

**ANNUAL FINANCIAL REPORT  
OF  
LAKE COUNTY, TENNESSEE  
AND  
LAKE COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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*State Auditors*

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

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# LAKE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Lake County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lake County as of and for the year ended June 30, 2005.

## ***Results***

Our report on Lake County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in seven findings and recommendations, which we have reviewed with Lake County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **LAKE COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **OFFICE OF TRUSTEE**

- ◆ Some county funds were not invested in accordance with state statute.

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ The Ambulance Service had deficiencies in accounting for patient accounts receivable.
- ◆ The county made purchases from a business owned by a county commissioner which violates the conflict of interest statute.
- ◆ General Debt Service funds were improperly expended to purchase property.

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# INTRODUCTORY SECTION

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# Lake County Officials

## June 30, 2005

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### Officials:

Macie M. Roberson, County Mayor  
William Cantrell, Road Superintendent  
Tammie S. Hopper, Trustee  
Buddy W. Moore, Assessor of Property  
Jo Ann Mills, County Clerk  
Deborah Beasley, Circuit and General Sessions Courts Clerk  
Nanette R. Cook, Clerk and Master  
Claudia Adcock, Register  
Paul D. Jones, Sheriff

### Board of County Commissioners:

Macie M. Roberson, Chairman	
George A. Bargery	Richard Perkins
Mary Ruth Bargery	Robert Riley
Shelby Barker	Henry Doug Robertson
Robert Wayne Hatley	Jerry Lynn Rodriquez
Denny Johnson	Tony L. White
Michael Wade Moore	Jimmy Yates

### Budget Committee:

George A. Bargery  
Mary Ruth Bargery  
Tammie S. Hopper  
Macie M. Roberson  
Henry Doug Robertson

### Highway Commission:

Coy Leake, Chairman	William Forrest
Sammy H. Parker, Vice-Chairman	Alvin Parker
Joe L. Williams, Secretary-Treasurer	Ronald G. Snyder, Sr.

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## **FINANCIAL SECTION**

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

August 30, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 31 which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Lake County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Lake County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Lake County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Lake County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005, on our consideration of Lake County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Lake County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 35 through 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lake County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 578,508	\$ 14,548	\$ 930,980	\$ 1,927,817	\$ 8,414	\$ 3,460,267
Accounts Receivable	100	0	5	2,818	5	2,928
Due from Other Governments	83,630	1,304	214,785	53,610	0	353,329
Due from Other Funds	0	0	0	0	6,265	6,265
Property Taxes Receivable	663,054	0	23,266	98,876	23,266	808,462
Allowance for Uncollectible Property Taxes	(8,992)	0	(316)	(1,340)	(316)	(10,964)
Total Assets	\$ 1,316,300	\$ 15,852	\$ 1,168,720	\$ 2,081,781	\$ 37,634	\$ 4,620,287
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 17,890	\$ 0	\$ 0	\$ 17,890
Due to Other Funds	6,265	0	0	0	0	6,265
Due to State of Tennessee	0	0	13	0	0	13
Deferred Revenue - Current Property Taxes	622,719	0	21,850	92,862	21,850	759,281
Deferred Revenue - Delinquent Property Taxes	30,407	0	1,067	4,534	1,067	37,075
Other Deferred Revenues	19,375	0	107,600	25,000	0	151,975
Total Liabilities	\$ 678,766	\$ 0	\$ 148,420	\$ 122,396	\$ 22,917	\$ 972,499
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 442,636	\$ 0	\$ 0	\$ 442,636
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	7,615	7,615
Reserved for Alcohol and Drug Treatment	8,019	0	0	0	0	8,019
Reserved for Computer System - Register	2,002	0	0	0	0	2,002
Reserved for Automation Purposes - Chancery Court	282	0	0	0	0	282
Unreserved, Reported In:						
General Fund	627,231	0	0	0	0	627,231
Special Revenue Funds	0	15,852	577,664	0	7,102	600,618
Debt Service Funds	0	0	0	1,959,385	0	1,959,385
Total Fund Balances	\$ 637,534	\$ 15,852	\$ 1,020,300	\$ 1,959,385	\$ 14,717	\$ 3,647,788
Total Liabilities and Fund Balances	\$ 1,316,300	\$ 15,852	\$ 1,168,720	\$ 2,081,781	\$ 37,634	\$ 4,620,287

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

Exhibit B

Lake County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 880,835	\$ 0	\$ 22,438	\$ 457,609	\$ 31,325	\$ 1,392,207
Licenses and Permits	2,615	0	0	0	0	2,615
Fines, Forfeitures, and Penalties	32,583	0	0	0	6,749	39,332
Charges for Current Services	429,343	0	0	0	13,882	443,225
Other Local Revenues	124,005	0	32,750	183,432	404	340,591
Fees Received from County Officials	202,917	0	0	0	0	202,917
State of Tennessee	433,458	527,074	1,230,865	0	368	2,191,765
Federal Government	69,977	0	0	0	0	69,977
Other Governments and Citizens Groups	65,867	0	45	0	26,238	92,150
Total Revenues	\$ 2,241,600	\$ 527,074	\$ 1,286,098	\$ 641,041	\$ 78,966	\$ 4,774,779
<u>Expenditures</u>						
Current:						
General Government	\$ 331,462	\$ 0	\$ 0	\$ 0	\$ 450	\$ 331,912
Finance	251,261	0	0	0	10,570	261,831
Administration of Justice	290,785	0	0	0	3,471	294,256
Public Safety	848,416	0	0	0	13,126	861,542
Public Health and Welfare	465,523	0	0	0	70,248	535,771
Social, Cultural, and Recreational Services	91,640	0	0	0	0	91,640
Agricultural and Natural Resources	23,163	0	0	0	0	23,163
Other Operations	120,681	523,620	0	0	25	644,326
Highways	0	0	1,297,693	0	0	1,297,693
Debt Service:						
Principal	8,049	0	0	334,803	0	342,852
Interest	0	0	0	385,558	0	385,558
Other Debt Service	0	0	0	5,069	0	5,069
Total Expenditures	\$ 2,430,980	\$ 523,620	\$ 1,297,693	\$ 725,430	\$ 97,890	\$ 5,075,613
Excess (Deficiency) of Revenues Over Expenditures	\$ (189,380)	\$ 3,454	\$ (11,595)	\$ (84,389)	\$ (18,924)	\$ (300,834)
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 23,123	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,123
Transfers In	0	0	0	0	13,100	13,100
Transfers Out	(13,100)	0	0	0	0	(13,100)
Total Other Financing Sources (Uses)	\$ 10,023	\$ 0	\$ 0	\$ 0	\$ 13,100	\$ 23,123

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Net Change in Fund Balances	\$ (179,357)	\$ 3,454	\$ (11,595)	\$ (84,389)	\$ (5,824)	\$ (277,711)
Fund Balance, July 1, 2004	816,891	12,398	1,031,895	2,009,670	20,541	3,891,395
Prior Period Adjustment	0	0	0	34,104	0	34,104
Fund Balance, June 30, 2005	\$ 637,534	\$ 15,852	\$ 1,020,300	\$ 1,959,385	\$ 14,717	\$ 3,647,788

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

Exhibit C

Lake County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 28,415
Cash	324,718
Investments	15,000
Due from Other Governments	<u>25,992</u>
Total Assets	<u>\$ 394,125</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 54,407
Due to Litigants, Heirs, and Others	<u>339,718</u>
Total Liabilities	<u>\$ 394,125</u>

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

**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lake County's financial statements are not 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.

Lake County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Lake County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Lake County's auditor to issue an adverse opinion on the county's financial statements.

Although Lake County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

Lake County is a public municipal corporation governed by an elected 12-member board. As required by GAAP, these financial statements present Lake County (the primary government).

**Blended Component Units** – There are no legally separate component units of Lake County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Lake County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

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

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

The Lake County School Department and the Lake County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Lake County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Lake County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Lake County Emergency Communications District  
Lake County Courthouse  
229 Church Street, Box 1  
Tiptonville, TN 38079

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

Fund financial statements of Lake County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary,

and fiduciary. An emphasis is placed on major funds within the governmental category. Lake County has no proprietary funds to report.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues 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. Lake County considers grant 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 county receives cash.

Fiduciary fund financial statements are reported using the economic resources 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.

Lake County reports the following major governmental funds:

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

**Special Purpose Fund** – This fund is used to account for funds received from the Tennessee Department of Transportation for use by the Hickman River City Development Corporation for the

maintenance of a railroad system that runs through portions of Kentucky and Tennessee.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**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.

Additionally, Lake County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Lake County, and assets held in custody for a watershed district. 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.

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Lake County and Lake County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service Funds. Lake County and the Lake County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to

compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .71 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 deferred revenue as of June 30.

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

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

3. **Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Lake County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Lake County does not present government-wide statements.

4. **Compensated Absences**

It is the general policy of Lake County (with the exception of vacation and sick leave for employees of the Highway Department) to not allow employees to accumulate vacation and sick leave beyond year-end. 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.

It is the Highway Department's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits that will be paid to employees upon separation from service. Full-time employees of the Highway Department are allowed to accumulate an unlimited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

5. **Long-term Obligations**

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

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.

6. **Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by

outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005.

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Juvenile Court	\$ 823

**7. Prior Period Adjustment**

During the prior period, the County Commission dedicated an increase in wheel tax to the retirement of principal and interest on School Bonds, Series 2003. However, in the prior year, wheel tax collections resulting from this increase were incorrectly allocated to the General Purpose School Fund instead of the General Debt Service Fund. Therefore, a prior period adjustment of \$34,104 was necessary to correct this error.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$7,760. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Lake County and the Lake County School Department participate in an internal cash and investment pool through the Office of Trustee. The Lake County School Department meets the criteria for a discretely presented component unit of Lake County. Since Lake County is presenting fund financial statements only, the financial information for the Lake County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

## Deposits

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

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

## Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance 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 market value of the securities on the day of purchase. The county's investment in Educational Loan Revenue Bonds of \$1,450,000 is not authorized by state statute.

**Investment Balances.** As of June 30, 2005, Lake County had the following investments carried at fair value or cost. Investments, except for \$15,000 in the Constitutional Officers – Agency Fund, are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot

be made for Lake County and the discretely presented Lake County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value Or Cost
Federal Home Loan Bank System	11-10-05 *	\$ 248,515
Federal Home Loan Bank System	02-02-06 **	495,315
Educational Loan Revenue Bonds	12-01-35 ***	1,450,000
U.S. Savings Bonds - Series I	on demand	15,000
Total		\$ 2,208,830

\* November 10, 2004, is the call date of the bonds.

\*\* August 2, 2004, is the call date of the bonds.

\*\*\* These bonds are callable on demand after issue date.

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lake County has no investment policy that would further limit its investment choices. Lake County's investments in Federal Home Loan Bank bonds were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Lake County's investments in Educational Loan Revenue Bonds were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Fitch Ratings.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Lake County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in Federal Home Loan Bank System and in Educational Loan Revenue Bonds. These investments are 34 percent and 66 percent, respectively, of the county's total investments.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Lake County does not have a formal policy that limits custodial credit risk for investments. The county's

investment of \$1,450,000 in Educational Loan Revenue Bonds has a custodial credit risk exposure because the securities are uninsured, unregistered, and held by the county's financial agent which is also the counterparty for these investments.

**B. Construction Commitments**

At June 30, 2005, the Highway Department had uncompleted construction contracts of \$270,000 for asphalt paving. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 6,265

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 13,100
Total	<u>\$ 13,100</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**D. Capital Leases**

On September 19, 2002, Lake County entered into a two-year lease-purchase agreement for two patrol cars. The terms of the agreement require total lease payments of \$42,322 plus interest of 4.9 percent. Title to the vehicles transfers to Lake County at the end of the lease period. The Debt Service Fund is making the lease payments.

On November 5, 2004, Lake County entered into a two-year lease-purchase agreement for a Sheriff Department vehicle. The terms of the agreement require total lease payments of \$23,123 plus interest of 4.5 percent. Title to the vehicle transfers to Lake County at the end of the lease period. The General Fund is making the lease payments.

