058
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	1.94%	(2.37%)	(4.03%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

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

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

Exhibit F-8

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

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.098332%	0.102373%	0.103021%	0.095730%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (15,979)	\$ 41,935	\$ 643,822	\$ (31,322)
Covered Payroll	\$ 3,859,537	\$ 3,832,343	\$ 3,718,842	\$ 3,389,818
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	0.414002%	1.094252%	17.310000%	(0.92%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

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

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

Exhibit F-9

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

	2017
Total OPEB Liability	
Service Cost	\$ 99,481
Interest	56,319
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(92,380)
Benefit Payments	(132,714)
Net Change in Total OPEB Liability	\$ (69,294)
Total OPEB Liability, Beginning	1,895,608
Total OPEB Liability, Ending	<u>\$ 1,826,314</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 629,118
Employer Proportionate Share of the Total OPEB Liability	1,197,196
Covered Employee Payroll	\$ 4,264,311
Net OPEB Liability as a Percentage of Covered Employee Payroll	0.280747816

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

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

2017	2.92%
2018	3.56%

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

**THE METROPOLITAN GOVERNMENT OF LYNCHBURG,
MOORE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018**

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.5%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Capital Projects Fund

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

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

Exhibit G-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 14,219	\$ 314,087	\$ 70,726	\$ 399,032	\$ 168,518	\$ 567,550
Accounts Receivable	0	46,711	321	47,032	0	47,032
Due from Other Governments	0	0	0	0	19,200	19,200
Property Taxes Receivable	6,122	250,443	0	256,565	89,563	346,128
Allowance for Uncollectible Property Taxes	(154)	(6,087)	0	(6,241)	(2,492)	(8,733)
Total Assets	<u>\$ 20,187</u>	<u>\$ 605,154</u>	<u>\$ 71,047</u>	<u>\$ 696,388</u>	<u>\$ 274,789</u>	<u>\$ 971,177</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 1,985	\$ 0	\$ 1,985	\$ 0	\$ 1,985
Payroll Deductions Payable	0	620	0	620	0	620
Due to Other Funds	0	18,016	0	18,016	0	18,016
Total Liabilities	<u>\$ 0</u>	<u>\$ 20,621</u>	<u>\$ 0</u>	<u>\$ 20,621</u>	<u>\$ 0</u>	<u>\$ 20,621</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 5,884	\$ 241,570	\$ 0	\$ 247,454	\$ 85,260	\$ 332,714
Deferred Delinquent Property Taxes	110	2,611	0	2,721	1,697	4,418
Other Deferred/Unavailable Revenue	0	27,914	0	27,914	19,200	47,114
Total Deferred Inflows of Resources	<u>\$ 5,994</u>	<u>\$ 272,095</u>	<u>\$ 0</u>	<u>\$ 278,089</u>	<u>\$ 106,157</u>	<u>\$ 384,246</u>

(Continued)

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Urban Services	Solid Waste / Sanitation	Drug Control	Total	General Capital Projects	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 0	\$ 71,047	\$ 71,047	\$ 0	\$ 71,047
Restricted for Public Health and Welfare	0	64,179	0	64,179	0	64,179
Restricted for Capital Projects	0	0	0	0	168,632	168,632
Restricted for Other Purposes	14,193	0	0	14,193	0	14,193
Committed:						
Committed for Public Health and Welfare	0	248,259	0	248,259	0	248,259
Total Fund Balances	<u>\$ 14,193</u>	<u>\$ 312,438</u>	<u>\$ 71,047</u>	<u>\$ 397,678</u>	<u>\$ 168,632</u>	<u>\$ 566,310</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 20,187</u>	<u>\$ 605,154</u>	<u>\$ 71,047</u>	<u>\$ 696,388</u>	<u>\$ 274,789</u>	<u>\$ 971,177</u>

Exhibit G-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				
	Urban Services	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total
<u>Revenues</u>					
Local Taxes	\$ 14,261	\$ 255,602	\$ 0	\$ 0	\$ 269,863
Licenses and Permits	6,768	0	0	0	6,768
Fines, Forfeitures, and Penalties	0	0	11,307	0	11,307
Charges for Current Services	0	235,574	0	49	235,623
Other Local Revenues	0	42,539	0	0	42,539
State of Tennessee	0	33,965	0	0	33,965
Other Governments and Citizens Groups	0	5,000	0	0	5,000
Total Revenues	\$ 21,029	\$ 572,680	\$ 11,307	\$ 49	\$ 605,065
<u>Expenditures</u>					
Current:					
General Government	\$ 18,559	\$ 0	\$ 0	\$ 0	\$ 18,559
Finance	0	0	0	49	49
Public Safety	0	0	11,321	0	11,321
Public Health and Welfare	0	541,524	0	0	541,524
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 18,559	\$ 541,524	\$ 11,321	\$ 49	\$ 571,453
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,470	\$ 31,156	\$ (14)	\$ 0	\$ 33,612
Net Change in Fund Balances	\$ 2,470	\$ 31,156	\$ (14)	\$ 0	\$ 33,612
Fund Balance, July 1, 2017	11,723	281,282	71,061	0	364,066
Fund Balance, June 30, 2018	\$ 14,193	\$ 312,438	\$ 71,047	\$ 0	\$ 397,678

(Continued)

Exhibit G-2

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

	Capital Projects Fund	Total Nonmajor Governmental Funds
<u>Revenues</u>		
Local Taxes	\$ 166,124	\$ 435,987
Licenses and Permits	0	6,768
Fines, Forfeitures, and Penalties	0	11,307
Charges for Current Services	0	235,623
Other Local Revenues	0	42,539
State of Tennessee	0	33,965
Other Governments and Citizens Groups	0	5,000
Total Revenues	<u>\$ 166,124</u>	<u>\$ 771,189</u>
<u>Expenditures</u>		
Current:		
General Government	\$ 0	\$ 18,559
Finance	0	49
Public Safety	0	11,321
Public Health and Welfare	0	541,524
Capital Projects	124,189	124,189
Total Expenditures	<u>\$ 124,189</u>	<u>\$ 695,642</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,935</u>	<u>\$ 75,547</u>
Net Change in Fund Balances	\$ 41,935	\$ 75,547
Fund Balance, July 1, 2017	<u>126,697</u>	<u>490,763</u>
Fund Balance, June 30, 2018	<u>\$ 168,632</u>	<u>\$ 566,310</u>

Exhibit G-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Urban Services Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 14,261	\$ 12,280	\$ 12,280	\$ 1,981
Licenses and Permits	6,768	5,500	5,500	1,268
Total Revenues	<u>\$ 21,029</u>	<u>\$ 17,780</u>	<u>\$ 17,780</u>	<u>\$ 3,249</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other General Administration	\$ 18,559	\$ 21,400	\$ 21,400	\$ 2,841
Total Expenditures	<u>\$ 18,559</u>	<u>\$ 21,400</u>	<u>\$ 21,400</u>	<u>\$ 2,841</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,470</u>	<u>\$ (3,620)</u>	<u>\$ (3,620)</u>	<u>\$ 6,090</u>
Net Change in Fund Balance	\$ 2,470	\$ (3,620)	\$ (3,620)	\$ 6,090
Fund Balance, July 1, 2017	<u>11,723</u>	<u>21,400</u>	<u>11,723</u>	<u>0</u>
Fund Balance, June 30, 2018	<u><u>\$ 14,193</u></u>	<u><u>\$ 17,780</u></u>	<u><u>\$ 8,103</u></u>	<u><u>\$ 6,090</u></u>

Exhibit G-4

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 255,602	\$ 248,250	\$ 248,250	\$ 7,352
Charges for Current Services	235,574	188,000	188,000	47,574
Other Local Revenues	42,539	30,000	30,000	12,539
State of Tennessee	33,965	44,200	44,200	(10,235)
Other Governments and Citizens Groups	5,000	0	0	5,000
Total Revenues	\$ 572,680	\$ 510,450	\$ 510,450	\$ 62,230
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 41,338	\$ 44,200	\$ 44,200	\$ 2,862
Recycling Center	500,186	461,357	554,292	54,106
Total Expenditures	\$ 541,524	\$ 505,557	\$ 598,492	\$ 56,968
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,156	\$ 4,893	\$ (88,042)	\$ 119,198
Net Change in Fund Balance	\$ 31,156	\$ 4,893	\$ (88,042)	\$ 119,198
Fund Balance, July 1, 2017	281,282	227,123	281,282	0
Fund Balance, June 30, 2018	\$ 312,438	\$ 232,016	\$ 193,240	\$ 119,198

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 11,307	\$ 7,300	\$ 7,300	\$ 4,007
Total Revenues	\$ 11,307	\$ 7,300	\$ 7,300	\$ 4,007
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 11,321	\$ 10,625	\$ 11,321	\$ 0
Total Expenditures	\$ 11,321	\$ 10,625	\$ 11,321	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ (14)	\$ (3,325)	\$ (4,021)	\$ 4,007
Net Change in Fund Balance	\$ (14)	\$ (3,325)	\$ (4,021)	\$ 4,007
Fund Balance, July 1, 2017	71,061	4,645	71,061	0
Fund Balance, June 30, 2018	\$ 71,047	\$ 1,320	\$ 67,040	\$ 4,007

Exhibit G-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Capital Projects Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 166,124	\$ 0	\$ 166,124	\$ 161,025	\$ 161,025	\$ 5,099
Total Revenues	\$ 166,124	\$ 0	\$ 166,124	\$ 161,025	\$ 161,025	\$ 5,099
<u>Expenditures</u>						
<u>Capital Projects</u>						
General Administration Projects	\$ 56,409	\$ 76,471	\$ 132,880	\$ 0	\$ 133,000	\$ 120
Public Safety Projects	30,000	0	30,000	0	30,000	0
Public Health and Welfare Projects	37,780	0	37,780	0	38,000	220
Social, Cultural, and Recreation Projects	0	0	0	150,000	0	0
Total Expenditures	\$ 124,189	\$ 76,471	\$ 200,660	\$ 150,000	\$ 201,000	\$ 340
Excess (Deficiency) of Revenues Over Expenditures	\$ 41,935	\$ (76,471)	\$ (34,536)	\$ 11,025	\$ (39,975)	\$ 5,439
Net Change in Fund Balance	\$ 41,935	\$ (76,471)	\$ (34,536)	\$ 11,025	\$ (39,975)	\$ 5,439
Fund Balance, July 1, 2017	126,697	0	126,697	7,667	126,697	0
Fund Balance, June 30, 2018	\$ 168,632	\$ (76,471)	\$ 92,161	\$ 18,692	\$ 86,722	\$ 5,439

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,391,315	\$ 1,282,750	\$ 1,282,750	\$ 108,565
Total Revenues	\$ 1,391,315	\$ 1,282,750	\$ 1,282,750	\$ 108,565
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 899,140	\$ 95,140	\$ 899,140	\$ 0
Education	705,860	309,860	705,860	0
<u>Interest on Debt</u>				
General Government	16,605	59,306	59,306	42,701
Education	88,685	311,224	311,224	222,539
<u>Other Debt Service</u>				
General Government	29,080	32,000	32,000	2,920
Education	132,794	60,000	144,000	11,206
Total Expenditures	\$ 1,872,164	\$ 867,530	\$ 2,151,530	\$ 279,366
Excess (Deficiency) of Revenues Over Expenditures	\$ (480,849)	\$ 415,220	\$ (868,780)	\$ 387,931
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 84,000	\$ 0	\$ 84,000	\$ 0
Total Other Financing Sources	\$ 84,000	\$ 0	\$ 84,000	\$ 0
Net Change in Fund Balance	\$ (396,849)	\$ 415,220	\$ (784,780)	\$ 387,931
Fund Balance, July 1, 2017	1,514,339	1,374,241	1,514,339	0
Fund Balance, June 30, 2018	\$ 1,117,490	\$ 1,789,461	\$ 729,559	\$ 387,931

Fiduciary Fund

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

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

Exhibit I

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Statement of Changes in Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 16,936	\$ 1,456,683	\$ 1,403,103	\$ 70,516
Accounts Receivable	0	24	0	24
Total Assets	\$ 16,936	\$ 1,456,707	\$ 1,403,103	\$ 70,540
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 16,936	\$ 1,456,707	\$ 1,403,103	\$ 70,540
Total Liabilities	\$ 16,936	\$ 1,456,707	\$ 1,403,103	\$ 70,540

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 and two Special Revenue Funds.