Since Lake County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Lake County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 8,049
2007	8,049
Total Minimum Lease Payments	<u>\$ 16,098</u>
Amounts Representing Interest	<u>(1,024)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 15,074</u>

**E. Long-term Debt**

Since Lake County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Lake County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes outstanding were issued for original terms of up to 38 years for bonds and up to seven years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.5 to 5 %	\$ 8,800,000	\$ 8,615,891
Capital Outlay Notes	4.88	247,068	39,802
Capital Leases	4.5	23,123	15,074

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 144,393	\$ 374,612	\$ 9,244	\$ 1,969
2007	150,321	369,309	9,701	1,512
2008	161,294	363,786	10,181	1,032
2009	172,313	357,867	10,676	528
2010	183,381	351,174	0	0
2011-2015	1,089,803	1,640,472	0	0
2016-2020	1,450,308	1,400,465	0	0
2021-2025	1,955,170	1,047,497	0	0
2026-2030	2,626,855	544,955	0	0
2031-2035	343,478	131,947	0	0
2036-2039	338,575	41,765	0	0
<b>Total</b>	<b>\$ 8,615,891</b>	<b>\$ 6,623,849</b>	<b>\$ 39,802</b>	<b>\$ 5,041</b>

There is \$1,959,385 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$1,083, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capitalized leases amounted to \$1,090, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 8,749,398	\$ 163,178	\$ 14,097
Additions	0	0	23,123
Deductions	(133,507)	(123,376)	(22,146)
Balance, June 30, 2005	<u>\$ 8,615,891</u>	<u>\$ 39,802</u>	<u>\$ 15,074</u>
Balance Due Within One Year	<u>\$ 144,393</u>	<u>\$ 9,244</u>	<u>\$ 7,371</u>

	Compensated Absences
Balance, July 1, 2004	\$ 48,355
Additions	8,450
Balance, June 30, 2005	<u>\$ 56,805</u>
Balance Due Within One Year	<u>\$ 11,361</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

It is the policy of the county to purchase commercial insurance for the risks of losses to which it is exposed. These risks included general liability, property, casualty, employee health, life, and accident. Settled claims have not exceeded this commercial coverage in any of the past three years.

Lake County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool, established under the provisions of Section 29-20-401, Tennessee Code Annotated (TCA), by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The

LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

**B. Accounting Change**

During the year, Lake County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Event**

On July 18, 2005, the Lake County Board of County Commissioners approved the issuance of general obligation bonds not to exceed \$2,750,000 to finance the acquisition of land and the development of port facilities, docks and dock facilities, including any terminal storage and transportation facilities incident thereto and related infrastructure and an industrial park and related infrastructure and all property real and personal appurtenant thereto, to pay engineering, legal, fiscal, and administrative costs incident to the foregoing.

**D. Contingent Liabilities**

Lake County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to the Lake County courthouse, and no approximate estimate of the potential loss as a result of this lawsuit has been determined. The county attorney stated that he was not aware of any other potential claims that were pending that would materially affect the county's financial statements.

**E. Joint Ventures**

Lake County is a participant with Obion and Dyer counties in a multi-county entity known as the Northwest Tennessee Regional Port Authority. This entity was created to operate and maintain a port to be located in Lake County on the Mississippi River. A board is appointed by the participating counties with the mayors of each county serving as ex-officio members. The board comprises eight members, four of whom are appointed by the Lake County Commission, two by the Obion County Commission, and two by the Dyer County Commission. Lake County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. In May 2004, the port authority approved borrowing \$2.2 million for the construction of the port. The Lake County

Commission has approved paying the interest payments on half of this debt until such time as the port authority has revenue to make the payments, estimated to be at least three years. This entity has yet to begin operations or issue this debt; therefore, there is no financial activity to report.

**F. Retirement Commitments**

**Plan Description**

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

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

**Funding Policy**

Lake County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 2.12 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lake County is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year ended June 30, 2005, Lake County's annual pension cost of \$46,646 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Lake County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

### Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$46,646	100%	\$0
June 30, 2004	11	100	0
June 30, 2003	0	100	0

### Required Supplementary Information

#### Schedule of Funding Progress for Lake County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-2003	\$4,187	\$4,187	\$0	100%	\$1,767	0%
6-30-2001	4,032	4,032	0	100	1,354	0
6-30-1999	3,806	3,806	0	100	1,377	0

**G. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Highway Commission

Purchasing procedures for the Highway Department are governed by provisions of the Uniform Road Law, Section 54-7-113, TCA, which provides for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Lake County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 General Fund  
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 880,835	\$ 918,510	\$ 918,510	\$ (37,675)
Licenses and Permits	2,615	1,100	1,100	1,515
Fines, Forfeitures and Penalties	32,583	48,510	48,510	(15,927)
Charges for Current Services	429,343	448,085	448,085	(18,742)
Other Local Revenues	124,005	118,500	118,500	5,505
Fees Received from County Officials	202,917	216,150	216,150	(13,233)
State of Tennessee	433,458	519,817	519,817	(86,359)
Federal Government	69,977	127,824	127,824	(57,847)
Other Governments and Citizens Groups	65,867	49,000	49,000	16,867
Total Revenues	\$ 2,241,600	\$ 2,447,496	\$ 2,447,496	\$ (205,896)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 28,762	\$ 32,961	\$ 32,961	\$ 4,199
County Mayor	97,890	98,099	98,146	256
County Attorney	18,870	9,213	18,872	2
Election Commission (Including Voter Registration)	57,551	61,845	61,845	4,294
Register of Deeds	59,786	61,182	61,182	1,396
Development	8,220	8,000	8,300	80
County Buildings	60,383	61,500	68,038	7,655
<u>Finance</u>				
Property Assessor's Office	80,783	84,109	84,110	3,327
Reappraisal Program	4,850	4,845	4,851	1
County Trustee's Office	78,575	80,952	80,953	2,378
County Clerk's Office	87,053	85,518	87,707	654
<u>Administration of Justice</u>				
Circuit Court	115,587	123,772	123,772	8,185
General Sessions Court	81,656	81,744	81,745	89
Chancery Court	60,364	61,078	61,078	714
Juvenile Court	32,995	35,479	35,479	2,484
Other Administration of Justice	183	0	183	0
<u>Public Safety</u>				
Sheriff's Department	435,806	421,425	440,599	4,793
Jail	389,133	376,372	381,373	(7,760)
Civil Defense	23,477	23,000	27,103	3,626
<u>Public Health and Welfare</u>				
Local Health Center	73,621	82,937	82,937	9,316
Ambulance/Emergency Medical Services	360,850	363,194	363,196	2,346
Maternal and Child Health Services	500	500	500	0
Sanitation Management	30,552	31,737	31,737	1,185
<u>Social, Cultural and Recreational Services</u>				
Senior Citizens Assistance	64,010	67,105	67,105	3,095
Libraries	19,000	19,000	19,000	0

(Continued)

Exhibit D-1

Lake County, Tennessee  
 Schedule 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 (Cont.)</u>				
Other Social, Cultural and Recreational	\$ 8,630	\$ 15,500	\$ 15,500	\$ 6,870
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	23,163	23,325	23,324	161
<u>Other Operations</u>				
Tourism	60,838	51,000	61,000	162
Other Economic and Community Development	42,033	81,596	81,596	39,563
Other Charges	15,438	15,000	15,612	174
Contributions to Other Agencies	2,148	3,150	3,150	1,002
Employee Benefits	224	0	224	0
<u>Principal</u>				
General Government	8,049	0	8,049	0
Total Expenditures	\$ 2,430,980	\$ 2,465,138	\$ 2,531,227	\$ 100,247
Excess (Deficiency) of Revenues Over Expenditures	\$ (189,380)	\$ (17,642)	\$ (83,731)	\$ (105,649)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 23,123	\$ 0	\$ 23,123	\$ 0
Transfers Out	(13,100)	(8,800)	(13,100)	0
Total Other Financing Sources (Uses)	\$ 10,023	\$ (8,800)	\$ 10,023	\$ 0
Net Change in Fund Balance	\$ (179,357)	\$ (26,442)	\$ (73,708)	\$ (105,649)
Fund Balance, July 1, 2004	816,891	816,891	816,891	0
Fund Balance, June 30, 2005	\$ 637,534	\$ 790,449	\$ 743,183	\$ (105,649)

Exhibit D-2

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Special Purpose Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
State of Tennessee	\$ 527,074	\$ 0	\$ 527,074	\$ 996,500	\$ 996,500	\$ (469,426)
Total Revenues	<u>\$ 527,074</u>	<u>\$ 0</u>	<u>\$ 527,074</u>	<u>\$ 996,500</u>	<u>\$ 996,500</u>	<u>\$ (469,426)</u>
<u>Expenditures</u>						
<u>Other Operations</u>						
Other Economic and Community Development	\$ 523,620	\$ (308,742)	\$ 214,878	\$ 996,500	\$ 996,500	\$ 781,622
Total Expenditures	<u>\$ 523,620</u>	<u>\$ (308,742)</u>	<u>\$ 214,878</u>	<u>\$ 996,500</u>	<u>\$ 996,500</u>	<u>\$ 781,622</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,454</u>	<u>\$ 308,742</u>	<u>\$ 312,196</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 312,196</u>
Net Change in Fund Balance	\$ 3,454	\$ 308,742	\$ 312,196	\$ 0	\$ 0	\$ 312,196
Fund Balance, July 1, 2004	<u>12,398</u>	<u>(308,742)</u>	<u>(296,344)</u>	<u>12,422</u>	<u>12,422</u>	<u>(308,766)</u>
Fund Balance, June 30, 2005	<u><u>\$ 15,852</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 15,852</u></u>	<u><u>\$ 12,422</u></u>	<u><u>\$ 12,422</u></u>	<u><u>\$ 3,430</u></u>

Exhibit D-3

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 22,438	\$ 0	\$ 22,438	\$ 24,294	\$ 24,294	\$ (1,856)
Other Local Revenues	32,750	0	32,750	30,000	30,000	2,750
State of Tennessee	1,230,865	0	1,230,865	1,411,386	1,411,386	(180,521)
Other Governments and Citizens Groups	45	0	45	50,000	50,000	(49,955)
Total Revenues	<u>\$ 1,286,098</u>	<u>\$ 0</u>	<u>\$ 1,286,098</u>	<u>\$ 1,515,680</u>	<u>\$ 1,515,680</u>	<u>\$ (229,582)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 144,515	\$ 0	\$ 144,515	\$ 175,315	\$ 175,315	\$ 30,800
Highway and Bridge Maintenance	469,125	270,000	739,125	1,082,000	1,082,000	342,875
Operation and Maintenance of Equipment	257,985	0	257,985	265,000	265,000	7,015
Other Charges	97,140	0	97,140	118,000	118,000	20,860
Employee Benefits	275,483	0	275,483	312,945	312,945	37,462
Capital Outlay	53,445	172,636	226,081	335,000	335,000	108,919
Total Expenditures	<u>\$ 1,297,693</u>	<u>\$ 442,636</u>	<u>\$ 1,740,329</u>	<u>\$ 2,288,260</u>	<u>\$ 2,288,260</u>	<u>\$ 547,931</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,595)</u>	<u>\$ (442,636)</u>	<u>\$ (454,231)</u>	<u>\$ (772,580)</u>	<u>\$ (772,580)</u>	<u>\$ 318,349</u>
Net Change in Fund Balance	\$ (11,595)	(442,636)	(454,231)	(772,580)	(772,580)	318,349
Fund Balance, July 1, 2004	1,031,895	0	1,031,895	855,786	855,786	176,109
Fund Balance, June 30, 2005	<u>\$ 1,020,300</u>	<u>\$ (442,636)</u>	<u>\$ 577,664</u>	<u>\$ 83,206</u>	<u>\$ 83,206</u>	<u>\$ 494,458</u>

**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State 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, Board of Equalization, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) of the General Fund by \$7,760. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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Law Library Fund – The Law Library Fund is used to account for a special tax levied by a County Commission resolution on litigation. Proceeds of the tax must be expended for the benefit of the county's Law Library.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Lake County's garbage collection operations.

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

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

	Special Revenue Funds			
	Law Library	Solid Waste / Sanitation	Drug Control	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 640	\$ 1,045	\$ 6,729	\$ 8,414
Accounts Receivable	0	5	0	5
Due from Other Funds	0	0	6,265	6,265
Property Taxes Receivable	0	23,266	0	23,266
Allowance for Uncollectible Property Taxes	0	(316)	0	(316)
Total Assets	<u>\$ 640</u>	<u>\$ 24,000</u>	<u>\$ 12,994</u>	<u>\$ 37,634</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Deferred Revenue - Current Property Taxes	\$ 0	\$ 21,850	\$ 0	\$ 21,850
Deferred Revenue - Delinquent Property Taxes	0	1,067	0	1,067
Total Liabilities	<u>\$ 0</u>	<u>\$ 22,917</u>	<u>\$ 0</u>	<u>\$ 22,917</u>
<u>Fund Balances</u>				
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 7,615	\$ 7,615
Unreserved	640	1,083	5,379	7,102
Total Fund Balances	<u>\$ 640</u>	<u>\$ 1,083</u>	<u>\$ 12,994</u>	<u>\$ 14,717</u>
Total Liabilities and Fund Balances	<u>\$ 640</u>	<u>\$ 24,000</u>	<u>\$ 12,994</u>	<u>\$ 37,634</u>

Lake County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

Exhibit E-2

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 1,278	\$ 30,047	\$ 0	\$ 0	\$ 31,325
Fines, Forfeitures, and Penalties	0	0	6,749	0	6,749
Charges for Current Services	0	0	0	13,882	13,882
Other Local Revenues	0	404	0	0	404
State of Tennessee	0	368	0	0	368
Other Governments and Citizens Groups	0	26,238	0	0	26,238
Total Revenues	<u>\$ 1,278</u>	<u>\$ 57,057</u>	<u>\$ 6,749</u>	<u>\$ 13,882</u>	<u>\$ 78,966</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 450	\$ 450
Finance	0	0	0	10,570	10,570
Administration of Justice	2,626	0	0	845	3,471
Public Safety	0	0	11,109	2,017	13,126
Public Health and Welfare	0	70,248	0	0	70,248
Other Operations	0	25	0	0	25
Total Expenditures	<u>\$ 2,626</u>	<u>\$ 70,273</u>	<u>\$ 11,109</u>	<u>\$ 13,882</u>	<u>\$ 97,890</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,348)</u>	<u>\$ (13,216)</u>	<u>\$ (4,360)</u>	<u>\$ 0</u>	<u>\$ (18,924)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 1,300	\$ 11,800	\$ 0	\$ 0	\$ 13,100
Total Other Financing Sources (Uses)	<u>\$ 1,300</u>	<u>\$ 11,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,100</u>
Net Change in Fund Balances	\$ (48)	\$ (1,416)	\$ (4,360)	\$ 0	\$ (5,824)
Fund Balance, July 1, 2004	688	2,499	17,354	0	20,541
Fund Balance, June 30, 2005	<u>\$ 640</u>	<u>\$ 1,083</u>	<u>\$ 12,994</u>	<u>\$ 0</u>	<u>\$ 14,717</u>

Exhibit E-3

Lake County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Law Library Fund  
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,278	\$ 1,500	\$ 1,500	\$ (222)
Total Revenues	\$ 1,278	\$ 1,500	\$ 1,500	\$ (222)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 2,626	\$ 2,963	\$ 2,963	\$ 337
Total Expenditures	\$ 2,626	\$ 2,963	\$ 2,963	\$ 337
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,348)	\$ (1,463)	\$ (1,463)	\$ 115
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,300	\$ 800	\$ 800	\$ 500
Total Other Financing Sources (Uses)	\$ 1,300	\$ 800	\$ 800	\$ 500
Net Change in Fund Balance	\$ (48)	\$ (663)	\$ (663)	\$ 615
Fund Balance, July 1, 2004	688	803	803	(115)
Fund Balance, June 30, 2005	\$ 640	\$ 140	\$ 140	\$ 500

Exhibit E-4

Lake County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Solid Waste/Sanitation Fund  
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 30,047	\$ 30,763	\$ 30,763	\$ (716)
Other Local Revenues	404	0	0	404
State of Tennessee	368	1,200	1,200	(832)
Other Governments and Citizens Groups	26,238	26,238	26,238	0
Total Revenues	<u>\$ 57,057</u>	<u>\$ 58,201</u>	<u>\$ 58,201</u>	<u>\$ (1,144)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 32,795	\$ 34,491	\$ 34,491	\$ 1,696
Other Waste Disposal	37,453	33,000	37,553	100
<u>Other Operations</u>				
Employee Benefits	25	0	25	0
Total Expenditures	<u>\$ 70,273</u>	<u>\$ 67,491</u>	<u>\$ 72,069</u>	<u>\$ 1,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,216)</u>	<u>\$ (9,290)</u>	<u>\$ (13,868)</u>	<u>\$ 652</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 11,800	\$ 8,000	\$ 11,800	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 11,800</u>	<u>\$ 8,000</u>	<u>\$ 11,800</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (1,416)	\$ (1,290)	\$ (2,068)	\$ 652
Fund Balance, July 1, 2004	<u>2,499</u>	<u>3,266</u>	<u>3,266</u>	<u>(767)</u>
Fund Balance, June 30, 2005	<u>\$ 1,083</u>	<u>\$ 1,976</u>	<u>\$ 1,198</u>	<u>\$ (115)</u>

Exhibit E-5

Lake County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Drug Control Fund  
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 6,749	\$ 4,750	\$ 4,750	\$ 1,999
Total Revenues	\$ 6,749	\$ 4,750	\$ 4,750	\$ 1,999
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 11,109	\$ 4,275	\$ 19,382	\$ 8,273
Total Expenditures	\$ 11,109	\$ 4,275	\$ 19,382	\$ 8,273
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,360)	\$ 475	\$ (14,632)	\$ 10,272
Net Change in Fund Balance	\$ (4,360)	\$ 475	\$ (14,632)	\$ 10,272
Fund Balance, July 1, 2004	17,354	15,387	15,387	1,967
Fund Balance, June 30, 2005	\$ 12,994	\$ 15,862	\$ 755	\$ 12,239

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-debt principal, interest, and related costs.

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Exhibit F

Lake County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 General Debt Service Fund  
 For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 457,609	\$ 370,555	\$ 370,555	\$ 87,054
Other Local Revenues	183,432	169,300	169,300	14,132
Total Revenues	<u>\$ 641,041</u>	<u>\$ 539,855</u>	<u>\$ 539,855</u>	<u>\$ 101,186</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 217,753	\$ 65,956	\$ 217,753	\$ 0
Education	117,050	115,000	117,050	0
<u>Interest</u>				
General Government	82,613	81,894	82,613	0
Education	302,945	302,945	304,358	1,413
<u>Other Debt Service</u>				
General Government	5,069	19,488	24,188	19,119
Total Expenditures	<u>\$ 725,430</u>	<u>\$ 585,283</u>	<u>\$ 745,962</u>	<u>\$ 20,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (84,389)</u>	<u>\$ (45,428)</u>	<u>\$ (206,107)</u>	<u>\$ 121,718</u>
Net Change in Fund Balance	\$ (84,389)	\$ (45,428)	\$ (206,107)	\$ 121,718
Fund Balance, July 1, 2004	2,009,670	2,009,718	2,009,718	(48)
Prior Period Adjustment	34,104	0	0	34,104
Fund Balance, June 30, 2005	<u>\$ 1,959,385</u>	<u>\$ 1,964,290</u>	<u>\$ 1,803,611</u>	<u>\$ 155,774</u>

# Agency Funds

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

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

Watershed District Fund – The Watershed District Fund is used to account for acreage assessments collected on drainage district properties that are held in trust for the Watershed District.

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

Exhibit G-1

Lake County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	Agency Funds			Total
	Cities - Sales Tax	Watershed District	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 28,415	\$ 0	\$ 28,415
Cash	0	0	324,718	324,718
Investments	0	0	15,000	15,000
Due from Other Governments	25,992	0	0	25,992
Total Assets	<u>\$ 25,992</u>	<u>\$ 28,415</u>	<u>\$ 339,718</u>	<u>\$ 394,125</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 25,992	\$ 28,415	\$ 0	\$ 54,407
Due to Litigants, Heirs, and Others	0	0	339,718	339,718
Total Liabilities	<u>\$ 25,992</u>	<u>\$ 28,415</u>	<u>\$ 339,718</u>	<u>\$ 394,125</u>

Exhibit G-2

Lake County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 117,738	\$ 117,738	\$ 0
Due From Other Governments	18,615	25,992	18,615	25,992
<b>Total Assets</b>	<b>\$ 18,615</b>	<b>\$ 143,730</b>	<b>\$ 136,353</b>	<b>\$ 25,992</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 18,615	\$ 143,730	\$ 136,353	\$ 25,992
<b>Total Liabilities</b>	<b>\$ 18,615</b>	<b>\$ 143,730</b>	<b>\$ 136,353</b>	<b>\$ 25,992</b>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 27,541	\$ 5,558	\$ 4,684	\$ 28,415
<b>Total Assets</b>	<b>\$ 27,541</b>	<b>\$ 5,558</b>	<b>\$ 4,684</b>	<b>\$ 28,415</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,541	\$ 5,558	\$ 4,684	\$ 28,415
<b>Total Liabilities</b>	<b>\$ 27,541</b>	<b>\$ 5,558</b>	<b>\$ 4,684</b>	<b>\$ 28,415</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 224,682	\$ 1,042,986	\$ 942,950	\$ 324,718
Investments	15,000	0	0	15,000
<b>Total Assets</b>	<b>\$ 239,682</b>	<b>\$ 1,042,986</b>	<b>\$ 942,950</b>	<b>\$ 339,718</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 239,682	\$ 1,042,986	\$ 942,950	\$ 339,718
<b>Total Liabilities</b>	<b>\$ 239,682</b>	<b>\$ 1,042,986</b>	<b>\$ 942,950</b>	<b>\$ 339,718</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 27,541	\$ 123,296	\$ 122,422	\$ 28,415
Cash	224,682	1,042,986	942,950	324,718
Investments	15,000	0	0	15,000
Due from Other Governments	18,615	25,992	18,615	25,992
<b>Total Assets</b>	<b>\$ 285,838</b>	<b>\$ 1,192,274</b>	<b>\$ 1,083,987</b>	<b>\$ 394,125</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 46,156	\$ 149,288	\$ 141,037	\$ 54,407
Due to Litigants, Heirs, and Others	239,682	1,042,986	942,950	339,718
<b>Total Liabilities</b>	<b>\$ 285,838</b>	<b>\$ 1,192,274</b>	<b>\$ 1,083,987</b>	<b>\$ 394,125</b>

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Lake County, Tennessee  
Schedule of Changes in Long-term Notes, Capitalized Leases, and Bonds  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Asbestos Removal	\$ 69,550	0	% 11-30-1989	11-30-04	\$ 2,050	\$ 0	\$ 2,050	\$ 0
Incinerator	65,000	4.88	12-14-01	12-14-08	48,610	0	8,808	39,802
Lake County EMS Building	112,518	2.57	8-20-03	8-20-04	112,518	0	112,518	0
Total Notes Payable					<u>\$ 163,178</u>	<u>\$ 0</u>	<u>\$ 123,376</u>	<u>\$ 39,802</u>
<u>CAPITALIZED LEASES</u>								
<u>Payable through General Fund</u>								
Sheriff Department Vehicle	23,123	4.5	11-5-04	11-5-06	\$ 0	\$ 23,123	\$ 8,049	\$ 15,074
<u>Payable through General Debt Service Fund</u>								
Sheriff Patrol Cars (2)	42,322	4.9	9-19-02	9-19-04	14,097	0	14,097	0
Total Capitalized Leases					<u>\$ 14,097</u>	<u>\$ 23,123</u>	<u>\$ 22,146</u>	<u>\$ 15,074</u>
<u>GENERAL BONDED DEBT</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction/Renovation	1,650,000	4.75 to 5	3-14-01	3-14-39	\$ 1,599,398	\$ 0	\$ 18,507	\$ 1,580,891
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-30	7,150,000	0	115,000	7,035,000
Total General Bonded Debt					<u>\$ 8,749,398</u>	<u>\$ 0</u>	<u>\$ 133,507</u>	<u>\$ 8,615,891</u>