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.

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:					
Instruction	\$ 5,146,117	\$ 6,235	\$ 223,062	120,684	\$ (4,796,136)
Support Services	3,619,730	20,706	135,360	0	(3,463,664)
Operation of Non-instructional Services	583,548	235,497	382,695	0	34,644
Total Governmental Activities	<u>\$ 9,349,395</u>	<u>\$ 262,438</u>	<u>\$ 741,117</u>	<u>120,684</u>	<u>\$ (8,225,156)</u>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,033,338
Local Option Sales Tax					540,350
Grants and Contributions Not Restricted to Specific Programs					5,117,087
Unrestricted Investment Income					80
Miscellaneous					56,549
Total General Revenues					<u>\$ 8,747,404</u>
Change in Net Position					\$ 522,248
Restatement - See Note I.D.10.					(450,286)
Net Position, July 1, 2017					<u>12,502,437</u>
Net Position, June 30, 2018					<u>\$ 12,574,399</u>

Exhibit J-2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2018

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 4,174	\$ 4,174
Equity in Pooled Cash and Investments	1,536,208	191,910	1,728,118
Inventories	0	12,363	12,363
Due from Other Governments	233,417	13,927	247,344
Property Taxes Receivable	3,060,644	0	3,060,644
Allowance for Uncollectible Property Taxes	(75,433)	0	(75,433)
Total Assets	<u>\$ 4,754,836</u>	<u>\$ 222,374</u>	<u>\$ 4,977,210</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 15,838	\$ 13,857	\$ 29,695
Payroll Deductions Payable	314,606	29,075	343,681
Total Liabilities	<u>\$ 330,444</u>	<u>\$ 42,932</u>	<u>\$ 373,376</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 2,955,680	\$ 0	\$ 2,955,680
Deferred Delinquent Property Taxes	27,446	0	27,446
Total Deferred Inflows of Resources	<u>\$ 2,983,126</u>	<u>\$ 0</u>	<u>\$ 2,983,126</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 12,363	\$ 12,363
Restricted:			
Restricted for Education	299	147,079	147,378
Committed:			
Committed for Education	770,323	20,000	790,323
Unassigned	670,644	0	670,644
Total Fund Balances	<u>\$ 1,441,266</u>	<u>\$ 179,442</u>	<u>\$ 1,620,708</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,754,836</u>	<u>\$ 222,374</u>	<u>\$ 4,977,210</u>

Exhibit J-3

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Metropolitan School Department
June 30, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	1,620,708
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	39,342	
Add: construction in progress		401,928	
Add: buildings and improvements net of accumulated depreciation		10,730,737	
Add: other capital assets net of accumulated depreciation		<u>807,930</u>	11,979,937
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other postemployment benefits liability	\$	(1,197,197)	
Less: compensated absences payable		<u>(15,901)</u>	(1,213,098)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension expense and OPEB expense in future years.			
Add: deferred outflows of resources related to pensions	\$	771,718	
Add: deferred outflows of resources related to OPEB		82,872	
Less: deferred inflows of resources related to pensions		(838,200)	
Less: deferred inflows of resources related to OPEB		<u>(54,501)</u>	(38,111)
(4) Net pension assets of the teacher retirement plan are not current financial resources and therefore are not reported in the governmental funds.			
Add: agent plan	\$	139,905	
Add: teacher retirement plan		26,290	
Add: teacher legacy pension plan		<u>31,322</u>	197,517
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>27,446</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>12,574,399</u></u>

Exhibit J-4

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

	Major Fund	Nonmajor Funds	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 3,582,009	\$ 0	\$ 3,582,009
Licenses and Permits	504	0	504
Charges for Current Services	40,173	197,394	237,567
Other Local Revenues	55,236	1,393	56,629
State of Tennessee	5,290,237	4,165	5,294,402
Federal Government	0	708,853	708,853
Total Revenues	<u>\$ 8,968,159</u>	<u>\$ 911,805</u>	<u>\$ 9,879,964</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,744,387	\$ 351,288	\$ 5,095,675
Support Services	3,667,205	80,205	3,747,410
Operation of Non-Instructional Services	132,550	460,534	593,084
Capital Outlay	359,884	0	359,884
Total Expenditures	<u>\$ 8,904,026</u>	<u>\$ 892,027</u>	<u>\$ 9,796,053</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 64,133</u>	<u>\$ 19,778</u>	<u>\$ 83,911</u>
Net Change in Fund Balances	\$ 64,133	\$ 19,778	\$ 83,911
Fund Balance, July 1, 2017	<u>1,377,133</u>	<u>159,664</u>	<u>1,536,797</u>
Fund Balance, June 30, 2018	<u>\$ 1,441,266</u>	<u>\$ 179,442</u>	<u>\$ 1,620,708</u>

Exhibit J-5

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

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	83,911
(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	\$	559,624	
Less: current-year depreciation expense		(467,788)	91,836
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$	27,446	
Less: deferred delinquent property taxes and other deferred June 30, 2017		(35,767)	(8,321)
(3) 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 (net of restatement)	\$	45,423	
Change in net pension asset - agent pension plan		144,807	
Change in net pension asset - teacher retirement pension plan		17,722	
Change in net pension liability - teacher legacy pension plan		675,144	
Change in deferred outflows of resources related to pensions		(497,288)	
Change in deferred outflows of resources related to OPEB (net of restatement)		(4,125)	
Change in deferred inflows of resources related to pensions		24,558	
Change in deferred inflows of resources related to OPEB		(54,501)	
Change in compensated absences payable		3,082	354,822
Change in net position of governmental activities (Exhibit B)		\$	<u>522,248</u>

Exhibit J-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Metropolitan School Department
June 30, 2018

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 4,174	\$ 4,174
Equity in Pooled Cash and Investments	36,349	155,561	191,910
Inventories	0	12,363	12,363
Due from Other Governments	13,927	0	13,927
Total Assets	<u>\$ 50,276</u>	<u>\$ 172,098</u>	<u>\$ 222,374</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 12,807	\$ 1,050	\$ 13,857
Payroll Deductions Payable	15,994	13,081	29,075
Total Liabilities	<u>\$ 28,801</u>	<u>\$ 14,131</u>	<u>\$ 42,932</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 12,363	\$ 12,363
Restricted:			
Restricted for Education	1,475	145,604	147,079
Committed:			
Committed for Education	20,000	0	20,000
Total Fund Balances	<u>\$ 21,475</u>	<u>\$ 157,967</u>	<u>\$ 179,442</u>
Total Liabilities and Fund Balances	<u>\$ 50,276</u>	<u>\$ 172,098</u>	<u>\$ 222,374</u>

Exhibit J-7

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>		<u>Nonmajor</u>
	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 197,394	\$ 197,394
Other Local Revenues	0	1,393	1,393
State of Tennessee	0	4,165	4,165
Federal Government	426,630	282,223	708,853
Total Revenues	<u>\$ 426,630</u>	<u>\$ 485,175</u>	<u>\$ 911,805</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 351,288	\$ 0	\$ 351,288
Support Services	80,205	0	80,205
Operation of Non-Instructional Services	1,073	459,461	460,534
Total Expenditures	<u>\$ 432,566</u>	<u>\$ 459,461</u>	<u>\$ 892,027</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (5,936)</u>	<u>\$ 25,714</u>	<u>\$ 19,778</u>
Net Change in Fund Balances	\$ (5,936)	\$ 25,714	\$ 19,778
Fund Balance, July 1, 2017	27,411	132,253	159,664
Fund Balance, June 30, 2018	<u>\$ 21,475</u>	<u>\$ 157,967</u>	<u>\$ 179,442</u>

Exhibit J-8

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Metropolitan School Department
General Purpose School Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,582,009	\$ 3,390,125	\$ 3,522,365	\$ 59,644
Licenses and Permits	504	600	465	39
Charges for Current Services	40,173	38,816	34,656	5,517
Other Local Revenues	55,236	41,185	62,845	(7,609)
State of Tennessee	5,290,237	4,984,620	5,187,940	102,297
Total Revenues	<u>\$ 8,968,159</u>	<u>\$ 8,455,346</u>	<u>\$ 8,808,271</u>	<u>\$ 159,888</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,734,483	\$ 3,932,654	\$ 3,883,733	\$ 149,250
Alternative Instruction Program	72,091	71,596	72,223	132
Special Education Program	557,335	527,581	563,247	5,912
Career and Technical Education Program	380,478	330,123	388,912	8,434
<u>Support Services</u>				
Attendance	9,561	9,306	9,760	199
Health Services	62,554	64,634	64,634	2,080
Other Student Support	395,942	386,156	412,414	16,472
Regular Instruction Program	280,634	282,368	286,003	5,369
Special Education Program	98,607	94,110	101,159	2,552
Career and Technical Education Program	38,243	39,109	38,969	726
Technology	178,466	166,430	181,626	3,160
Other Programs	34,674	0	34,674	0
Board of Education	224,565	254,210	235,962	11,397
Director of Schools	230,952	242,699	232,981	2,029
Office of the Principal	638,949	653,872	658,786	19,837
Fiscal Services	111,634	124,944	111,944	310
Operation of Plant	669,176	699,321	672,194	3,018
Maintenance of Plant	188,934	213,459	196,605	7,671
Transportation	504,314	496,038	512,120	7,806
<u>Operation of Non-Instructional Services</u>				
Community Services	27,035	33,816	29,816	2,781
Early Childhood Education	105,515	116,725	119,387	13,872
<u>Capital Outlay</u>				
Regular Capital Outlay	359,884	210,000	375,000	15,116
Total Expenditures	<u>\$ 8,904,026</u>	<u>\$ 8,949,151</u>	<u>\$ 9,182,149</u>	<u>\$ 278,123</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 64,133</u>	<u>\$ (493,805)</u>	<u>\$ (373,878)</u>	<u>\$ 438,011</u>
Net Change in Fund Balance	\$ 64,133	\$ (493,805)	\$ (373,878)	\$ 438,011
Fund Balance, July 1, 2017	<u>1,377,133</u>	<u>756,524</u>	<u>1,377,133</u>	<u>0</u>
Fund Balance, June 30, 2018	<u>\$ 1,441,266</u>	<u>\$ 262,719</u>	<u>\$ 1,003,255</u>	<u>\$ 438,011</u>