Exhibit H-2

Lake County, Tennessee  
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 144,393	\$ 374,612	\$ 519,005
2007	150,321	369,309	519,630
2008	161,294	363,786	525,080
2009	172,313	357,867	530,180
2010	183,381	351,174	534,555
2011	194,500	344,055	538,555
2012	205,673	336,507	542,180
2013	216,902	328,528	545,430
2014	228,189	320,116	548,305
2015	244,539	311,266	555,805
2016	255,953	301,790	557,743
2017	272,435	291,870	564,305
2018	288,987	281,078	570,065
2019	305,614	269,251	574,865
2020	327,319	256,476	583,795
2021	349,106	242,364	591,470
2022	365,978	227,007	592,985
2023	387,940	210,582	598,522
2024	414,996	193,174	608,170
2025	437,150	174,370	611,520
2026	464,408	154,562	618,970
2027	491,773	133,522	625,295
2028	524,252	110,583	634,835
2029	556,850	86,130	642,980
2030	589,572	60,158	649,730
2031	62,424	32,661	95,085
2032	65,413	29,672	95,085
2033	68,546	26,539	95,085
2034	71,828	23,257	95,085
2035	75,267	19,818	95,085
2036	78,872	16,213	95,085
2037	82,649	12,436	95,085
2038	86,606	8,479	95,085
2039	90,448	4,637	95,085
Total	\$ 8,615,891	\$ 6,623,849	\$ 15,239,740

Exhibit H-3

Lake County, Tennessee  
Schedule of Investments - All Funds  
June 30, 2005

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
U.S. Savings Bonds - Series I	<u>\$ 15,000</u>
Total Investments	<u>\$ 15,000</u>

Exhibit H-4

Lake County, Tennessee  
Schedule of Transfers - All Funds  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Law Library	To provide funds for operations	\$ 1,300
General	Solid Waste/Sanitation	To provide funds for operations	<u>11,800</u>
Total Transfers			<u>\$ 13,100</u>

Exhibit H-5

Lake County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 50,851 (1)	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	47,065	100,000	St. Paul Fire and Marine Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	42,468	312,600	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,468	10,000	St. Paul Fire and Marine Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	42,468	25,000	RLI Insurance Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,468	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	42,468	50,000	"
Register	Section 8-24-102, <u>TCA</u>	42,468	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	47,315 (2)	25,000	"
<u>Blanket Bond:</u>				
General County Employees	-----	-	100,000	St. Paul Fire and Marine Insurance Company
Highway Department Employees	-----	-	100,000	"

(1) - Includes \$1,800 for serving as chairman of the County Commission.

(2) - Includes law enforcement salary supplement of \$600.

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

Exhibit H-6

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 592,312	\$ 0	\$ 20,783	\$ 0	\$ 0	\$ 0	\$ 20,783	\$ 88,328	\$ 722,206
Trustee's Collections - Prior Year	24,544	0	845	0	0	0	846	3,595	29,830
Circuit/Clerk & Master Collections - Prior Years	17,649	0	619	0	0	0	619	2,632	21,519
Interest and Penalty	5,375	0	190	0	0	0	190	801	6,556
Payments in Lieu of Taxes - Other	9,058	0	0	0	0	0	0	0	9,058
<u>County Local Option Taxes</u>									
Local Option Sales Tax	83,136	0	0	0	0	0	0	272,834	355,970
Hotel/Motel Tax	34,339	0	0	0	0	0	0	0	34,339
Wheel Tax	71,699	0	7,610	0	0	0	0	83,868	163,177
Litigation Tax - General	13,534	0	0	0	0	0	0	0	13,534
Litigation Tax - Special Purpose	654	1,278	0	0	0	0	0	0	1,932
Litigation Tax - Jail, Workhouse, or Courthouse	10	0	0	0	0	0	0	4,693	4,703
Business Tax	8,358	0	0	0	0	0	0	858	9,216
<u>Statutory Local Taxes</u>									
Bank Excise Tax	9,083	0	0	0	0	0	0	0	9,083
Wholesale Beer Tax	9,856	0	0	0	0	0	0	0	9,856
Interstate Telecommunications Tax	249	0	0	0	0	0	0	0	249
Other Statutory Local Taxes	979	0	0	0	0	0	0	0	979
Total Local Taxes	\$ 880,835	\$ 1,278	\$ 30,047	\$ 0	\$ 0	\$ 0	\$ 22,438	\$ 457,609	\$ 1,392,207
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 279	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 279
<u>Permits</u>									
Building Permits	2,336	0	0	0	0	0	0	0	2,336
Total Licenses and Permits	\$ 2,615	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,615
<u>Fines, Forfeitures and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 1,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,829
Officers Costs	5,504	0	0	0	0	0	0	0	5,504
Drug Control Fines	461	0	0	0	3,453	0	0	0	3,914

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

Exhibit H-6

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Jail Fees	\$ 403	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	403
Data Entry Fee - Circuit Court	58	0	0	0	0	0	0	0	58
<u>General Sessions Court</u>									
Fines	9,550	0	0	0	0	0	0	0	9,550
Officers Costs	6,390	0	0	0	0	0	0	0	6,390
Drug Control Fines	402	0	0	0	3,296	0	0	0	3,698
Jail Fees	2,032	0	0	0	0	0	0	0	2,032
DUI Treatment Fines	2,132	0	0	0	0	0	0	0	2,132
Data Entry Fee - General Sessions Court	621	0	0	0	0	0	0	0	621
<u>Juvenile Court</u>									
Fines	2,052	0	0	0	0	0	0	0	2,052
<u>Chancery Court</u>									
Officers Costs	1,003	0	0	0	0	0	0	0	1,003
Data Entry Fee - Chancery Court	146	0	0	0	0	0	0	0	146
<b>Total Fines, Forfeitures and Penalties</b>	<b>\$ 32,583</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,749</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>39,332</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 421,610	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	421,610
<u>Fees</u>									
Copy Fees	409	0	0	0	0	0	0	0	409
Telephone Commissions	4,934	0	0	0	0	0	0	0	4,934
Constitutional Officers' Fees and Commissions	0	0	0	0	0	13,882	0	0	13,882
Data Processing Fee - Register	2,090	0	0	0	0	0	0	0	2,090
Data Processing Fee - Sheriff	300	0	0	0	0	0	0	0	300
<b>Total Charges for Current Services</b>	<b>\$ 429,343</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,882</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>443,225</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 67,490	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	57,042	\$ 124,532
Lease/Rentals	28,800	0	0	0	0	0	0	0	28,800
Commissary Sales	5,000	0	0	0	0	0	0	0	5,000

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

Exhibit H-6

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Local Revenues (Cont.)</u>									
<u>Recurring Items (Cont.)</u>									
Sale of Recycled Materials	\$ 0	\$ 0	\$ 404	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 404
Miscellaneous Refunds	3,415	0	0	0	0	0	0	1,390	4,805
<u>Nonrecurring Items</u>									
Insurance Recovery	2,434	0	0	0	0	0	0	0	2,434
Sale of Equipment	1,535	0	0	0	0	0	32,750	0	34,285
Contributions & Gifts	0	0	0	0	0	0	0	125,000	125,000
<u>Other Local Revenues</u>									
Other Local Revenues	15,331	0	0	0	0	0	0	0	15,331
Total Other Local Revenues	\$ 124,005	\$ 0	\$ 404	\$ 0	\$ 0	\$ 0	\$ 32,750	\$ 183,432	\$ 340,591
<u>Fees Received from County Officials</u>									
<u>Fees In Lieu of Salary</u>									
County Clerk	\$ 45,163	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,163
Circuit Court Clerk	28,785	0	0	0	0	0	0	0	28,785
General Sessions Court Clerk	19,955	0	0	0	0	0	0	0	19,955
Clerk and Master	13,833	0	0	0	0	0	0	0	13,833
Register	23,708	0	0	0	0	0	0	0	23,708
Sheriff	3,016	0	0	0	0	0	0	0	3,016
Trustee	68,457	0	0	0	0	0	0	0	68,457
Total Fees Received from County Officials	\$ 202,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 202,917
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	45,157	0	0	0	0	0	0	0	45,157
State Reappraisal Grant	2,336	0	0	0	0	0	0	0	2,336
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	2,075	0	0	0	0	0	0	0	2,075
<u>Health and Welfare Grants</u>									
Health Department Programs	48,437	0	0	0	0	0	0	0	48,437
<u>Public Works Grants</u>									
Litter Program	30,106	0	0	0	0	0	0	0	30,106

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

Exhibit H-6

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Income Tax	\$ 523	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 523
Beer Tax	16,778	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	11,226	0	0	0	0	0	0	0	11,226
Contracted Prisoner Boarding	251,440	0	0	0	0	0	0	0	251,440
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,224,467	0	1,224,467
Petroleum Special Tax	0	0	0	0	0	0	6,398	0	6,398
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	0	0	368	527,074	0	0	0	0	527,442
Total State of Tennessee	\$ 433,458	\$ 0	\$ 368	\$ 527,074	\$ 0	\$ 0	\$ 1,230,865	\$ 0	\$ 2,191,765
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 31,085	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,085
Homeland Security Grants	23,255	0	0	0	0	0	0	0	23,255
Law Enforcement Grants	14,837	0	0	0	0	0	0	0	14,837
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	800	0	0	0	0	0	0	0	800
Total Federal Government	\$ 69,977	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,977
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45	\$ 0	\$ 45
Contributions	15,000	0	26,238	0	0	0	0	0	41,238
Contracted Services	50,867	0	0	0	0	0	0	0	50,867
Total Other Governments and Citizens Groups	\$ 65,867	\$ 0	\$ 26,238	\$ 0	\$ 0	\$ 0	\$ 45	\$ 0	\$ 92,150
Total	\$ 2,241,600	\$ 1,278	\$ 57,057	\$ 527,074	\$ 6,749	\$ 13,882	\$ 1,286,098	\$ 641,041	\$ 4,774,779

Exhibit H-7

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Other Per Diem & Fees		21,600	
Social Security		1,790	
State Retirement		444	
Audit Services		3,128	
Total County Commission			\$ 28,762

County Mayor

County Official/Administrative Officer	\$	49,051	
Secretary(s)		17,503	
Longevity Pay		240	
Other Salaries & Wages		8,750	
Social Security		5,739	
State Retirement		1,602	
Unemployment Compensation		220	
Communication		1,925	
Data Processing Services		6,480	
Postal Charges		966	
Printing, Stationery and Forms		1,991	
Travel		516	
Electricity		567	
Natural Gas		200	
Office Supplies		1,343	
Water and Sewer		57	
Building and Contents Insurance		584	
Workers' Compensation Insurance		156	
Total County Mayor			97,890

County Attorney

County Official/Administrative Officer	\$	5,203	
Social Security		398	
State Retirement		110	
Unemployment Compensation		105	
Legal Services		13,054	
Total County Attorney			18,870

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	33,975	
Other Salaries & Wages		3,255	
Election Commission		2,835	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration) (Cont.)

Election Workers	\$	2,795	
Social Security		2,599	
State Retirement		720	
Communication		1,179	
Data Processing Services		1,380	
Legal Notices, Recording and Court Costs		387	
Maintenance & Repair Services- Equipment		1,221	
Postal Charges		521	
Printing, Stationery and Forms		2,885	
Travel		924	
Electricity		588	
Natural Gas		291	
Office Supplies		1,000	
Water and Sewer		210	
Building and Contents Insurance		714	
Workers' Compensation Insurance		72	
Total Election Commission (Including Voter Registration)			\$ 57,551

Register of Deeds

County Official/Administrative Officer	\$	42,468	
Deputy(ies)		6,199	
Longevity Pay		72	
Social Security		3,729	
State Retirement		900	
Unemployment Compensation		128	
Communication		1,278	
Data Processing Services		2,124	
Postal Charges		152	
Printing, Stationery and Forms		960	
Electricity		396	
Natural Gas		140	
Office Supplies		689	
Water and Sewer		40	
Building and Contents Insurance		408	
Workers' Compensation Insurance		103	
Total Register of Deeds			59,786

Development

County Official/Administrative Officer	\$	3,220	
Other Contracted Services		5,000	
Total Development			8,220

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Maintenance & Repair Services- Buildings	\$	12,412	
Maintenance & Repair Services- Equipment		1,979	
Pest Control		2,863	
Custodial Supplies		2,219	
Electricity		7,234	
Natural Gas		2,050	
Water and Sewer		711	
Building and Contents Insurance		19,720	
Workers' Compensation Insurance		5,673	
Heating and Air Conditioning Equipment		5,522	
Total County Buildings			\$ 60,383

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,468	
Secretary(s)		17,503	
Longevity Pay		96	
Other Salaries & Wages		4,218	
Board and Committee Members Fees		810	
Social Security		4,721	
State Retirement		598	
Unemployment Compensation		225	
Communication		777	
Postal Charges		176	
Printing, Stationery and Forms		490	
Rentals		831	
Travel		278	
Other Contracted Services		5,371	
Electricity		286	
Natural Gas		101	
Office Supplies		1,233	
Water and Sewer		29	
Building and Contents Insurance		292	
Premiums on Corporate Surety Bonds		178	
Workers' Compensation Insurance		102	
Total Property Assessor's Office			80,783

Reappraisal Program

Other Salaries & Wages	\$	4,500	
Social Security		344	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Unemployment Compensation	\$ 6	
Total Reappraisal Program		\$ 4,850

County Trustee's Office

County Official/Administrative Officer	\$ 42,468	
Deputy(ies)	17,503	
Longevity Pay	144	
Social Security	4,525	
State Retirement	1,274	
Unemployment Compensation	154	
Communication	1,176	
Data Processing Services	3,335	
Legal Services	99	
Postal Charges	1,249	
Printing, Stationery and Forms	384	
Travel	106	
Electricity	304	
Natural Gas	107	
Office Supplies	5,272	
Water and Sewer	31	
Building and Contents Insurance	315	
Workers' Compensation Insurance	129	
Total County Trustee's Office		78,575

County Clerk's Office

County Official/Administrative Officer	\$ 42,468
Deputy(ies)	17,502
Part-time Personnel	10,939
Longevity Pay	456
Other Salaries & Wages	120
Social Security	5,469
State Retirement	1,379
Unemployment Compensation	343
Communication	1,202
Postal Charges	845
Printing, Stationery and Forms	497
Electricity	1,825
Natural Gas	424
Office Supplies	2,608
Water and Sewer	564

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Building and Contents Insurance	\$	265	
Workers' Compensation Insurance		147	
Total County Clerk's Office			\$ 87,053

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,468	
Deputy(ies)		35,006	
Part-time Personnel		1,458	
Longevity Pay		552	
Other Salaries & Wages		60	
Jury and Witness Fees		4,502	
Social Security		6,021	
State Retirement		1,655	
Unemployment Compensation		340	
Communication		2,302	
Data Processing Services		5,291	
Postal Charges		945	
Printing, Stationery and Forms		2,000	
Rentals		1,796	
Electricity		3,223	
Natural Gas		1,137	
Office Supplies		2,958	
Water and Sewer		324	
Building and Contents Insurance		3,364	
Workers' Compensation Insurance		185	
Total Circuit Court			115,587

General Sessions Court

Judge(s)	\$	62,543	
Other Salaries & Wages		1,200	
Social Security		4,785	
State Retirement		1,326	
Communication		1,000	
Data Processing Services		2,941	
Postal Charges		70	
Travel		1,696	
Other Contracted Services		5,200	
Electricity		199	
Natural Gas		70	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Office Supplies	\$	274	
Water and Sewer		20	
Building and Contents Insurance		198	
Workers' Compensation Insurance		134	
Total General Sessions Court			\$ 81,656

Chancery Court

County Official/Administrative Officer	\$	42,468	
Deputy(ies)		8,751	
Longevity Pay		168	
Social Security		3,931	
State Retirement		900	
Unemployment Compensation		141	
Communication		569	
Postal Charges		290	
Printing, Stationery and Forms		1,388	
Electricity		362	
Natural Gas		128	
Office Supplies		734	
Water and Sewer		36	
Building and Contents Insurance		374	
Workers' Compensation Insurance		124	
Total Chancery Court			60,364

Juvenile Court

County Official/Administrative Officer	\$	20,131	
Social Security		1,540	
State Retirement		390	
Unemployment Compensation		193	
Communication		893	
Postal Charges		47	
Travel		866	
Other Contracted Services		6,905	
Electricity		251	
Natural Gas		89	
Office Supplies		967	
Water and Sewer		25	
Other Supplies and Materials		417	
Building and Contents Insurance		236	
Workers' Compensation Insurance		45	
Total Juvenile Court			32,995

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Other Administration of Justice

Library Books/Media	\$ 183	
Total Other Administration of Justice		\$ 183

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 46,715	
Deputy(ies)	200,875	
Salary Supplements	2,400	
Secretary(s)	21,621	
Part-time Personnel	13,239	
In-Service Training	4,600	
Social Security	21,511	
State Retirement	4,428	
Unemployment Compensation	1,994	
Communication	12,047	
Contracts with Government Agencies	4,790	
Data Processing Services	175	
Licenses	64	
Maintenance & Repair Services- Vehicles	5,005	
Postal Charges	572	
Printing, Stationery and Forms	356	
Rentals	1,842	
Travel	277	
Electricity	7,521	
Gasoline	17,075	
Natural Gas	589	
Office Supplies	5,442	
Uniforms	2,344	
Water and Sewer	2,465	
Other Supplies and Materials	8,082	
Building and Contents Insurance	21,137	
Workers' Compensation Insurance	5,517	
Motor Vehicles	23,123	
Total Sheriff's Department		435,806

Jail

Dispatchers/Radio Operators	\$ 113,918	
Guards	103,615	
In-Service Training	2,820	
Social Security	16,727	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

State Retirement	\$	4,415	
Unemployment Compensation		1,782	
Maintenance & Repair Services- Buildings		4,282	
Maintenance & Repair Services- Equipment		3,014	
Medical and Dental Services		23,973	
Custodial Supplies		10,582	
Electricity		11,282	
Food Supplies		49,361	
Natural Gas		7,802	
Uniforms		1,067	
Water and Sewer		2,584	
Other Supplies and Materials		2,760	
Building and Contents Insurance		8,618	
Workers' Compensation Insurance		4,806	
Heating and Air Conditioning Equipment		888	
Law Enforcement Equipment		14,837	
Total Jail			\$ 389,133

Civil Defense

Other Charges	\$	23,477	
Total Civil Defense			23,477

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	38,965	
Social Security		2,981	
Unemployment Compensation		462	
Communication		2,464	
Maintenance & Repair Services- Buildings		3,277	
Postal Charges		1,981	
Travel		2,467	
Other Contracted Services		6,540	
Custodial Supplies		581	
Drugs and Medical Supplies		764	
Electricity		3,090	
Natural Gas		1,380	
Office Supplies		1,502	
Water and Sewer		665	
Building and Contents Insurance		2,945	
Other Capital Outlay		3,557	
Total Local Health Center			73,621

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	20,018	
Medical Personnel		222,550	
Secretary(s)		13,937	
Social Security		19,748	
State Retirement		2,940	
Unemployment Compensation		2,682	
Ambulance Services		1,632	
Communication		3,303	
Licenses		700	
Maintenance & Repair Services- Vehicles		7,210	
Postal Charges		573	
Travel		420	
Other Contracted Services		3,350	
Drugs and Medical Supplies		14,232	
Electricity		3,955	
Gasoline		11,564	
Natural Gas		1,091	
Office Supplies		4,412	
Uniforms		201	
Water and Sewer		836	
Other Supplies and Materials		3,868	
Building and Contents Insurance		10,374	
Workers' Compensation Insurance		11,254	
Total Ambulance/Emergency Medical Services		<u>360,850</u>	\$ 360,850

Maternal and Child Health Services

Contributions	\$	500	
Total Maternal and Child Health Services			500

Sanitation Management

Deputy(ies)	\$	16,985	
Education Media Personnel		4,602	
Social Security		1,299	
Unemployment Compensation		341	
Maintenance & Repair Services- Vehicles		4,264	
Gasoline		2,985	
Other Charges		76	
Total Sanitation Management		<u>30,552</u>	30,552

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Social, Cultural and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	20,487	
Supervisor/Director		11,330	
Social Security		3,055	
State Retirement		424	
Unemployment Compensation		469	
Communication		2,849	
Contributions		2,730	
Maintenance & Repair Services- Buildings		1,473	
Maintenance & Repair Services- Vehicles		323	
Travel		2,848	
Other Contracted Services		12,200	
Electricity		2,459	
Gasoline		835	
Natural Gas		1,029	
Office Supplies		832	
Water and Sewer		540	
Workers' Compensation Insurance		127	
Total Senior Citizens Assistance			\$ 64,010

Libraries

Contributions	\$	19,000	
Total Libraries			19,000

Other Social, Cultural and Recreational

Other Charges	\$	8,630	
Total Other Social, Cultural and Recreational			8,630

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	14,800	
Secretary(s)		5,242	
Communication		1,595	
Maintenance & Repair Services- Office Equipment		28	
Office Supplies		1,498	
Total Agriculture Extension Service			23,163

Other Operations

Tourism

Contributions	\$	60,838	
Total Tourism			60,838

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Engineering Services	\$	3,505	
Matching Share		<u>38,528</u>	
Total Other Economic and Community Development			\$ 42,033

Other Charges

Trustee's Commission	\$	<u>15,438</u>	
Total Other Charges			15,438

Contributions to Other Agencies

Contributions	\$	<u>2,148</u>	
Total Contributions to Other Agencies			2,148

Employee Benefits

Unemployment Compensation	\$	<u>224</u>	
Total Employee Benefits			224

Principal

General Government

Principal on Capitalized Leases	\$	<u>8,049</u>	
Total General Government			<u>8,049</u>

Total General Fund \$ 2,430,980

Law Library Fund

Administration of Justice

Other Administration of Justice

Communication	\$	187	
Electricity		204	
Library Books/Media		2,129	
Natural Gas		72	
Water and Sewer		21	
Trustee's Commission		<u>13</u>	
Total Other Administration of Justice			\$ <u>2,626</u>

Total Law Library Fund 2,626

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$	19,012	
---------	----	--------	--

(Continued)

Exhibit H-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Incinerator (Cont.)

Social Security	\$	1,396	
Unemployment Compensation		192	
Communication		517	
Maintenance & Repair Services- Buildings		312	
Maintenance & Repair Services- Equipment		4,843	
Diesel Fuel		2,145	
Electricity		3,845	
Trustee's Commission		533	
Total Waste Incinerator			\$ 32,795

Other Waste Disposal

Contracts with Government Agencies	\$	37,453	
Total Other Waste Disposal			37,453

Other Operations

Employee Benefits

Unemployment Compensation	\$	25	
Total Employee Benefits			25

Total Solid Waste/Sanitation Fund \$ 70,273

Special Purpose Fund

Other Operations

Other Economic and Community Development

Social Security	\$	107	
Handling Charges & Administrative Costs		11,400	
Unemployment Compensation		11	
Contracts with Public Carriers		468,148	
Engineering Services		43,954	
Total Other Economic and Community Development			\$ 523,620

Total Special Purpose Fund 523,620

Drug Control Fund

Public Safety

Drug Enforcement

Deputy(ies)	\$	3,040	
Social Security		233	
Unemployment Compensation		6	
Law Enforcement Supplies		22	

(Continued)

Exhibit H-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Supplies and Materials	\$	2,245	
Trustee's Commission		70	
Other Charges		547	
Law Enforcement Equipment		4,946	
Total Drug Enforcement			\$ 11,109

Total Drug Control Fund \$ 11,109

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Bank Charges	\$	63	
Dues and Memberships		387	
Total Register of Deeds			\$ 450

Finance

County Trustee's Office

Bank Charges	\$	32	
Dues and Memberships		597	
Total County Trustee's Office			629

County Clerk's Office

Bank Charges	\$	124	
Dues and Memberships		357	
Legal Services		9,460	
Total County Clerk's Office			9,941

Administration of Justice

Circuit Court

Bank Charges	\$	60	
Dues and Memberships		343	
Total Circuit Court			403

General Sessions Court

Bank Charges	\$	60	
Total General Sessions Court			60

Chancery Court

Bank Charges	\$	60	
Dues and Memberships		322	
Total Chancery Court			382

(Continued)

Exhibit H-7

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

Constitutional Officers - Fees Fund (Cont.)