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 426,630	\$ 423,395	\$ 505,799	\$ (79,169)
Total Revenues	\$ 426,630	\$ 423,395	\$ 505,799	\$ (79,169)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 167,306	\$ 152,904	\$ 203,191	\$ 35,885
Special Education Program	173,614	165,732	191,015	17,401
Career and Technical Education Program	10,368	7,551	10,368	0
<u>Support Services</u>				
Health Services	16,955	15,468	17,074	119
Other Student Support	1,588	5,200	3,288	1,700
Regular Instruction Program	50,142	48,041	60,969	10,827
Special Education Program	5,231	16,290	8,544	3,313
Career and Technical Education Program	88	300	88	0
Transportation	6,201	10,771	10,124	3,923
<u>Operation of Non-Instructional Services</u>				
Food Service	1,073	1,138	1,138	65
Total Expenditures	\$ 432,566	\$ 423,395	\$ 505,799	\$ 73,233
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,936)	\$ 0	\$ 0	\$ (5,936)
Net Change in Fund Balance	\$ (5,936)	\$ 0	\$ 0	\$ (5,936)
Fund Balance, July 1, 2017	27,411	0	0	27,411
Fund Balance, June 30, 2018	\$ 21,475	\$ 0	\$ 0	\$ 21,475

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 197,394	\$ 271,000	\$ 271,000	\$ (73,606)
Other Local Revenues	1,393	200	200	1,193
State of Tennessee	4,165	5,500	5,500	(1,335)
Federal Government	282,223	257,000	296,935	(14,712)
Total Revenues	<u>\$ 485,175</u>	<u>\$ 533,700</u>	<u>\$ 573,635</u>	<u>\$ (88,460)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 459,461	\$ 543,438	\$ 583,373	\$ 123,912
Total Expenditures	<u>\$ 459,461</u>	<u>\$ 543,438</u>	<u>\$ 583,373</u>	<u>\$ 123,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,714</u>	<u>\$ (9,738)</u>	<u>\$ (9,738)</u>	<u>\$ 35,452</u>
Net Change in Fund Balance	\$ 25,714	\$ (9,738)	\$ (9,738)	\$ 35,452
Fund Balance, July 1, 2017	132,253	111,828	132,253	0
Fund Balance, June 30, 2018	<u><u>\$ 157,967</u></u>	<u><u>\$ 102,090</u></u>	<u><u>\$ 122,515</u></u>	<u><u>\$ 35,452</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Changes in Long-term Other Loans
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction	\$ 8,300,000	Variable	7-17-07	5-25-35	\$ 6,267,000	\$ 0	\$ 263,000	\$ 6,004,000
School Construction/Public Water	2,971,980	Variable	6-9-08	5-25-22	1,938,980	0	1,342,000	596,980
School Construction	(1) 14,000,000	2.51%	12-22-17	3-1-35	0	84,000	0	84,000
Total Other Loans Payable					<u>\$ 8,205,980</u>	<u>\$ 84,000</u>	<u>\$ 1,605,000</u>	<u>\$ 6,684,980</u>

(1) Total amount approved was \$14,000,000, of which \$13,916,000 remains available for draws as of June 30, 2018.

Exhibit K-2

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

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2019	\$ 505,001	\$ 104,530	\$ 52,746	\$ 662,277
2020	435,979	92,979	48,063	577,021
2021	451,000	83,156	43,191	577,347
2022	429,000	72,977	38,143	540,120
2023	308,000	63,928	33,656	405,584
2024	318,000	59,879	30,634	408,513
2025	328,000	55,700	28,567	412,267
2026	338,000	51,389	26,435	415,824
2027	349,000	46,947	24,238	420,185
2028	360,000	42,360	21,970	424,330
2029	372,000	37,628	19,630	429,258
2030	383,000	32,739	17,212	432,951
2031	396,000	27,705	14,722	438,427
2032	408,000	22,501	12,148	442,649
2033	421,000	17,138	9,496	447,634
2034	435,000	11,605	6,760	453,365
2035	448,000	5,889	3,846	457,735
Total	\$ 6,684,980	\$ 829,050	\$ 431,457	\$ 7,945,487

Exhibit K-3

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, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Metropolitan Mayor	Section 8-24-102, <i>TCA</i> , and Metropolitan Council	\$ 72,974	\$ 100,000	(3) RLI Insurance Company
Highway Superintendent	Section 8-24-102, <i>TCA</i>	72,974		(3)
Director of Schools	State Board of Education and Metropolitan Board of Education	91,292 (2)		(3)
Trustee	Section 8-24-102, <i>TCA</i>	63,182	358,933	(3) Auto-Owners (Mutual) Insurance
Assessor of Property	Section 8-24-102, <i>TCA</i>	63,182		(3)
Metropolitan Clerk	Section 8-24-102, <i>TCA</i>	63,182	50,000	(3) RLI Insurance Company
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	63,182	50,000	(3) "
Clerk and Master	Section 8-24-102, <i>TCA</i> and Chancery Court Judge	63,182	50,000	(3) "
Register of Deeds	Section 8-24-102, <i>TCA</i>	63,182	50,000	(3) "
Sheriff	Section 8-24-102, <i>TCA</i>	69,500 (1)	100,000	(3) "
<u>Employee Bonds</u>				
Metropolitan Employees			400,000	Tennessee Risk Management Trust
School Department Employees			400,000	"

(1) Does not include a law enforcement training supplement of \$600.

(2) Does not include a career ladder supplement of \$2,000.

(3) All elected officials and the director of schools are additionally covered by the employee fidelity insurance pursuant to Section 8-19-101, *TCA*.

Exhibit K-4

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2018

	Special Revenue Funds					Constitu - tional Officers - Fees
	General	Urban Services	Solid Waste / Sanitation	Drug Control		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,435,212	\$ 7,048	\$ 251,114	\$ 0	\$	0
Trustee's Collections - Prior Year	30,003	84	2,920	0		0
Circuit Clerk/Clerk and Master Collections - Prior Years	9,939	0	1,020	0		0
Interest and Penalty	5,348	20	548	0		0
Payments in-Lieu-of Taxes - T.V.A.	206,409	7,109	0	0		0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	272,206	0	0	0		0
Hotel/Motel Tax	8,321	0	0	0		0
Litigation Tax - General	20,778	0	0	0		0
Litigation Tax - Special Purpose	76	0	0	0		0
Litigation Tax - Jail, Workhouse, or Courthouse	26,646	0	0	0		0
Business Tax	22,454	0	0	0		0
Mixed Drink Tax	237	0	0	0		0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	44,118	0	0	0		0
Wholesale Beer Tax	83,373	0	0	0		0
Interstate Telecommunications Tax	8,289	0	0	0		0
Other Statutory Local Taxes	0	0	0	0		0
Total Local Taxes	\$ 3,173,409	\$ 14,261	\$ 255,602	\$ 0	\$	0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 8,745	\$ 6,768	\$ 0	\$ 0	\$	0
<u>Permits</u>						
Building Permits	4,585	0	0	0		0
Total Licenses and Permits	\$ 13,330	\$ 6,768	\$ 0	\$ 0	\$	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Constitu - tional Officers - Fees
	General	Urban Services	Solid Waste / Sanitation	Drug Control	
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 1,045	\$ 0	\$ 0	\$ 0	0
Officers Costs	831	0	0	0	0
Drug Control Fines	0	0	0	2,733	0
Jail Fees	104	0	0	0	0
Data Entry Fee - Circuit Court	146	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	332	0	0	0	0
Courtroom Security Fee	13	0	0	0	0
<u>General Sessions Court</u>					
Fines	5,842	0	0	0	0
Officers Costs	10,381	0	0	0	0
Game and Fish Fines	1,102	0	0	0	0
Drug Control Fines	0	0	0	8,168	0
Drug Court Fees	1,729	0	0	0	0
Jail Fees	717	0	0	0	0
DUI Treatment Fines	1,103	0	0	0	0
Data Entry Fee - General Sessions Court	1,663	0	0	0	0
Courtroom Security Fee	146	0	0	0	0
<u>Juvenile Court</u>					
Fines	736	0	0	0	0
Drug Control Fines	0	0	0	406	0
<u>Chancery Court</u>					
Officers Costs	490	0	0	0	0
Data Entry Fee - Chancery Court	238	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 26,618	\$ 0	\$ 0	\$ 11,307	\$ 0

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Constitu - tional Officers - Fees
	General	Urban Services	Solid Waste / Sanitation	Drug Control	
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 235,574	\$ 0	\$ 0
Patient Charges	182,419	0	0	0	0
<u>Fees</u>					
Recreation Fees	9,518	0	0	0	0
Copy Fees	560	0	0	0	0
Library Fees	1,790	0	0	0	0
Greenbelt Late Application Fee	200	0	0	0	0
Vending Machine Collections	83	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	49
Data Processing Fee - Register	2,216	0	0	0	0
Data Processing Fee - Sheriff	906	0	0	0	0
Sexual Offender Registration Fee - Sheriff	2,164	0	0	0	0
Data Processing Fee - County Clerk	1,044	0	0	0	0
Total Charges for Current Services	\$ 200,900	\$ 0	\$ 235,574	\$ 0	\$ 49
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 31,884	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	986	0	0	0	0
Commissary Sales	2,569	0	0	0	0
Sale of Recycled Materials	0	0	42,433	0	0
E-Rate Funding	1,703	0	0	0	0
Miscellaneous Refunds	16,695	0	106	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	8,630	0	0	0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Constitu -
	General	Urban Services	Solid Waste / Sanitation	Drug Control	tional Officers - Fees
<u>Other Local Revenues (Cont.)</u>					
<u>Nonrecurring Items (Cont.)</u>					
Damages Recovered from Individuals	\$ 173	\$ 0	\$ 0	\$ 0	\$ 0
Contributions and Gifts	14,318	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	2,205	0	0	0	0
Total Other Local Revenues	<u>\$ 79,163</u>	<u>\$ 0</u>	<u>\$ 42,539</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 62,728	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	8,026	0	0	0	0
General Sessions Court Clerk	31,272	0	0	0	0
Clerk and Master	15,482	0	0	0	0
Juvenile Court Clerk	2,937	0	0	0	0
Register	29,837	0	0	0	0
Sheriff	7,057	0	0	0	0
Trustee	186,842	0	0	0	0
Total Fees Received From County Officials	<u>\$ 344,181</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	8,400	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	134,373	0	0	0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Constitu - tional Officers - Fees
	General	Urban Services	Solid Waste / Sanitation	Drug Control		
<u>State of Tennessee (Cont.)</u>						
<u>Public Works Grants</u>						
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
State Aid Program	0	0	0	0	0	0
Litter Program	0	0	32,753	0	0	0
<u>Other State Revenues</u>						
Income Tax	50,587	0	0	0	0	0
Beer Tax	18,106	0	0	0	0	0
Vehicle Certificate of Title Fees	5,306	0	0	0	0	0
Alcoholic Beverage Tax	17,040	0	0	0	0	0
Contracted Prisoner Boarding	175,611	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
State Shared Sales Tax - Cities	53,672	0	0	0	0	0
Other State Grants	19,611	0	0	0	0	0
Other State Revenues	25,864	0	1,212	0	0	0
Total State of Tennessee	\$ 537,234	\$ 0	\$ 33,965	\$ 0	\$ 0	0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 18,815	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Federal through State	96,967	0	0	0	0	0
Total Federal Government	\$ 115,782	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Constitu - tional Officers - Fees
	General	Urban Services	Solid Waste / Sanitation	Drug Control	
<u>Other Governments and Citizens Groups</u>					
<u>Citizens Groups</u>					
Donations	\$ 25,706	\$ 0	\$ 5,000	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 25,706	\$ 0	\$ 5,000	\$ 0	\$ 0
Total	\$ 4,516,323	\$ 21,029	\$ 572,680	\$ 11,307	\$ 49