Public Safety

Sheriff's Department

Bank Charges	\$	217	
Dues and Memberships		1,800	
Total Sheriff's Department			\$ 2,017

Total Constitutional Officers - Fees Fund \$ 13,882

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	47,065	
Accountants/Bookkeepers		28,353	
Secretary(s)		24,429	
Board and Committee Members Fees		13,450	
Advertising		2,267	
Communication		3,436	
Data Processing Services		4,382	
Dues and Memberships		2,353	
Legal Services		5,612	
Maintenance & Repair Services- Buildings		448	
Postal Charges		507	
Printing, Stationery and Forms		297	
Travel		1,314	
Drugs and Medical Supplies		382	
Electricity		4,964	
Natural Gas		2,871	
Office Supplies		1,450	
Water and Sewer		935	
Total Administration			\$ 144,515

Highway and Bridge Maintenance

Equipment Operators	\$	246,849	
Engineering Services		10,962	
Other Contracted Services		56,038	
Asphalt - Hot Mix		61,276	
Asphalt - Liquid		15,857	
Crushed Stone		49,925	
Pipe - Metal		10,218	
Road Signs		3,652	
Wood Products		134	
Chemicals		14,214	
Total Highway and Bridge Maintenance			469,125

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)  
Highways (Cont.)

<u>Operation and Maintenance of Equipment</u>		
Foremen	\$	28,479
Mechanic(s)		51,504
Laundry Service		7,315
Custodial Supplies		583
Diesel Fuel		38,729
Equipment and Machinery Parts		105,819
Garage Supplies		4,625
Gasoline		9,861
Lubricants		4,078
Propane Gas		743
Tires and Tubes		5,649
Chemicals		600
Total Operation and Maintenance of Equipment	\$	257,985
<u>Other Charges</u>		
Building and Contents Insurance	\$	3,465
Liability Insurance		22,470
Premiums on Corporate Surety Bonds		1,700
Trustee's Commission		12,645
Vehicle and Equipment Insurance		26,861
Workers' Compensation Insurance		23,824
Other Charges		6,175
Total Other Charges		97,140
<u>Employee Benefits</u>		
Social Security	\$	33,429
State Retirement		8,935
Employee and Dependent Insurance		232,796
Unemployment Compensation		323
Total Employee Benefits		275,483
<u>Capital Outlay</u>		
Building Improvements	\$	15,134
Communication Equipment		2,193
Furniture and Fixtures		143
Highway Equipment		2,100
Motor Vehicles		23,025
Other Capital Outlay		10,850
Total Capital Outlay		53,445
Total Highway/Public Works Fund	\$	1,297,693

(Continued)

Exhibit H-7

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

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	18,507	
Principal on Notes		121,326	
Principal on Capitalized Leases		14,097	
Other Capital Outlay		63,823	
Total General Government			\$ 217,753

Education

Principal on Bonds	\$	115,000	
Principal on Notes		2,050	
Total Education			117,050

Interest

General Government

Interest on Bonds	\$	76,578	
Interest on Notes		5,345	
Interest on Capitalized Leases		690	
Total General Government			82,613

Education

Interest on Bonds	\$	302,945	
Total Education			302,945

Other Debt Service

General Government

Trustee's Commission	\$	5,069	
Total General Government			5,069

Total General Debt Service Fund \$ 725,430

Total Governmental Funds - Primary Government \$ 5,075,613

Lake County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	<u>Cities- Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 117,738
Total Cash Receipts	<u>\$ 117,738</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 116,561
Trustee's Commission	1,177
Total Cash Disbursements	<u>\$ 117,738</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

Lake County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1995	\$ 222
1996	208
1997	208
1998	213
1999	46
2000	46
2001	5,861
2002	55
2003	61
Total	\$ 6,920

Table 2

Lake County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.05	\$ 1.05	\$ 1.13	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.14	\$ 1.026	\$ 1.026
Solid Waste/Sanitation	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.036	0.036
Highway/Public Works	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.036	0.036
General Purpose School	1.57	1.57	1.57	1.31	1.31	1.31	1.31	1.31	1.179	1.179
General Debt Service	0.28	0.28	0.20	0.17	0.17	0.17	0.17	0.17	0.153	0.153
<b>Total Tax Rates</b>	<b>\$ 3.00</b>	<b>\$ 3.00</b>	<b>\$ 3.00</b>	<b>\$ 2.70</b>	<b>\$ 2.430</b>	<b>\$ 2.430</b>				
<u>Assessed Valuation</u>										
Real and Personal	\$ 36,163,562	\$ 36,757,291	\$ 37,633,419	\$ 47,422,989	\$ 47,061,788	\$ 48,276,959	\$ 48,884,828	\$ 55,456,740	\$ 55,363,676	\$ 55,865,412
Public Utilities	4,450,656	4,902,613	3,549,074	4,360,128	4,350,625	3,823,510	5,311,604	5,291,993	5,269,004	5,264,001
<b>Total Assessed Valuation</b>	<b>\$ 40,614,218</b>	<b>\$ 41,659,904</b>	<b>\$ 41,182,493</b>	<b>\$ 51,783,117</b>	<b>\$ 51,412,413</b>	<b>\$ 52,100,469</b>	<b>\$ 54,196,432</b>	<b>\$ 60,748,733</b>	<b>\$ 60,632,680</b>	<b>\$ 61,129,413</b>

**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*NORMAN R. NORMENT, CGFM*  
*Audit Manager*

*NOLAN R. BRADFORD, CPA, CGFM*  
*Auditor 4*

*MICHAEL C. HULME, CPA, CGFM*  
*ELISHA CROWELL*  
*State Auditors*

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

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**LAKE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Lake County School Department  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Lake County School Department as of and for the year ended June 30, 2005.

## ***Results***

Our report on the Lake County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in two findings and recommendations, which we have reviewed with the Lake County School Department's management. These findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **LAKE COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

*State of Tennessee*  
*Comptroller of the Treasury*  
*Department of Audit*  
*Division of County Audit*

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# INTRODUCTORY SECTION

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Lake County School Officials  
June 30, 2005

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Officials:

Joel A. Hassell, Director of Schools

Board of Education:

Tony Hutcheson, Chairman  
Regina Moore, Vice Chairman  
Carolyn Hayes  
Cora Hughes  
Nicky Leland  
Scott Price  
Owen D. Schuff  
Georgianne Whitby

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

August 30, 2005

Lake County Director of Schools and  
Board of Education  
Lake County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Lake County School Department, a component unit of Lake County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 26, which collectively comprise a portion of the Lake County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Lake County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Lake County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Lake County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Lake County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005, on our consideration of the Lake County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., the Lake County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 29 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake County School Department's basic financial statements. The introductory section, individual nonmajor fund financial statement, budgetary comparison schedule of the nonmajor governmental fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statement, the budgetary comparison schedule of nonmajor the governmental fund, and miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Lake County, Tennessee  
Balance Sheet - Governmental Funds  
Lake County School Department  
June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Fund School Federal Projects	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,109,470	\$ 2,380,535	\$ 31,474	\$ 4,521,479
Accounts Receivable	120	0	0	120
Due from Other Governments	231,411	0	96,041	327,452
Property Taxes Receivable	761,930	0	0	761,930
Allowance for Uncollectible Property Taxes	(10,334)	0	0	(10,334)
Total Assets	<u>\$ 3,092,597</u>	<u>\$ 2,380,535</u>	<u>\$ 127,515</u>	<u>\$ 5,600,647</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 23,202	\$ 26,982	\$ 0	\$ 50,184
Payroll Deductions Payable	3,104	0	0	3,104
Contracts Payable	0	366,270	0	366,270
Retainage Payable	0	162,686	0	162,686
Due to State of Tennessee	229	0	0	229
Deferred Revenue - Current Property Taxes	715,580	0	0	715,580
Deferred Revenue - Delinquent Property Taxes	34,940	0	0	34,940
Other Deferred Revenues	28,100	0	76,041	104,141
Total Liabilities	<u>\$ 805,155</u>	<u>\$ 555,938</u>	<u>\$ 76,041</u>	<u>\$ 1,437,134</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 1,510,904	\$ 0	\$ 1,510,904
Other Local Education Reserves	45,809	0	0	45,809
Reserved for Career Ladder - Extended Contract	25,057	0	0	25,057
Reserved for Title I Grants to Local Education Agencies	0	0	32,314	32,314
Reserved for Innovative Education Program Strategies	0	0	7,816	7,816
Reserved for Special Education - Grants to States	0	0	9,826	9,826
Other Federal Reserves	0	0	1,518	1,518
Unreserved, Reported In:				
General Fund	2,216,576	0	0	2,216,576
Capital Projects Funds	0	313,693	0	313,693
Total Fund Balances	<u>\$ 2,287,442</u>	<u>\$ 1,824,597</u>	<u>\$ 51,474</u>	<u>\$ 4,163,513</u>
Total Liabilities and Fund Balances	<u>\$ 3,092,597</u>	<u>\$ 2,380,535</u>	<u>\$ 127,515</u>	<u>\$ 5,600,647</u>

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

Lake County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Lake County School Department  
For the Year Ended June 30, 2005

Exhibit B

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	Education Capital Projects	School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 1,045,848	\$ 0	\$ 0	\$ 1,045,848
Licenses and Permits	819	0	0	819
Charges for Current Services	98,431	0	0	98,431
Other Local Revenues	57,980	70,330	0	128,310
State of Tennessee	4,266,997	0	0	4,266,997
Federal Government	796,340	0	671,304	1,467,644
Other Governments and Citizens Groups	68,068	0	0	68,068
Total Revenues	\$ 6,334,483	\$ 70,330	\$ 671,304	\$ 7,076,117
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,961,822	\$ 0	\$ 531,604	\$ 4,493,426
Support Services	1,859,938	0	117,848	1,977,786
Operation of Non-Instructional Services	366,827	0	0	366,827
Capital Outlay	220,632	0	0	220,632
Capital Projects	0	5,465,946	0	5,465,946
Total Expenditures	\$ 6,409,219	\$ 5,465,946	\$ 649,452	\$ 12,524,617
Excess (Deficiency) of Revenues Over Expenditures	\$ (74,736)	\$ (5,395,616)	\$ 21,852	\$ (5,448,500)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,444	\$ 830,819	\$ 0	\$ 848,263
Transfers Out	(830,819)	0	(17,444)	(848,263)
Total Other Financing Sources (Uses)	\$ (813,375)	\$ 830,819	\$ (17,444)	\$ 0
Net Change in Fund Balances	\$ (888,111)	\$ (4,564,797)	\$ 4,408	\$ (5,448,500)
Fund Balance, July 1, 2004	3,209,657	6,389,394	47,066	9,646,117
Prior Period Adjustment	(34,104)	0	0	(34,104)
Fund Balance, June 30, 2005	\$ 2,287,442	\$ 1,824,597	\$ 51,474	\$ 4,163,513

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

Lake County, Tennessee  
Statement of Fiduciary Net Assets  
Lake County School Department  
Fiduciary Fund  
June 30, 2005

	Other Trust Fund <hr/> Private Purpose Trust <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 340,853 <hr/> <hr/>
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Lake County Students	\$ 340,853 <hr/> <hr/>

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

Lake County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Lake County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2005

	<u>Other</u> <u>Trust</u> <u>Private</u> <u>Purpose</u> <u>Trust</u>
 <u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 5,903
Total Additions	<u>\$ 5,903</u>
 <u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 6,000
Total Deductions	<u>\$ 6,000</u>
Change in Net Assets	\$ (97)
Net Assets, July 1, 2004	<u>340,950</u>
Net Assets, June 30, 2005	<u><u>\$ 340,853</u></u>

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

**LAKE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lake County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Lake County elect its eight member board. The School Department is a component unit of Lake County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's

taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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 School Department 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 School Department considers grant 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.

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

Fiduciary fund financial statements are reported using the economic resources 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.

The School Department reports the following major governmental funds:

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

**Education Capital Projects Fund** – This fund is used to account for building construction and renovations of the School Department. Major funding was provided through the issuance of debt obligations issued by the primary government.

Additionally, the School Department reports the following fund types:

**Special Revenue Fund** – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific educational programs.

**Private Purpose Trust Fund** – The Private Purpose Trust Fund is used to account for an endowment received by the School Department. Income generated from the corpus of the endowment is to be used to provide annual scholarships to one or more Lake County students chosen by the county Board of Education.

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Lake County primary government funds and the School Department funds. Each fund's portion of this pool is displayed on the balance sheet and statement of fiduciary net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General and General Debt Service Funds. Lake County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner

consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .71 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 deferred revenue as of June 30.