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 37,664	\$ 778,263	\$ 163,177	\$ 3,672,478
Trustee's Collections - Prior Year	438	9,206	2,005	44,656
Circuit Clerk/Clerk and Master Collections - Prior Years	153	3,161	616	14,889
Interest and Penalty	82	1,698	326	8,022
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	213,518
<u>County Local Option Taxes</u>				
Local Option Sales Tax	0	272,206	0	544,412
Hotel/Motel Tax	0	0	0	8,321
Litigation Tax - General	0	0	0	20,778
Litigation Tax - Special Purpose	0	0	0	76
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	26,646
Business Tax	11,206	0	0	33,660
Mixed Drink Tax	0	0	0	237
<u>Statutory Local Taxes</u>				
Bank Excise Tax	0	0	0	44,118
Wholesale Beer Tax	0	0	0	83,373
Interstate Telecommunications Tax	0	0	0	8,289
Other Statutory Local Taxes	0	326,781	0	326,781
Total Local Taxes	\$ 49,543	\$ 1,391,315	\$ 166,124	\$ 5,050,254
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 15,513
<u>Permits</u>				
Building Permits	0	0	0	4,585
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 20,098

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$ 0	\$ 0	\$ 0	1,045
Officers Costs	0	0	0	831
Drug Control Fines	0	0	0	2,733
Jail Fees	0	0	0	104
Data Entry Fee - Circuit Court	0	0	0	146
<u>Criminal Court</u>				
DUI Treatment Fines	0	0	0	332
Courtroom Security Fee	0	0	0	13
<u>General Sessions Court</u>				
Fines	0	0	0	5,842
Officers Costs	0	0	0	10,381
Game and Fish Fines	0	0	0	1,102
Drug Control Fines	0	0	0	8,168
Drug Court Fees	0	0	0	1,729
Jail Fees	0	0	0	717
DUI Treatment Fines	0	0	0	1,103
Data Entry Fee - General Sessions Court	0	0	0	1,663
Courtroom Security Fee	0	0	0	146
<u>Juvenile Court</u>				
Fines	0	0	0	736
Drug Control Fines	0	0	0	406
<u>Chancery Court</u>				
Officers Costs	0	0	0	490
Data Entry Fee - Chancery Court	0	0	0	238
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	37,925

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>Charges for Current Services</u>				
<u>General Service Charges</u>				
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 0	\$ 235,574
Patient Charges	0	0	0	182,419
<u>Fees</u>				
Recreation Fees	0	0	0	9,518
Copy Fees	0	0	0	560
Library Fees	0	0	0	1,790
Greenbelt Late Application Fee	0	0	0	200
Vending Machine Collections	0	0	0	83
Constitutional Officers' Fees and Commissions	0	0	0	49
Data Processing Fee - Register	0	0	0	2,216
Data Processing Fee - Sheriff	0	0	0	906
Sexual Offender Registration Fee - Sheriff	0	0	0	2,164
Data Processing Fee - County Clerk	0	0	0	1,044
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 436,523
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 0	\$ 31,884
Lease/Rentals	0	0	0	986
Commissary Sales	0	0	0	2,569
Sale of Recycled Materials	0	0	0	42,433
E-Rate Funding	0	0	0	1,703
Miscellaneous Refunds	2,489	0	0	19,290
<u>Nonrecurring Items</u>				
Sale of Equipment	0	0	0	8,630

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>				
<u>Nonrecurring Items (Cont.)</u>				
Damages Recovered from Individuals	\$ 400	\$ 0	\$ 0	\$ 573
Contributions and Gifts	0	0	0	14,318
<u>Other Local Revenues</u>				
Other Local Revenues	0	0	0	2,205
Total Other Local Revenues	<u>\$ 2,889</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,591</u>
<u>Fees Received From County Officials</u>				
<u>Fees In-Lieu-of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	\$ 62,728
Circuit Court Clerk	0	0	0	8,026
General Sessions Court Clerk	0	0	0	31,272
Clerk and Master	0	0	0	15,482
Juvenile Court Clerk	0	0	0	2,937
Register	0	0	0	29,837
Sheriff	0	0	0	7,057
Trustee	0	0	0	186,842
Total Fees Received From County Officials	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 344,181</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 13,500
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	0	0	0	8,400
<u>Health and Welfare Grants</u>				
Health Department Programs	0	0	0	134,373

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>Public Works Grants</u>				
Bridge Program	\$ 494,193	\$ 0	\$ 0	\$ 494,193
State Aid Program	216,231	0	0	216,231
Litter Program	0	0	0	32,753
<u>Other State Revenues</u>				
Income Tax	0	0	0	50,587
Beer Tax	0	0	0	18,106
Vehicle Certificate of Title Fees	0	0	0	5,306
Alcoholic Beverage Tax	0	0	0	17,040
Contracted Prisoner Boarding	0	0	0	175,611
Gasoline and Motor Fuel Tax	1,532,613	0	0	1,532,613
Petroleum Special Tax	5,743	0	0	5,743
Registrar's Salary Supplement	0	0	0	15,164
State Shared Sales Tax - Cities	0	0	0	53,672
Other State Grants	0	0	0	19,611
Other State Revenues	0	0	0	27,076
Total State of Tennessee	\$ 2,248,780	\$ 0	\$ 0	\$ 2,819,979
<u>Federal Government</u>				
<u>Federal Through State</u>				
Homeland Security Grants	\$ 0	\$ 0	\$ 0	\$ 18,815
Other Federal through State	0	0	0	96,967
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 115,782

(Continued)

Exhibit K-4

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

	Special Revenue Fund Highway / Public Works	Debt Service Fund General Debt Service	Capital Projects Fund General Capital Projects	Total
<u>Other Governments and Citizens Groups</u>				
<u>Citizens Groups</u>				
Donations	\$ 0	\$ 0	\$ 0	\$ 30,706
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,706</u>
 Total	 <u>\$ 2,301,212</u>	 <u>\$ 1,391,315</u>	 <u>\$ 166,124</u>	 <u>\$ 8,980,039</u>

Exhibit K-5

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, 2018

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,988,250	\$ 0	\$ 0	\$ 2,988,250
Trustee's Collections - Prior Year	34,749	0	0	34,749
Circuit Clerk/Clerk and Master Collections - Prior Years	12,135	0	0	12,135
Interest and Penalty	6,525	0	0	6,525
<u>County Local Option Taxes</u>				
Local Option Sales Tax	540,350	0	0	540,350
Total Local Taxes	<u>\$ 3,582,009</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,582,009</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 504	\$ 0	\$ 0	\$ 504
Total Licenses and Permits	<u>\$ 504</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 6,235	\$ 0	\$ 0	\$ 6,235
Lunch Payments - Children	0	0	145,595	145,595
Lunch Payments - Adults	0	0	2,562	2,562
Income from Breakfast	0	0	42,701	42,701
A la Carte Sales	0	0	6,536	6,536
Community Service Fees - Children	33,938	0	0	33,938
Total Charges for Current Services	<u>\$ 40,173</u>	<u>\$ 0</u>	<u>\$ 197,394</u>	<u>\$ 237,567</u>

(Continued)

Exhibit K-5

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		Total
		School Federal Projects	Central Cafeteria	
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 80	\$ 80
Sale of Materials and Supplies	2,846	0	0	2,846
E-Rate Funding	6,173	0	0	6,173
Miscellaneous Refunds	43,238	0	1,313	44,551
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	2,703	0	0	2,703
<u>Other Local Revenues</u>				
Other Local Revenues	276	0	0	276
Total Other Local Revenues	<u>\$ 55,236</u>	<u>\$ 0</u>	<u>\$ 1,393</u>	<u>\$ 56,629</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 34,674	\$ 0	\$ 0	\$ 34,674
<u>State Education Funds</u>				
Basic Education Program	4,833,570	0	0	4,833,570
Early Childhood Education	100,472	0	0	100,472
Other State Education Funds	20,706	0	4,165	24,871
Coordinated School Health	85,000	0	0	85,000
Career Ladder Program	9,118	0	0	9,118
Vocational Equipment	120,684	0	0	120,684
<u>Other State Revenues</u>				
Alcoholic Beverage Tax	86,013	0	0	86,013
Total State of Tennessee	<u>\$ 5,290,237</u>	<u>\$ 0</u>	<u>\$ 4,165</u>	<u>\$ 5,294,402</u>

(Continued)

Exhibit K-5

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		Total
		School Federal Projects	Central Cafeteria	
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 182,536	\$ 182,536
USDA - Commodities	0	0	39,935	39,935
Breakfast	0	0	59,752	59,752
Vocational Education - Basic Grants to States	0	11,819	0	11,819
Title I Grants to Local Education Agencies	0	162,326	0	162,326
Special Education - Grants to States	0	189,401	0	189,401
Special Education Preschool Grants	0	12,724	0	12,724
Eisenhower Professional Development State Grants	0	25,076	0	25,076
Other Federal through State	0	25,284	0	25,284
Total Federal Government	\$ 0	\$ 426,630	\$ 282,223	\$ 708,853
Total	\$ 8,968,159	\$ 426,630	\$ 485,175	\$ 9,879,964

Exhibit K-6

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General FundGeneral GovernmentCounty Commission

Other Per Diem and Fees	\$	9,457	
Audit Services		4,523	
Dues and Memberships		1,000	
Liability Insurance		54,017	
Trustee's Commission		60,876	
Workers' Compensation Insurance		42,078	
Total County Commission			\$ 171,951

County Mayor/Executive

County Official/Administrative Officer	\$	72,974	
Accountants/Bookkeepers		40,181	
Longevity Pay		3,000	
In-service Training		110	
Communication		2,252	
Data Processing Services		7,413	
Dues and Memberships		5,876	
Legal Notices, Recording, and Court Costs		2,167	
Printing, Stationery, and Forms		978	
Office Equipment		5,280	
Total County Mayor/Executive			140,231

County Attorney

County Official/Administrative Officer	\$	7,866	
Other Charges		13,149	
Total County Attorney			21,015

Election Commission

County Official/Administrative Officer	\$	56,436	
Part-time Personnel		2,158	
Other Salaries and Wages		3,500	
Election Commission		2,300	
Election Workers		5,750	
In-service Training		1,064	
Communication		471	
Dues and Memberships		2,443	
Legal Notices, Recording, and Court Costs		4,781	
Maintenance and Repair Services - Office Equipment		5,829	
Postal Charges		354	
Printing, Stationery, and Forms		3,225	
Travel		1,430	
Other Contracted Services		13,588	
Office Supplies		61,343	
Office Equipment		38	
Total Election Commission			164,710

Register of Deeds

County Official/Administrative Officer	\$	63,182	
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(Continued)

Exhibit K-6

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.)