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

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

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

It is the policy of the School Department to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. A liability for vacation pay is reported in the governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. All vacation pay should be accrued when incurred in the government-wide financial statements for the School Department. However, since the School Department did not prepare government-wide financial statements, the liability of \$20,259 for accrued benefits at June 30, 2005, has not been reflected in this report. The policy of the School Department permits the unlimited accumulation of unused sick leave for professional personnel (teachers). The salaried para-professional employees are allowed to accumulate a limited amount of unused sick leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

**5. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**6. Prior Period Adjustment**

During the prior period, the County Commission dedicated an increase in wheel tax to the retirement of principal and interest on School Bonds, Series 2003. However, in the prior year, wheel tax collections resulting from this increase were incorrectly allocated to the General Purpose School Fund instead of the General Debt Service Fund. Therefore, a prior period adjustment of \$34,104 was necessary to correct this error.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Lake County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of fiduciary net assets as Equity in Pooled Cash and Investments.

#### Deposits

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

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

#### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance 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 market value of the securities on the day of purchase. The county's investment in Educational Loan Revenue Bonds of \$1,450,000 is not authorized by state statute.

**Investment Balances.** As of June 30, 2005, Lake County had the following investments carried at fair value or cost. Investments, except for \$15,000 in the Constitutional Officers – Agency fund, are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Lake County and the discretely presented Lake County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value Or Cost
Federal Home Loan Bank System	11-10-05 *	\$ 248,515
Federal Home Loan Bank System	02-02-06 **	495,315
Educational Loan Revenue Bonds	12-01-35 ***	1,450,000
U.S. Savings Bonds - Series I	on demand	<u>15,000</u>
Total		<u><u>\$ 2,208,830</u></u>

\* November 10, 2004, is the call date of the bonds.

\*\* August 2, 2004, is the call date of the bonds.

\*\*\* These bonds are callable on demand after issue date.

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Lake County has no investment policy that would further limit its investment choices. Lake County's investments in Federal Home Loan Bank bonds were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Lake County's investments in Educational Loan Revenue Bonds were rated Aaa by Moody's Investor's Service and AAA by Standard & Poor's and Fitch Ratings.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer.

Lake County places no limit on the amount the county may invest in one issuer. More than 5 percent of the county’s investments are in the Federal Home Loan Bank System and in Educational Loan Revenue Bonds. These investments are 34 percent and 66 percent, respectively, of the county’s total investments.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Lake County does not have a formal policy that limits custodial credit risk for investments. The county’s investment of \$1,450,000 in Educational Loan Revenue Bonds has a custodial credit risk exposure because the securities are uninsured, unregistered and held by the county’s financial agent which is also the counterparty for these investments.

**B. Construction Commitments**

At June 30, 2005, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$1,473,666 for construction and renovations at Lara Kendall Elementary and Middle Schools. Funding has been received for these future expenditures.

**C. Interfund Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In	
	General Purpose School Fund	Education Capital Projects Fund
Nonmajor governmental funds	\$ 17,444	\$ 0
General Purpose School Fund	0	830,819
<b>Total</b>	<b>\$ 17,444</b>	<b>\$ 830,819</b>

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

**D. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Compensated Absences</u>
Balance, July 1, 2004	\$ 16,190
Additions	<u>4,069</u>
Balance, June 30, 2005	<u>\$ 20,259</u>
Balance Due Within One Year	<u>\$ 4,069</u>

**III. OTHER INFORMATION**

**A. Risk Management**

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-302, 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.

The School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school systems. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Contingent Liabilities**

The School Department's attorney has advised there are no pending lawsuits or any unasserted claims or assessments involving the School Department that would materially affect the department's financial statements.

**D. Retirement Commitments**

**Plan Description**

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

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

Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the Lake County School Department participates in Lake County's plan, retirement information for the Lake County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. F. of the Annual Financial Report of Lake County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The Lake County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Lake County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Lake County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$200,383, \$112,186, and \$106,321, respectively, equal to the required contributions for each year.

### **E. Purchasing Laws**

#### Office of Director of Schools

Purchasing procedures for the discretely presented School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county 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 competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Lake County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,045,848	\$ 0	\$ 1,045,848	\$ 1,021,664	\$ 1,021,664	\$ 24,184
Licenses and Permits	819	0	819	1,000	1,000	(181)
Charges for Current Services	98,431	0	98,431	65,000	90,000	8,431
Other Local Revenues	57,980	0	57,980	40,640	108,640	(50,660)
State of Tennessee	4,266,997	0	4,266,997	4,143,928	4,183,064	83,933
Federal Government	796,340	0	796,340	291,108	810,001	(13,661)
Other Governments and Citizens Groups	68,068	0	68,068	0	0	68,068
Total Revenues	\$ 6,334,483	\$ 0	\$ 6,334,483	\$ 5,563,340	\$ 6,214,369	\$ 120,114
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 3,370,540	\$ 0	\$ 3,370,540	\$ 2,813,260	\$ 3,389,902	\$ 19,362
Special Education Program	396,163	0	396,163	378,916	409,916	13,753
Vocational Education Program	195,119	0	195,119	196,093	197,053	1,934
<u>Support Services</u>						
Attendance	51,440	0	51,440	50,696	51,541	101
Health Services	45,793	0	45,793	45,498	45,949	156
Other Student Support	111,849	0	111,849	109,268	111,880	31
Regular Instruction Program	217,178	0	217,178	227,930	228,090	10,912
Special Education Program	21,291	0	21,291	21,220	21,441	150
Board of Education	90,989	0	90,989	99,151	99,151	8,162
Director of Schools	133,091	0	133,091	135,911	137,409	4,318
Office of the Principal	408,834	0	408,834	437,174	439,674	30,840
Fiscal Services	52,267	0	52,267	52,691	52,691	424
Operation of Plant	435,892	0	435,892	453,218	456,946	21,054
Maintenance of Plant	108,847	0	108,847	131,014	131,014	22,167

(Continued)

Exhibit D

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Transportation	\$ 182,467	\$ 0	\$ 182,467	\$ 215,945	\$ 225,387	\$ 42,920
<u>Operation of Non-Instructional Services</u>						
Food Service	366,827	0	366,827	350,663	371,633	4,806
<u>Capital Outlay</u>						
Regular Capital Outlay	220,632	(23,433)	197,199	1,075,000	244,181	46,982
Total Expenditures	<u>\$ 6,409,219</u>	<u>\$ (23,433)</u>	<u>\$ 6,385,786</u>	<u>\$ 6,793,648</u>	<u>\$ 6,613,858</u>	<u>\$ 228,072</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>\$ (74,736)</u>	<u>\$ 23,433</u>	<u>\$ (51,303)</u>	<u>\$ (1,230,308)</u>	<u>\$ (399,489)</u>	<u>\$ 348,186</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 17,444	0	\$ 17,444	\$ 12,000	\$ 12,000	\$ 5,444
Transfers Out	(830,819)	0	(830,819)	0	(830,819)	0
Total Other Financing Sources (Uses)	<u>\$ (813,375)</u>	<u>\$ 0</u>	<u>\$ (813,375)</u>	<u>\$ 12,000</u>	<u>\$ (818,819)</u>	<u>\$ 5,444</u>
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ 3,209,657	(23,433)	3,186,224	3,077,923	3,077,923	108,301
Prior Period Adjustment	(34,104)	0	(34,104)	0	0	(34,104)
Fund Balance, June 30, 2005	<u>\$ 2,287,442</u>	<u>\$ 0</u>	<u>\$ 2,287,442</u>	<u>\$ 1,859,615</u>	<u>\$ 1,859,615</u>	<u>\$ 427,827</u>

**LAKE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2005**

**BUDGETARY INFORMATION**

The School Department 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 Lake County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State 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 Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Lake County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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**INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

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# Nonmajor Governmental Funds

## Special Revenue Funds

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The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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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.

Exhibit E

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Lake County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 671,304	\$ 746,904	\$ 747,345	\$ (76,041)
Total Revenues	\$ 671,304	\$ 746,904	\$ 747,345	\$ (76,041)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 312,283	\$ 355,620	\$ 356,407	\$ 44,124
Special Education Program	193,079	208,630	211,677	18,598
Vocational Education Program	26,242	26,467	26,242	0
<u>Support Services</u>				
Other Student Support	0	132	0	0
Regular Instruction Program	101,427	157,602	156,874	55,447
Special Education Program	3,249	4,060	4,000	751
Vocational Education Program	925	700	925	0
Operation of Plant	4,247	9,500	9,500	5,253
Transportation	8,000	8,000	8,000	0
Total Expenditures	\$ 649,452	\$ 770,711	\$ 773,625	\$ 124,173
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,852	\$ (23,807)	\$ (26,280)	\$ 48,132
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (17,444)	\$ (20,761)	\$ (20,786)	\$ 3,342
Total Other Financing Sources (Uses)	\$ (17,444)	\$ (20,761)	\$ (20,786)	\$ 3,342
Net Change in Fund Balance	\$ 4,408	\$ (44,568)	\$ (47,066)	\$ 51,474
Fund Balance, July 1, 2004	47,066	47,066	47,066	0
Fund Balance, June 30, 2005	\$ 51,474	\$ 2,498	\$ 0	\$ 51,474

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

Lake County, Tennessee  
Schedule of Transfers - All Funds  
Lake County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	Education Capital Projects	To provide funds for capital projects	\$ 830,819
School Federal Projects	General Purpose School	Indirect costs	<u>17,444</u>
Total Transfers			<u><u>\$ 848,263</u></u>

Exhibit F-2

Lake County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Lake County School Department  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Lake County Board of Education	\$ 75,472 (1) \$	50,000	St. Paul Fire and Marine Insurance Company
Employee Bonds: Director of School's Office			150,000	Tennessee School Boards Risk Management Trust

(1) - Includes chief executive officer training supplement of \$1,000.

Exhibit F-3

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Lake County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 680,640	\$ 0	\$ 0	\$ 680,640
Trustee's Collections - Prior Year	27,102	0	0	27,102
Circuit/Clerk & Master Collections - Prior Years	20,281	0	0	20,281
Interest and Penalty	6,181	0	0	6,181
<u>County Local Option Taxes</u>				
Local Option Sales Tax	272,834	0	0	272,834
Wheel Tax	34,675	0	0	34,675
Business Tax	1,716	0	0	1,716
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,294	0	0	1,294
Other Statutory Local Taxes	1,125	0	0	1,125
Total Local Taxes	\$ 1,045,848	\$ 0	\$ 0	\$ 1,045,848
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 571	\$ 0	\$ 0	\$ 571
<u>Permits</u>				
Other Permits	248	0	0	248
Total Licenses and Permits	\$ 819	\$ 0	\$ 0	\$ 819
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 62,348	\$ 0	\$ 0	\$ 62,348
<u>Other Charges for Services</u>				
Other Charges for Services	36,083	0	0	36,083
Total Charges for Current Services	\$ 98,431	\$ 0	\$ 0	\$ 98,431
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	70,330	\$ 70,330
Lease/Rentals	2,940	0	0	2,940
Miscellaneous Refunds	17,966	0	0	17,966
<u>Nonrecurring Items</u>				
Insurance Recovery	10,155	0	0	10,155
Sale of Equipment	1,275	0	0	1,275
<u>Other Local Revenues</u>				
Other Local Revenues	25,644	0	0	25,644
Total Other Local Revenues	\$ 57,980	\$ 0	70,330	\$ 128,310
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 3,845,295	\$ 0	\$ 0	\$ 3,845,295
School Food Service	6,218	0	0	6,218
Other State Education Funds	157,104	0	0	157,104
Career Ladder Program	82,032	0	0	82,032
Career Ladder - Extended Contract	49,567	0	0	49,567
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	126,781	0	0	126,781
Total State of Tennessee	\$ 4,266,997	\$ 0	\$ 0	\$ 4,266,997

(Continued)

Exhibit F-3

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

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 218,916	\$ 0	0	\$ 218,916
Breakfast	80,499	0	0	80,499
Vocational Education - Basic Grants to States	0	27,691	0	27,691
Title I Grants to Local Education Agencies	0	325,834	0	325,834
Innovative Education Program Strategies	0	24,561	0	24,561
Special Education - Grants to States	54,519	190,722	0	245,241
Special Education Preschool Grants	0	11,631	0	11,631
Eisenhower Professional Development State Grants	0	76,198	0	76,198
Other Federal through State	442,406	14,667	0	457,073
Total Federal Government	\$ 796,340	\$ 671,304	0	\$ 1,467,644
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 68,068	\$ 0	0	\$ 68,068
Total Other Governments and Citizens Groups	\$ 68,068	\$ 0	0	\$ 68,068
Total	\$ 6,334,483	\$ 671,304	70,330	\$ 7,076,117