Part-time Personnel	\$	732	
Communication		399	
Maintenance Agreements		2,293	
Printing, Stationery, and Forms		513	
Office Equipment		600	
Total Register of Deeds			\$ 67,719

Planning

County Official/Administrative Officer	\$	5,588	
Communication		994	
Consultants		828	
Legal Notices, Recording, and Court Costs		511	
Office Supplies		1,926	
Total Planning			9,847

Engineering

Other Contracted Services	\$	4,510	
Total Engineering			4,510

County Buildings

Custodial Personnel	\$	22,578	
Janitorial Services		9,550	
Maintenance and Repair Services - Buildings		19,213	
Pest Control		771	
Postal Charges		5,750	
Custodial Supplies		3,762	
Electricity		11,410	
General Construction Materials		17,232	
Natural Gas		5,053	
Office Supplies		3,093	
Water and Sewer		3,019	
Other Supplies and Materials		4,490	
Total County Buildings			105,921

Preservation of Records

Part-time Personnel	\$	7,315	
Communication		694	
Data Processing Services		551	
Office Supplies		8,312	
Total Preservation of Records			16,872

FinancePurchasing

Purchasing Personnel	\$	32,420	
Office Supplies		910	
Total Purchasing			33,330

(Continued)

Exhibit K-6

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office

County Official/Administrative Officer	\$	63,182	
Part-time Personnel		7,389	
In-service Training		436	
Other Per Diem and Fees		325	
Communication		1,020	
Data Processing Services		1,764	
Legal Notices, Recording, and Court Costs		157	
Printing, Stationery, and Forms		218	
Other Contracted Services		7,037	
Office Supplies		9	
Office Equipment		80	
Total Property Assessor's Office			\$ 81,617

County Trustee's Office

County Official/Administrative Officer	\$	63,182	
Part-time Personnel		2,038	
In-service Training		340	
Communication		483	
Data Processing Services		7,035	
Dues and Memberships		100	
Legal Notices, Recording, and Court Costs		236	
Printing, Stationery, and Forms		96	
Travel		708	
Office Equipment		2,099	
Total County Trustee's Office			76,317

County Clerk's Office

County Official/Administrative Officer	\$	63,182	
Part-time Personnel		15,181	
Communication		594	
Maintenance and Repair Services - Office Equipment		8,152	
Printing, Stationery, and Forms		677	
Office Equipment		359	
Total County Clerk's Office			88,145

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	63,182	
Part-time Personnel		5,271	
Jury and Witness Expense		1,874	
Communication		566	
Data Processing Services		6,409	
Dues and Memberships		531	
Legal Notices, Recording, and Court Costs		469	
Maintenance Agreements		2,869	
Printing, Stationery, and Forms		266	
Office Equipment		31	
Total Circuit Court			81,468

(Continued)

Exhibit K-6

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

General Fund (Cont.)Administration of Justice (Cont.)General Sessions Court

Judge(s)	\$	70,627	
Travel		629	
Total General Sessions Court			\$ 71,256

Chancery Court

County Official/Administrative Officer	\$	63,182	
Part-time Personnel		2,440	
In-service Training		80	
Communication		467	
Dues and Memberships		185	
Printing, Stationery, and Forms		320	
Travel		192	
Periodicals		639	
Office Equipment		190	
Total Chancery Court			67,695

Juvenile Court

Supervisor/Director	\$	9,000	
Other Contracted Services		3,325	
Total Juvenile Court			12,325

Judicial Commissioners

County Official/Administrative Officer	\$	15,500	
Communication		47	
Dues and Memberships		225	
Total Judicial Commissioners			15,772

Public SafetySheriff's Department

County Official/Administrative Officer	\$	69,500	
Assistant(s)		45,760	
Supervisor/Director		44,339	
Deputy(ies)		176,451	
Investigator(s)		80,318	
Lieutenant(s)		34,704	
Sergeant(s)		40,814	
Dispatchers/Radio Operators		179,977	
Part-time Personnel		15,339	
Longevity Pay		39,000	
Overtime Pay		13,488	
Other Salaries and Wages		19,666	
In-service Training		13,483	
Communication		11,832	
Contracts with Private Agencies		100	
Dues and Memberships		2,014	
Maintenance and Repair Services - Equipment		1,481	
Maintenance and Repair Services - Vehicles		28,355	

(Continued)

Exhibit K-6

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

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Medical and Dental Services	\$	174	
Postal Charges		1,050	
Printing, Stationery, and Forms		3,420	
Travel		2,962	
Other Contracted Services		7,975	
Gasoline		35,577	
Office Supplies		1,761	
Uniforms		3,765	
Other Supplies and Materials		17,413	
Other Charges		250	
Data Processing Equipment		4,704	
Law Enforcement Equipment		5,991	
Motor Vehicles		13,607	
Total Sheriff's Department			\$ 915,270

Special Patrols

Printing, Stationery, and Forms	\$	93	
Office Supplies		27	
Other Charges		143	
Law Enforcement Equipment		2,731	
Total Special Patrols			2,994

Administration of the Sexual Offender Registry

Other Contracted Services	\$	500	
Office Supplies		871	
Other Supplies and Materials		90	
Total Administration of the Sexual Offender Registry			1,461

Jail

Foremen	\$	33,913	
Guards		249,865	
Secretary(ies)		29,122	
Longevity Pay		8,000	
Overtime Pay		7,351	
Other Salaries and Wages		13,999	
In-service Training		425	
Maintenance and Repair Services - Buildings		15,435	
Maintenance and Repair Services - Equipment		83	
Medical and Dental Services		111,927	
Pest Control		188	
Other Contracted Services		5,625	
Custodial Supplies		3,706	
Drugs and Medical Supplies		132	
Electricity		26,520	
Food Preparation Supplies		1,662	
Food Supplies		40,554	
Natural Gas		5,333	

(Continued)

Exhibit K-6

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.)

Prisoners Clothing	\$	3,626	
Uniforms		2,367	
Water and Sewer		11,082	
Total Jail			\$ 570,915

Commissary

Printing, Stationery, and Forms	\$	218	
Office Supplies		346	
Other Supplies and Materials		407	
Total Commissary			971

Fire Prevention and Control

Part-time Personnel	\$	30,000	
In-service Training		4,324	
Communication		2,038	
Maintenance Agreements		16,666	
Maintenance and Repair Services - Buildings		12,356	
Maintenance and Repair Services - Vehicles		13,418	
Pest Control		840	
Postal Charges		3	
Travel		68	
Electricity		4,131	
Gasoline		2,947	
Natural Gas		6,384	
Office Supplies		548	
Water and Sewer		671	
Excess Risk Insurance		3,802	
Other Equipment		30,845	
Total Fire Prevention and Control			129,041

Other Emergency Management

Supervisor/Director	\$	30,000	
Communication		10,538	
Data Processing Services		1,185	
Dues and Memberships		55	
Maintenance and Repair Services - Equipment		290	
Maintenance and Repair Services - Vehicles		1,513	
Gasoline		2,320	
Office Supplies		414	
Uniforms		159	
Other Supplies and Materials		7,472	
Total Other Emergency Management			53,946

Public Health and WelfareLocal Health Center

Medical Personnel	\$	81,381	
Longevity Pay		2,000	

(Continued)

Exhibit K-6

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

General Fund (Cont.)Public Health and Welfare (Cont.)Local Health Center (Cont.)

In-service Training	\$	32	
Communication		3,347	
Contracts with Government Agencies		13,450	
Contracts with Private Agencies		15,957	
Maintenance and Repair Services - Buildings		617	
Pest Control		168	
Travel		1,268	
Tuition		350	
Other Contracted Services		1,209	
Custodial Supplies		17	
Drugs and Medical Supplies		36	
Utilities		6,456	
Other Supplies and Materials		11,761	
Other Charges		19,401	
Total Local Health Center			\$ 157,450

Rabies and Animal Control

Other Supplies and Materials	\$	5,755	
Total Rabies and Animal Control			5,755

Ambulance/Emergency Medical Services

Supervisor/Director	\$	43,370	
Paraprofessionals		201,551	
Part-time Personnel		22,792	
Longevity Pay		11,000	
Overtime Pay		32,644	
Other Salaries and Wages		16,839	
In-service Training		1,255	
Communication		903	
Data Processing Services		17,392	
Dues and Memberships		1,870	
Maintenance and Repair Services - Buildings		456	
Maintenance and Repair Services - Equipment		3,574	
Maintenance and Repair Services - Vehicles		7,548	
Medical and Dental Services		2,625	
Pest Control		220	
Travel		102	
Custodial Supplies		488	
Drugs and Medical Supplies		18,936	
Equipment and Machinery Parts		11,205	
Gasoline		4,734	
Office Supplies		520	
Uniforms		2,037	
Refunds		1,346	
Other Charges		2,769	
Total Ambulance/Emergency Medical Services			406,176

(Continued)

Exhibit K-6

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

General Fund (Cont.)Public Health and Welfare (Cont.)Alcohol and Drug Programs

Drug Treatment	\$	728	
Total Alcohol and Drug Programs			\$ 728

Regional Mental Health Center

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

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

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

Libraries

Assistant(s)	\$	21,840	
Supervisor/Director		33,418	
Part-time Personnel		18,385	
Longevity Pay		4,000	
In-service Training		243	
Communication		3,058	
Data Processing Services		1,911	
Dues and Memberships		75	
Janitorial Services		3,850	
Maintenance and Repair Services - Buildings		379	
Pest Control		168	
Postal Charges		379	
Printing, Stationery, and Forms		140	
Travel		595	
Custodial Supplies		600	
Electricity		4,381	
Instructional Supplies and Materials		3,009	
Library Books/Media		5,404	
Natural Gas		1,833	
Office Supplies		1,588	
Periodicals		711	
Water and Sewer		694	
Other Supplies and Materials		207	
Other Charges		13,378	
Office Equipment		3,608	
Total Libraries			123,854

Parks and Fair Boards

Assistant(s)	\$	2,433	
Supervisor/Director		6,025	
Attendants		7,902	
Communication		13	
Dues and Memberships		680	
Maintenance and Repair Services - Buildings		15,623	

(Continued)

Exhibit K-6

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 (Cont.)Parks and Fair Boards (Cont.)

Maintenance and Repair Services - Equipment	\$	15,444	
Electricity		18,912	
Gasoline		2,573	
Natural Gas		455	
Water and Sewer		11,040	
Chemicals		2,233	
Total Parks and Fair Boards			\$ 83,333

Agriculture and Natural ResourcesAgricultural Extension Service

Salary Supplements	\$	45,872	
Part-time Personnel		12,402	
Longevity Pay		3,350	
Employee and Dependent Insurance		5,729	
Communication		1,617	
Data Processing Services		2,000	
Travel		5,607	
Office Supplies		45	
Other Charges		800	
Total Agricultural Extension Service			77,422

Forest Service

Contracts with Government Agencies	\$	350	
Total Forest Service			350

Soil Conservation

Part-time Personnel	\$	5,015	
Communication		635	
Total Soil Conservation			5,650

Other OperationsTourism

Custodial Personnel	\$	10,735	
Dues and Memberships		3,000	
Maintenance and Repair Services - Buildings		44	
Custodial Supplies		735	
Electricity		1,419	
Water and Sewer		952	
Total Tourism			16,885

Veterans' Services

County Official/Administrative Officer	\$	1,976	
Total Veterans' Services			1,976

Other Charges

Other Charges	\$	7,436	
Total Other Charges			7,436

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	178,600	
Pensions		60,218	
Employee and Dependent Insurance		408,884	
Unemployment Compensation		3,339	
Local Retirement		17,786	
Total Employee Benefits			\$ 668,827

Total General Fund \$ 4,472,141

Urban Services Fund

General Government

Other General Administration

Electricity	\$	18,261	
Trustee's Commission		253	
Other Charges		45	
Total Other General Administration			\$ 18,559

Total Urban Services Fund 18,559

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

County Official/Administrative Officer	\$	2,638	
Laborers		24,035	
Social Security		2,041	
Unemployment Compensation		74	
Maintenance and Repair Services - Vehicles		356	
Gasoline		952	
Instructional Supplies and Materials		11,242	
Total Waste Pickup			\$ 41,338

Recycling Center

Assistant(s)	\$	3,337	
Laborers		56,725	
Part-time Personnel		75,217	
Longevity Pay		4,000	
Other Salaries and Wages		5,573	
Social Security		10,448	
Medical Insurance		29,681	
Unemployment Compensation		271	
Communication		455	
Contracts with Private Agencies		161,380	
Legal Notices, Recording, and Court Costs		236	
Maintenance and Repair Services - Buildings		7,976	
Maintenance and Repair Services - Vehicles		23,868	
Other Contracted Services		13,589	
Diesel Fuel		23,239	

(Continued)

Exhibit K-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Tires and Tubes	\$	3,760	
Utilities		2,748	
Refunds		1,363	
Trustee's Commission		7,688	
Vehicle and Equipment Insurance		8,203	
Workers' Compensation Insurance		8,658	
Solid Waste Equipment		51,771	
Total Recycling Center			\$ 500,186

Total Solid Waste/Sanitation Fund \$ 541,524

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	1,786	
Confidential Drug Enforcement Payments		1,000	
Maintenance and Repair Services - Vehicles		2,949	
Gasoline		15	
Law Enforcement Supplies		270	
Refunds		4,450	
Other Charges		15	
Law Enforcement Equipment		238	
Other Equipment		598	
Total Drug Enforcement			\$ 11,321

Total Drug Control Fund 11,321

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

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

Total Constitutional Officers - Fees Fund 49

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	72,974	
Assistant(s)		49,095	
Secretary(ies)		44,658	
Longevity Pay		5,000	
Social Security		10,562	
Pensions		9,855	
Employee and Dependent Insurance		5,496	
Life Insurance		288	
Unemployment Compensation		420	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Employer Medicare	\$	2,470	
Data Processing Services		8,068	
Postal Charges		204	
Printing, Stationery, and Forms		458	
Travel		125	
Office Supplies		700	
Other Charges		1,039	
Total Administration			\$ 211,412

Highway and Bridge Maintenance

Equipment Operators	\$	136,323	
Truck Drivers		131,668	
Laborers		106,205	
Temporary Personnel		1,118	
Longevity Pay		32,000	
Social Security		23,942	
Pensions		4,488	
Employee and Dependent Insurance		79,742	
Life Insurance		928	
Unemployment Compensation		1,924	
Employer Medicare		5,599	
Contracts with Private Agencies		12,400	
Dues and Memberships		1,980	
Rentals		101	
Asphalt		145,366	
Asphalt - Cold Mix		2,325	
Crushed Stone		18,037	
Riprap		2,173	
Pipe		5,934	
Road Signs		2,748	
Salt		1,911	
Chemicals		32	
Other Charges		1,576	
Communication Equipment		2,611	
Maintenance Equipment		1,103	
Total Highway and Bridge Maintenance			722,234

Operation and Maintenance of Equipment

Mechanic(s)	\$	45,100	
Longevity Pay		3,000	
Social Security		2,743	
Pensions		1,072	
Employee and Dependent Insurance		10,355	
Life Insurance		115	
Unemployment Compensation		210	
Employer Medicare		642	
Custodial Supplies		254	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Operation and Maintenance of Equipment (Cont.)

Diesel Fuel	\$	20,239	
Equipment and Machinery Parts		17,296	
Garage Supplies		3,848	
Gasoline		5,859	
Lubricants		1,709	
Small Tools		266	
Tires and Tubes		6,313	
Vehicle Parts		7,612	
Other Charges		3,368	
Total Operation and Maintenance of Equipment			\$ 130,001

Other Charges

Advertising	\$	1,512	
Communication		2,169	
Internet Connectivity		694	
Electricity		3,064	
Water and Sewer		331	
Liability Insurance		6,180	
Trustee's Commission		15,837	
Vehicle and Equipment Insurance		6,180	
Total Other Charges			35,967

Employee Benefits

Workers' Compensation Insurance	\$	24,810	
Total Employee Benefits			24,810

Capital Outlay

Bridge Construction	\$	584,301	
Building Construction		10,088	
Highway Equipment		7,994	
State Aid Projects		213,965	
Other Capital Outlay		361,343	
Total Capital Outlay			1,177,691

Total Highway/Public Works Fund \$ 2,302,115

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Other Loans	\$	899,140	
Total General Government			\$ 899,140

Education

Principal on Other Loans	\$	705,860	
Total Education			705,860

(Continued)

Exhibit K-6

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

General Debt Service Fund (Cont.)Interest on DebtGeneral Government

Interest on Other Loans	\$ 16,605	
Total General Government		\$ 16,605

Education

Interest on Other Loans	\$ 88,685	
Total Education		88,685

Other Debt ServiceGeneral Government

Trustee's Commission	\$ 22,225	
Other Debt Service	6,855	
Total General Government		29,080

Education

Other Debt Issuance Charges	\$ 84,000	
Other Debt Service	48,794	
Total Education		132,794

Total General Debt Service Fund \$ 1,872,164

General Capital Projects FundCapital ProjectsGeneral Administration Projects

Trustee's Commission	\$ 3,331	
Building Improvements	53,078	
Total General Administration Projects		\$ 56,409

Public Safety Projects

Motor Vehicles	\$ 30,000	
Total Public Safety Projects		30,000

Public Health and Welfare Projects

Health Equipment	\$ 37,780	
Total Public Health and Welfare Projects		37,780

Total General Capital Projects Fund 124,189

Total Governmental Funds - Primary Government \$ 9,342,062

Exhibit K-7

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, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,477,722	
Career Ladder Program	10,001	
Career Ladder Extended Contracts	800	
Homebound Teachers	8,598	
Educational Assistants	91,397	
Other Salaries and Wages	4,056	
Certified Substitute Teachers	13,373	
Non-certified Substitute Teachers	47,962	
Social Security	153,778	
Pensions	225,446	
Medical Insurance	460,779	
Employer Medicare	35,964	
Instructional Supplies and Materials	72,067	
Textbooks - Bound	2,406	
Other Supplies and Materials	7,980	
Other Charges	8,414	
Regular Instruction Equipment	113,740	
Total Regular Instruction Program		\$ 3,734,483

Alternative Instruction Program

Teachers	\$ 56,475	
Social Security	3,394	
Pensions	5,128	
Medical Insurance	6,300	
Employer Medicare	794	
Total Alternative Instruction Program		72,091

Special Education Program

Teachers	\$ 331,587	
Career Ladder Program	1,000	
Homebound Teachers	268	
Educational Assistants	67,856	
Social Security	22,899	
Pensions	31,640	
Medical Insurance	94,484	
Employer Medicare	5,355	
Instructional Supplies and Materials	2,246	
Total Special Education Program		557,335

Career and Technical Education Program

Teachers	\$ 195,214	
Social Security	11,400	
Pensions	17,616	
Medical Insurance	30,212	
Employer Medicare	2,666	
Instructional Supplies and Materials	2,369	
Vocational Instruction Equipment	121,001	
Total Career and Technical Education Program		380,478

(Continued)

Exhibit K-7

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

Attendance

Supervisor/Director	\$	7,229	
Career Ladder Program		100	
Social Security		429	
Pensions		666	
Medical Insurance		1,037	
Employer Medicare		100	
Total Attendance			\$ 9,561

Health Services

Medical Personnel	\$	49,573	
Social Security		2,953	
Pensions		4,493	
Medical Insurance		4,580	
Employer Medicare		691	
Other Charges		264	
Total Health Services			62,554

Other Student Support

Guidance Personnel	\$	97,275	
Psychological Personnel		26,180	
School Resource Officer		58,569	
Other Salaries and Wages		68,552	
Social Security		11,107	
Pensions		17,342	
Medical Insurance		31,685	
Employer Medicare		2,597	
Evaluation and Testing		43,111	
Travel		50	
Other Contracted Services		20,000	
Other Supplies and Materials		1,453	
In Service/Staff Development		2,418	
Other Charges		15,603	
Total Other Student Support			395,942

Regular Instruction Program

Supervisor/Director	\$	76,363	
Career Ladder Program		500	
Librarians		110,088	
Educational Assistants		17,104	
Social Security		12,018	
Pensions		17,409	
Medical Insurance		32,941	
Employer Medicare		2,811	
Travel		1,013	
Library Books/Media		8,982	
In Service/Staff Development		1,405	
Total Regular Instruction Program			280,634

(Continued)

Exhibit K-7

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.)

Special Education Program

Supervisor/Director	\$	43,889	
Psychological Personnel		26,180	
Clerical Personnel		2,000	
Social Security		4,199	
Pensions		6,347	
Medical Insurance		11,491	
Employer Medicare		982	
Travel		3,519	
Total Special Education Program			\$ 98,607

Career and Technical Education Program

Supervisor/Director	\$	29,314	
Social Security		1,717	
Pensions		2,662	
Medical Insurance		4,148	
Employer Medicare		402	
Total Career and Technical Education Program			38,243

Technology

Supervisor/Director	\$	36,563	
Other Salaries and Wages		68,385	
Social Security		5,610	
Pensions		4,845	
Medical Insurance		29,806	
Employer Medicare		1,312	
Internet Connectivity		31,945	
Total Technology			178,466

Other Programs

On-behalf Payments to OPEB	\$	34,674	
Total Other Programs			34,674

Board of Education

Board and Committee Members Fees	\$	2,860	
Social Security		177	
Medical Insurance		20,787	
Unemployment Compensation		7,314	
Employer Medicare		41	
Audit Services		5,883	
Dues and Memberships		7,626	
Travel		61	
Liability Insurance		16,732	
Trustee's Commission		76,635	
Workers' Compensation Insurance		84,830	
In Service/Staff Development		442	
Other Charges		1,177	
Total Board of Education			224,565

(Continued)

Exhibit K-7

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	\$	91,292	
Career Ladder Program		2,000	
Clerical Personnel		26,714	
Social Security		6,988	
Pensions		8,976	
Medical Insurance		20,322	
Employer Medicare		1,634	
Communication		48,676	
Travel		2,865	
Office Supplies		5,369	
Other Charges		13,865	
Administration Equipment		2,251	
Total Director of Schools			\$ 230,952

Office of the Principal

Principals	\$	151,990	
Career Ladder Program		1,000	
Assistant Principals		187,414	
Secretary(ies)		70,440	
Clerical Personnel		68,033	
Social Security		27,912	
Pensions		33,999	
Medical Insurance		78,580	
Employer Medicare		6,528	
Communication		292	
Administration Equipment		12,761	
Total Office of the Principal			638,949

Fiscal Services

Accountants/Bookkeepers	\$	88,206	
Social Security		5,255	
Pensions		1,967	
Medical Insurance		14,977	
Employer Medicare		1,229	
Total Fiscal Services			111,634

Operation of Plant

Custodial Personnel	\$	166,333	
Social Security		9,517	
Pensions		3,709	
Medical Insurance		62,404	
Employer Medicare		2,226	
Custodial Supplies		35,351	
Electricity		270,682	
Natural Gas		30,372	
Water and Sewer		31,718	

(Continued)

Exhibit K-7

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.)Operation of Plant (Cont.)

Other Supplies and Materials	\$	6,671	
Building and Contents Insurance		<u>50,193</u>	
Total Operation of Plant			\$ 669,176

Maintenance of Plant

Maintenance Personnel	\$	93,779	
Social Security		5,488	
Pensions		2,091	
Medical Insurance		10,503	
Employer Medicare		1,284	
Maintenance and Repair Services - Buildings		1,200	
Maintenance and Repair Services - Equipment		27,348	
Pest Control		1,430	
Other Supplies and Materials		36,590	
Other Charges		2,097	
Maintenance Equipment		<u>7,124</u>	
Total Maintenance of Plant			188,934

Transportation

Mechanic(s)	\$	36,357	
Bus Drivers		217,243	
Other Salaries and Wages		11,093	
Social Security		16,179	
Pensions		6,251	
Medical Insurance		9,617	
Employer Medicare		3,784	
Medical and Dental Services		4,299	
Diesel Fuel		53,975	
Tires and Tubes		9,006	
Vehicle Parts		26,275	
Other Supplies and Materials		3,322	
Vehicle and Equipment Insurance		14,689	
Other Charges		6,168	
Transportation Equipment		<u>86,056</u>	
Total Transportation			504,314

Operation of Non-Instructional ServicesCommunity Services

Other Salaries and Wages	\$	18,906	
Social Security		1,129	
Pensions		382	
Medical Insurance		1,886	
Employer Medicare		264	
Other Supplies and Materials		4,004	
Other Charges		<u>464</u>	
Total Community Services			27,035

(Continued)

Exhibit K-7

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

Supervisor/Director	\$	7,313	
Teachers		46,950	
Educational Assistants		17,555	
Social Security		4,015	
Pensions		5,319	
Medical Insurance		19,922	
Employer Medicare		939	
Other Charges		3,502	
Total Early Childhood Education			\$ 105,515

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	359,884	
Total Regular Capital Outlay			359,884

Total General Purpose School Fund \$ 8,904,026

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	91,562	
Certified Substitute Teachers		395	
Non-certified Substitute Teachers		1,268	
Social Security		5,710	
Pensions		8,239	
Medical Insurance		5,683	
Employer Medicare		1,335	
Maintenance and Repair Services - Equipment		25	
Instructional Supplies and Materials		50,032	
Other Charges		1,787	
Regular Instruction Equipment		1,270	
Total Regular Instruction Program			\$ 167,306

Special Education Program

Teachers	\$	41,700	
Educational Assistants		82,511	
Social Security		6,698	
Pensions		5,627	
Medical Insurance		33,645	
Employer Medicare		1,566	
Maintenance and Repair Services - Equipment		400	
Instructional Supplies and Materials		1,467	
Total Special Education Program			173,614

Career and Technical Education Program

Instructional Supplies and Materials	\$	1,489	
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(Continued)

Exhibit K-7

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.)Instruction (Cont.)Career and Technical Education Program (Cont.)

Other Supplies and Materials	\$	677	
Vocational Instruction Equipment		8,202	
Total Career and Technical Education Program			\$ 10,368

Support ServicesHealth Services

Medical Personnel	\$	10,701	
Social Security		576	
Pensions		963	
Medical Insurance		4,580	
Employer Medicare		135	
Total Health Services			16,955

Other Student Support

Travel	\$	772	
In Service/Staff Development		591	
Other Charges		225	
Total Other Student Support			1,588

Regular Instruction Program

Supervisor/Director	\$	20,206	
Social Security		1,211	
Pensions		1,861	
Medical Insurance		2,269	
Employer Medicare		283	
Food Supplies		73	
In Service/Staff Development		24,239	
Total Regular Instruction Program			50,142

Special Education Program

Clerical Personnel	\$	2,000	
Social Security		124	
Pensions		45	
Employer Medicare		29	
Other Supplies and Materials		233	
In Service/Staff Development		2,800	
Total Special Education Program			5,231

Career and Technical Education Program

Travel	\$	88	
Total Career and Technical Education Program			88

Transportation

Other Salaries and Wages	\$	5,643	
Social Security		350	
Pensions		126	
Employer Medicare		82	
Total Transportation			6,201

(Continued)

Exhibit K-7

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.)

Operation of Non-Instructional Services

Food Service

Food Supplies	\$ 1,073	
Total Food Service		\$ 1,073

Total School Federal Projects Fund \$ 432,566

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 184,460	
Social Security	10,040	
Pensions	3,956	
Medical Insurance	56,848	
Employer Medicare	2,348	
Maintenance and Repair Services - Equipment	5,638	
Transportation - Other than Students	2,841	
Travel	352	
Food Supplies	138,397	
Office Supplies	719	
USDA - Commodities	39,935	
Other Supplies and Materials	11,328	
Other Charges	2,263	
Food Service Equipment	336	
Total Food Service		\$ 459,461

Total Central Cafeteria Fund 459,461

Total Governmental Funds - Metropolitan School Department \$ 9,796,053

STATUTORY SECTION

This part of the Metropolitan Government of Lynchburg, Moore County’s annual financial report presents detailed information required by state statute for the Metropolitan Lynchburg – Moore County Water and Sewer Department. This information is presented solely for the purposes of statutory compliance and additional analysis and is not a required part of the financial statements. This information is unaudited. It has not been subjected to any auditing procedures.

	Table(s)	Page(s)
Demographic and Economic Information:		
These schedules offer water rates and water loss reports required by state statute to help the reader understand how well the utility is performing.	1-2	175-177

Source: Metropolitan Lynchburg – Moore County Water and Sewer Department.

Table 1

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Schedule of Water Rates and Customers
Water and Sewer Department Fund
For the Year Ended June 30, 2018

Water Rates

First 2,000 gallons	\$ 23.13	per month
All over 2,000 gallons	8.15	per 1000 gallons

Sewer Rates

First 2,000 gallons	\$ 15.99	per month
All over 2,000 gallons	7.99	per 1000 gallons

Number of Customers at June 30, 2018

Water	2,449
Sewer	315


Table 2

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Unaccounted for Water
 Water and Sewer Department Fund
 For the Year Ended June 30, 2018

AWWA Free Water Audit Software: Reporting Worksheet				WAS v5.0 American Water Works Association. Copyright © 2014. All Rights Reserved.
<div style="display: flex; justify-content: space-between;"> <div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">? Click to access definition</div> <div style="border: 1px solid black; padding: 2px;">+ Click to add a comment</div> </div> <div> Water Audit Report for: Metropolitan Lynchburg Moore County Utility Department (TN0000416) Reporting Year: 2018 7/2017 - 6/2018 </div> </div>				
Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades				
All volumes to be entered as: MILLION GALLONS (US) PER YEAR				
To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.				
WATER SUPPLIED Volume from own sources: + ? 9 262.920 MG/Yr Water imported: + ? 7 9.483 MG/Yr Water exported: + ? n/a 0.000 MG/Yr		Master Meter and Supply Error Adjustments <div style="display: flex; justify-content: space-between;"> <div> <----- Enter grading in column 'E' and 'J' -----> </div> <div> Pcnt: + ? 9 0.00% Value: ● ○ MG/Yr Pcnt: + ? 9 0.00% Value: ● ○ MG/Yr Pcnt: + ? ● ○ Value: ● ○ MG/Yr </div> </div>		
WATER SUPPLIED: 272.403 MG/Yr				
Enter negative % or value for under-registration Enter positive % or value for over-registration				
AUTHORIZED CONSUMPTION Billed metered: + ? 8 161.487 MG/Yr Billed unmetered: + ? n/a 0.000 MG/Yr Unbilled metered: + ? 10 1.742 MG/Yr Unbilled unmetered: + ? 3.405 MG/Yr Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed		Click here: ? for help using option buttons below Pcnt: 1.25% Value: ● ○ MG/Yr Use buttons to select percentage of water supplied OR value Pcnt: 0.25% Value: ● ○ MG/Yr Pcnt: 0.25% Value: ● ○ MG/Yr		
AUTHORIZED CONSUMPTION: 166.634 MG/Yr				
WATER LOSSES (Water Supplied - Authorized Consumption) 105.769 MG/Yr Apparent Losses Unauthorized consumption: + ? 0.681 MG/Yr Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed Customer metering inaccuracies: + ? n/a 0.000 MG/Yr Systematic data handling errors: + ? 0.404 MG/Yr Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed Apparent Losses: 1.085 MG/Yr				
Real Losses (Current Annual Real Losses or CARL) Real Losses = Water Losses - Apparent Losses: 104.684 MG/Yr WATER LOSSES: 105.769 MG/Yr				
NON-REVENUE WATER NON-REVENUE WATER: 110.916 MG/Yr <small>= Water Losses + Unbilled Metered + Unbilled Unmetered</small>				
SYSTEM DATA Length of mains: + ? 9 233.0 miles Number of <u>active AND inactive</u> service connections: + ? 8 2,477 Service connection density: ? 11 conn./mile main Are customer meters typically located at the curbstop or property line? Yes (length of service line, <u>beyond</u> the property boundary, that is the responsibility of the utility) Average length of customer service line: + ? Average length of customer service line has been set to zero and a data grading score of 10 has been applied Average operating pressure: + ? 8 70.0 psi				
COST DATA Total annual cost of operating water system: + ? 9 \$1,880,976 \$/Year Customer retail unit cost (applied to Apparent Losses): + ? 9 \$9.71 \$/1000 gallons (US) Variable production cost (applied to Real Losses): + ? 8 \$1,295.00 \$/Million gallons U				
WATER AUDIT DATA VALIDITY SCORE: <div style="border: 1px solid red; padding: 5px; font-weight: bold; color: red;">*** YOUR SCORE IS: 83 out of 100 ***</div> A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score				
PRIORITY AREAS FOR ATTENTION: Based on the information provided, audit accuracy can be improved by addressing the following components: <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">1: Volume from own sources</div> <div style="border: 1px solid red; padding: 2px; margin-bottom: 2px;">2: Unauthorized consumption</div> <div style="border: 1px solid red; padding: 2px;">3: Systematic data handling errors</div>				

Table 2a

The Metropolitan Government of Lynchburg, Moore County, Tennessee
 Schedule of Unaccounted for Water
 Water and Sewer Department Fund
 For the Year Ended June 30, 2018

AWWA Free Water Audit Software:		WAS v5.0																		
																				
Water Audit Report for: Metropolitan Lynchburg Moore County Utility Department (TN0000416)																				
Reporting Year:	2018	7/2017 - 6/2018																		
<p>*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 83 out of 100 ***</p> <p>System Attributes:</p> <table> <tr> <td>Apparent Losses:</td> <td>1.085</td> <td>MG/Yr</td> </tr> <tr> <td>+ Real Losses:</td> <td>104.684</td> <td>MG/Yr</td> </tr> <tr> <td>= Water Losses:</td> <td>105.769</td> <td>MG/Yr</td> </tr> <tr> <td>Unavoidable Annual Real Losses (UARL):</td> <td>41.70</td> <td>MG/Yr</td> </tr> <tr> <td>Annual cost of Apparent Losses:</td> <td>\$10,533</td> <td></td> </tr> <tr> <td>Annual cost of Real Losses:</td> <td>\$135,566</td> <td>Valued at Variable Production Cost</td> </tr> </table> <p>Return to Reporting Worksheet to change this assumption</p>			Apparent Losses:	1.085	MG/Yr	+ Real Losses:	104.684	MG/Yr	= Water Losses:	105.769	MG/Yr	Unavoidable Annual Real Losses (UARL):	41.70	MG/Yr	Annual cost of Apparent Losses:	\$10,533		Annual cost of Real Losses:	\$135,566	Valued at Variable Production Cost
Apparent Losses:	1.085	MG/Yr																		
+ Real Losses:	104.684	MG/Yr																		
= Water Losses:	105.769	MG/Yr																		
Unavoidable Annual Real Losses (UARL):	41.70	MG/Yr																		
Annual cost of Apparent Losses:	\$10,533																			
Annual cost of Real Losses:	\$135,566	Valued at Variable Production Cost																		
<p>Performance Indicators:</p> <table> <tr> <td>Non-revenue water as percent by volume of Water Supplied:</td> <td>40.7%</td> </tr> <tr> <td>Non-revenue water as percent by cost of operating system:</td> <td>8.1% Real Losses valued at Variable Production Cost</td> </tr> </table>			Non-revenue water as percent by volume of Water Supplied:	40.7%	Non-revenue water as percent by cost of operating system:	8.1% Real Losses valued at Variable Production Cost														
Non-revenue water as percent by volume of Water Supplied:	40.7%																			
Non-revenue water as percent by cost of operating system:	8.1% Real Losses valued at Variable Production Cost																			
Operational	Apparent Losses per service connection per day:	1.20 gallons/connection/day																		
	Real Losses per service connection per day:	N/A gallons/connection/day																		
	Real Losses per length of main per day*:	1,230.93 gallons/mile/day																		
	Real Losses per service connection per day per psi pressure:	N/A gallons/connection/day/psi																		
<p>From Above, Real Losses = Current Annual Real Losses (CARL): 104.68 million gallons/year</p> <p>Infrastructure Leakage Index (ILI) [CARL/UARL]: 2.51</p> <p>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</p>																				

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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

Independent Auditor's Report

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, 2018, 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 January 16, 2019. Our report includes a reference to other auditors who audited the financial statements of the Metropolitan Lynchburg Moore County Water and Sewer Department, as described in our report on the metropolitan government's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a material weakness: 2018-001.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item: 2018-002.

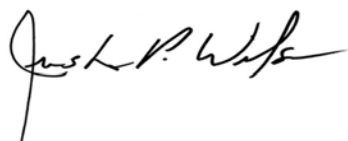
The Metropolitan Government's Response to the Findings

The metropolitan government's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The metropolitan government's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

January 16, 2019

JPW/yu



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Metropolitan Mayor and
Metropolitan Council
Lynchburg, Moore County, Tennessee

To the Metropolitan Mayor and Metropolitan Council:

Report on Compliance for Each Major Federal Program

We have audited the Metropolitan Government of Lynchburg, Moore County, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the metropolitan government's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2018.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

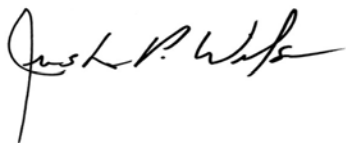
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Metropolitan Government of Lynchburg, Moore County, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the metropolitan government's basic financial statements. We issued our report thereon dated January 16, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 16, 2019

JPW/yu

The Metropolitan Government of Lynchburg, Moore County, Tennessee, and the Metropolitan School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2018

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Water and Waste Disposal System for Rural Communities	10.760	N/A	\$ 100,462
Passed-through State Department of Education:			
Child Nutrition Cluster: (4)			
School Breakfast Program	10.553	(3)	59,752
National School Lunch Program	10.555	(3)	182,536
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (4)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	(3)	39,935
Cooperative Forestry Assistance	10.664	(3)	2,900
Total U.S. Department of Agriculture			<u>\$ 385,585</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	(3)	\$ 26,714
Alcohol Open Container Requirements	20.607	(3)	9,765
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	(3)	2,585
Total U.S. Department of Transportation			<u>\$ 39,064</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Library and Archives:			
Grants to States	45.310	(3)	\$ 588
Total U.S. Institute of Museum and Library Services			<u>\$ 588</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 162,319
Special Education Cluster: (4)			
Special Education Grants to States	84.027	N/A	189,276
Special Education Preschool Grants	84.173	N/A	12,724
Career and Technical Education - Basic Grants to States	84.048	N/A	11,819
Supporting Effective Instruction State Grants (formerly			
Improving Teacher Quality State Grants)	84.367	N/A	23,897
Student Support and Academic Enrichment Program	84.424	N/A	3,100
Total U.S. Department of Education			<u>\$ 403,135</u>
U.S. Election Assistance Commission:			
Passed through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 57,000
Total U.S. Election Assistance Commission			<u>\$ 57,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	(3)	\$ 29,431
Total U.S. Department of Health and Human Services:			<u>\$ 29,431</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(3)	\$ 7,500
Homeland Security Grant Program	97.067	(3)	8,730
Total U.S. Department of Homeland Security			<u>\$ 16,230</u>
Total Expenditures of Federal Grants			<u>\$ 931,033</u>

(Continued)

The Metropolitan Government of Lynchburg, Moore County, Tennessee, and the Metropolitan School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Rural Local Health Services - State Department of Health	N/A	(3)	\$ 134,373
Microfilm Reader/Scanner Grant - Tennessee Secretary of State	N/A	(3)	4,128
Acquire Voting Systems Grant - Tennessee Secretary of State	N/A	(3)	3,000
Litter Program - State Department of Transportation	N/A	(3)	32,753
Pilot-Lottery for Pre-K Classrooms - Early Childhood Education - State Department of Education	N/A	(3)	100,472
Coordinated School Health - State Department of Education	N/A	(3)	85,000
Kindergarten Entry Inventory Grant - State Department of Health	N/A	(3)	3,500
Career and Technical Equipment Grant - State Department of Education	N/A	(3)	120,684
Three Star Grant - State Department of Economic and Community Development	N/A	(3)	5,000
Court Security Grant - State Administrative Office of the Courts	N/A	(3)	4,041
ConnectTN - State Department of Education	N/A	(3)	2,196
ABC Grant - South Central Tennessee Development District	N/A	(3)	942
Safe Schools Act of 03 - State Department of Education	N/A	(3)	4,810
Read to Be Ready Coaching Network - State Department of Education	N/A	(3)	10,200
Arts Program Categorical Grants - Tennessee Arts Commission	N/A	(3)	2,500
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	(3)	13,500
Total State Grants			<u>\$ 527,099</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Metropolitan Moore County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Child Nutrition Cluster total \$282,223; Special Education Cluster (IDEA) total \$202,000.

The Metropolitan Government of Lynchburg, Moore County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report of the Metropolitan Government of Lynchburg, Moore County, Tennessee, for the year ended June 30, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2017	181	2017-001	Competitive Bids were not Solicited for the Purchase of Food and Healthcare for Inmates	N/A	Corrected
2017	182	2017-002	General Fund Appropriations Exceeded Estimated Available Funding	N/A	Corrected
2017	182	2017-003	The Highway/Public Works Fund Required Material Audit Adjustments for Proper Financial Statement Presentation	N/A	Corrected
2017	183	2017-004	Duties were not Segregated Adequately in the Office of Circuit, General Sessions, and Juvenile Courts Clerk	N/A	Corrected

Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of the Metropolitan Government of Lynchburg, Moore County, Tennessee is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **YES**
 - * Significant deficiency identified? **NO**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of major federal programs:
 - * CFDA Numbers: 10.553 and 10.555 Nutrition Cluster: School Breakfast Program and National School Lunch Program
 - * CFDA Numbers: 84.027 and 84.173 Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants
8. Dollar threshold used to distinguish between type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **NO**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF METROPOLITAN MAYOR

FINDING 2018-001

THE SOLID WASTE/SANITATION FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2018, certain general ledger account balances in the Solid Waste/Sanitation 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 decrease property taxes receivable by \$246,348 and deferred property taxes by \$237,650. Generally accepted accounting principles require the metropolitan government to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the metropolitan government'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 metropolitan government 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 metropolitan government should have appropriate processes in place to ensure its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – METROPOLITAN MAYOR

We concur with the finding. Every year, at the end of the budget preparation process, the mayor's assistant usually backs out the property tax numbers not yet received before closing out the year. She just failed to do so and realized immediately. We will begin a new internal control step where the mayor will check that line item (and others) with prior audits to catch something that indicates a large difference.

FINDING 2018-002

COMPETITIVE BIDS WERE NOT SOLICITED FOR CUSTODIAL SERVICES

(Noncompliance Under *Government Auditing Standards*)

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

The office did not solicit competitive bids for custodial services and paid a total of \$13,400 for custodial services during the fiscal year ended June 30, 2018. This deficiency exists because management failed to comply with the Metropolitan Charter. The failure to solicit competitive bids could result in the metropolitan government paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited for purchases exceeding \$10,000 as required by the Metropolitan Charter.

MANAGEMENT'S RESPONSE – METROPOLITAN MAYOR

We concur with the finding. We agree with the need to advertise for competitive bids for services. In this case, I decided the couple that have cleaned the courthouse and county buildings for five years have done an excellent job and deserved to be hired as part-time employees. There won't be a need to advertise as long as they work with us. If they ever decide to leave their positions, we may solicit for bids again.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

Metropolitan Government of Lynchburg, Moore County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF METROPOLITAN MAYOR

2018-001	The Solid Waste/Sanitation Fund Required Material Audit Adjustments for Proper Financial Statement Presentation.	192
2018-002	Competitive Bids were not Solicited for Custodial Services.	193



Metropolitan Moore County

Bonnie Lewis

Metro Mayor

P.O. Box 206 • Lynchburg, TN 37352
Phone: (931) 759-7076 • Fax: (931) 759-6394

Corrective Action Plan

OFFICE OF METROPOLITAN MAYOR

FINDING 2018-001:

**THE SOLID WASTE SANITATION FUND REQUIRED MATERIAL
AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT
PRESENTATION**

(Internal Control – Material Weakness under *Government Auditing Standards*)

Response and Corrective Action Plan Prepared by:
Person Responsible for Implementing the Correction Action:
Anticipated Completion Date of Correction Action:
Repeat Finding

Bonnie Lewis, Metropolitan Mayor
Same
Monthly as well as June 2019
No

PLANNED CORRECTIVE ACTION:

On a yearly basis referencing audit adjustments (June 2019), we plan to put an internal control procedure in place to compare the year-end balance sheet to the audited figures from last year (found online). That comparison should reveal property tax A/R not billed that need to be backed out. On a monthly basis we plan to compare each month as it is closed out to the prior month in all major categories to find possible discrepancies.

FINDING 2018-002:

**COMPETITIVE BIDS WERE NOT SOLICITED FOR CUSTODIAL
SERVICES**

(Noncompliance under *Government Auditing Standards*)

Response and Corrective Action Plan Prepared by:
Person Responsible for Implementing the Correction Action:
Anticipated Completion Date of Correction Action:
Repeat Finding

Bonnie Lewis, Metropolitan Mayor
Same
Corrected January 2019
No

PLANNED CORRECTIVE ACTION:

In January 2019, I hired the couple as part time employees who have been cleaning the courthouse and library for five years.

 _____, Bonnie Lewis, Metro Mayor

BEST PRACTICES

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

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

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING AND BUDGETING

The Metropolitan Government of Lynchburg, Moore County, Tennessee, 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.

THE METROPOLITAN GOVERNMENT OF LYNCHBURG, MOORE COUNTY, TENNESSEE 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.

APPENDIX E

Bond Insurance and Specimen Municipal Bond Insurance Policy

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes

no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditisights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No. _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds) for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Issuer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

27497497.2 1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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