Exhibit F-4

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Lake County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,093,912	
Career Ladder Program	56,000	
Career Ladder Extended Contracts	28,015	
Homebound Teachers	2,715	
Educational Assistants	122,849	
Certified Substitute Teachers	43,855	
Social Security	141,697	
State Retirement	123,370	
Life Insurance	2,332	
Medical Insurance	248,802	
Unemployment Compensation	1,602	
Employer Medicare	33,139	
Maintenance & Repair Services- Equipment	8,342	
Other Contracted Services	27,798	
Instructional Supplies and Materials	144,827	
Textbooks	39,212	
Regular Instruction Equipment	<u>252,073</u>	
Total Regular Instruction Program		\$ 3,370,540

Special Education Program

Teachers	\$ 294,774	
Career Ladder Program	4,000	
Homebound Teachers	1,719	
Certified Substitute Teachers	968	
Social Security	17,667	
State Retirement	16,482	
Medical Insurance	42,214	
Unemployment Compensation	152	
Employer Medicare	4,132	
Contracts with Private Agencies	9,000	
Instructional Supplies and Materials	<u>5,055</u>	
Total Special Education Program		396,163

Vocational Education Program

Teachers	\$ 149,094
Career Ladder Program	4,000
Career Ladder Extended Contracts	1,000
Certified Substitute Teachers	111
Social Security	8,926

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

State Retirement	\$	8,240	
Medical Insurance		18,864	
Unemployment Compensation		87	
Employer Medicare		2,088	
Instructional Supplies and Materials		2,709	
Total Vocational Education Program			\$ 195,119

Support Services

Attendance

Supervisor/Director	\$	40,444	
Career Ladder Program		1,000	
Social Security		2,537	
State Retirement		2,279	
Medical Insurance		3,350	
Unemployment Compensation		16	
Employer Medicare		593	
Travel		1,221	
Total Attendance			51,440

Health Services

Medical Personnel	\$	32,680	
Social Security		1,790	
State Retirement		1,797	
Medical Insurance		6,938	
Unemployment Compensation		19	
Employer Medicare		419	
Travel		375	
Drugs and Medical Supplies		1,775	
Total Health Services			45,793

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		77,973	
School Resource Officer		8,600	
Social Security		4,867	
State Retirement		4,344	
Medical Insurance		4,159	
Unemployment Compensation		37	
Employer Medicare		1,138	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	5,628	
Travel		1,005	
Other Contracted Services		3,098	
Total Other Student Support			\$ 111,849

Regular Instruction Program

Supervisor/Director	\$	24,655	
Career Ladder Program		4,975	
Career Ladder Extended Contracts		4,000	
Librarians		103,916	
Instructional Computer Personnel		2,455	
Social Security		6,265	
State Retirement		5,992	
Medical Insurance		16,158	
Unemployment Compensation		50	
Employer Medicare		1,465	
Travel		17,642	
Library Books/Media		12,304	
In Service/Staff Development		17,301	
Total Regular Instruction Program			217,178

Special Education Program

Supervisor/Director	\$	10,111	
Clerical Personnel		7,544	
Social Security		1,087	
State Retirement		716	
Medical Insurance		851	
Unemployment Compensation		15	
Employer Medicare		254	
Travel		713	
Total Special Education Program			21,291

Board of Education

Board and Committee Members Fees	\$	2,700	
Social Security		167	
State Retirement		58	
Employer Medicare		39	
Audit Services		2,412	
Dues and Memberships		3,500	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Legal Services	\$	1,663	
Travel		5,438	
Other Contracted Services		58	
Other Supplies and Materials		314	
Liability Insurance		8,635	
Premiums on Corporate Surety Bonds		1,644	
Trustee's Commission		34,033	
Workers' Compensation Insurance		27,384	
Criminal Investigation of Applicants - TBI		476	
Other Charges		2,468	
Total Board of Education			\$ 90,989

Director of Schools

County Official/Administrative Officer	\$	74,472	
Career Ladder Program		1,000	
Secretary(s)		15,882	
Social Security		5,770	
State Retirement		4,488	
Medical Insurance		9,038	
Unemployment Compensation		35	
Employer Medicare		1,350	
Other Fringe Benefits		3,600	
Communication		1,306	
Dues and Memberships		547	
Postal Charges		3,100	
Travel		3,488	
Office Supplies		1,713	
Administration Equipment		7,302	
Total Director of Schools			133,091

Office of the Principal

Principals	\$	170,245	
Career Ladder Program		4,100	
Accountants/Bookkeepers		21,454	
Career Ladder Extended Contracts		3,500	
Assistant Principals		89,396	
Secretary(s)		19,037	
Social Security		17,460	
State Retirement		15,557	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Medical Insurance	\$	38,546	
Unemployment Compensation		147	
Employer Medicare		4,083	
Communication		12,836	
Dues and Memberships		550	
Maintenance & Repair Services- Equipment		4,459	
Travel		5,679	
Office Supplies		1,785	
Total Office of the Principal			\$ 408,834

Fiscal Services

Accountants/Bookkeepers	\$	34,236	
Clerical Personnel		6,938	
Social Security		2,384	
State Retirement		873	
Medical Insurance		2,167	
Unemployment Compensation		32	
Employer Medicare		558	
Data Processing Services		3,672	
Travel		231	
Data Processing Supplies		1,176	
Total Fiscal Services			52,267

Operation of Plant

Supervisor/Director	\$	26,911	
Custodial Personnel		91,334	
Social Security		7,066	
State Retirement		3,377	
Medical Insurance		10,116	
Unemployment Compensation		137	
Employer Medicare		1,653	
Other Contracted Services		1,559	
Custodial Supplies		18,513	
Electricity		138,940	
Natural Gas		85,732	
Water and Sewer		15,387	
Boiler Insurance		1,754	
Building and Contents Insurance		31,956	
Plant Operation Equipment		1,457	
Total Operation of Plant			435,892

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	28,743	
Other Salaries & Wages		28,743	
Social Security		3,524	
State Retirement		1,219	
Medical Insurance		2,698	
Unemployment Compensation		39	
Employer Medicare		824	
Communication		252	
Maintenance & Repair Services- Buildings		8,652	
Maintenance & Repair Services- Equipment		26,802	
Other Supplies and Materials		6,498	
Maintenance Equipment		853	
Total Maintenance of Plant			\$ 108,847

Transportation

Supervisor/Director	\$	26,911	
Bus Drivers		67,260	
Social Security		5,704	
State Retirement		3,253	
Life Insurance		21	
Medical Insurance		4,521	
Unemployment Compensation		124	
Employer Medicare		1,334	
Maintenance & Repair Services- Vehicles		28,528	
Diesel Fuel		23,822	
Gasoline		2,455	
Lubricants		456	
Tires and Tubes		5,348	
Other Supplies and Materials		2,864	
Vehicle and Equipment Insurance		9,866	
Total Transportation			182,467

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	43,736	
Social Security		2,405	
State Retirement		2,413	
Medical Insurance		8,189	
Unemployment Compensation		20	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$	562	
Communication		72	
Payments to Schools - Breakfast		80,499	
Payments to Schools - Lunch		218,916	
Payments to Schools - Other		6,218	
Travel		1,697	
Other Contracted Services		1,553	
Other Supplies and Materials		547	
Total Food Service			\$ 366,827

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	125,000	
Building Improvements		48,303	
Other Capital Outlay		47,329	
Total Regular Capital Outlay			220,632

Total General Purpose School Fund \$ 6,409,219

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	214,126	
Educational Assistants		21,465	
Certified Substitute Teachers		2,074	
Social Security		14,579	
State Retirement		12,146	
Medical Insurance		19,356	
Unemployment Compensation		156	
Employer Medicare		3,410	
Consultants		2,125	
Maintenance & Repair Services- Equipment		5,623	
Instructional Supplies and Materials		17,223	
Total Regular Instruction Program			\$ 312,283

Special Education Program

Teachers	\$	33,374
Educational Assistants		85,963
Certified Substitute Teachers		111

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	7,382	
State Retirement		3,617	
Unemployment Compensation		192	
Employer Medicare		1,726	
Contracts with Private Agencies		51,511	
Maintenance & Repair Services- Equipment		310	
Instructional Supplies and Materials		5,703	
Special Education Equipment		3,190	
Total Special Education Program			\$ 193,079

Vocational Education Program

Teachers	\$	8,000	
Social Security		496	
State Retirement		440	
Medical Insurance		609	
Unemployment Compensation		30	
Employer Medicare		116	
Travel		833	
Instructional Supplies and Materials		7,525	
Vocational Instruction Equipment		8,193	
Total Vocational Education Program			26,242

Support Services

Regular Instruction Program

Supervisor/Director	\$	24,320	
Secretary(s)		10,614	
Social Security		1,892	
State Retirement		1,563	
Medical Insurance		7,702	
Unemployment Compensation		39	
Employer Medicare		443	
Travel		24,875	
Other Supplies and Materials		7,435	
In Service/Staff Development		20,450	
Other Charges		1,191	
Other Equipment		903	
Total Regular Instruction Program			101,427

(Continued)

Exhibit F-4

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Travel	\$ 2,750	
Other Charges	499	
Total Special Education Program		\$ 3,249

Vocational Education Program

Travel	\$ 925	
Total Vocational Education Program		925

Operation of Plant

Electricity	\$ 2,109	
Natural Gas	2,138	
Total Operation of Plant		4,247

Transportation

Other Charges	\$ 8,000	
Total Transportation		8,000

Total School Federal Projects Fund \$ 649,452

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Salaries & Wages	\$ 353,704	
Social Security	95,586	
Architects	124,520	
Engineering Services	316,768	
Building Construction	4,033,243	
Maintenance Equipment	56,626	
Plant Operation Equipment	271,446	
Site Development	214,053	
Total Education Capital Projects		\$ 5,465,946

Total Education Capital Projects Fund 5,465,946

Total Governmental Funds - Lake County School Department \$ 12,524,617

**SINGLE AUDIT REPORT**  
**LAKE COUNTY, TENNESSEE**  
**AND**  
**LAKE COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*NORM NORMENT, CGFM*  
*Audit Manager*

*NOLAN R. BRADFORD, CPA, CGFM*  
*Auditor 4*

*MICHAEL C. HULME, CPA, CGFM*  
*ELISHA CROWELL*  
*State Auditors*

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
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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

August 30, 2005

Lake County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Lake County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lake County, Tennessee, and the Lake County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Lake County's and the Lake County School Department's basic financial statements and have issued our reports thereon dated August 30, 2005. Our reports on the financial statements of Lake County and the Lake County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake County's and the Lake County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve

matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lake County's and the Lake County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03, 05.04, and 05.05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County's and the Lake County School Department's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.06, and 05.07.

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

This report is intended solely for information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT

SUITE 1500  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 30, 2005

Lake County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Lake County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Lake County and the Lake County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Lake County's and the Lake County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Lake County's and the Lake County School Department's management. Our responsibility is to express an opinion on Lake County's and the Lake County School Department's compliance based on our audit.

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake County's and the Lake County School Department's compliance with those requirements.

In our opinion, Lake County and the Lake County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Lake County and the Lake County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake County's and the Lake County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lake County, Tennessee, and the Lake County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 30, 2005. Our reports on the financial statements of Lake County and the Lake County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

Lake County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Lake County, Tennessee, and the Lake County School Department for the year ended June 30, 2004, which have not been corrected.

**LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OTHER FINDINGS AND RECOMMENDATIONS**

04.06	15	A central system of accounting, budgeting, and purchasing had not been adopted
04.07	15	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
04.08	15	The county had deficiencies in accounting for patient accounts receivable at the ambulance service
04.09	16	The office made payments to a county commissioner in violation of the conflict of interest statute

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**LAKE COUNTY, TENNESSEE, AND THE  
LAKE COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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

1. Adverse opinions were issued on the financial statements of Lake County and the Lake County School Department.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements of Lake County and the Lake County School Department. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of both Lake County and the Lake County School Department.
4. Our audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. Title I Grants to Local Educational Agencies (CFDA No. 84.010), Special Education – Grants to States (CFDA No. 84.027), and Education Technology State Grants (CFDA No. 84.318X) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Lake County and the Lake County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We have reviewed these findings and recommendations with management to provide an opportunity for their response. The written response of the trustee is quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT

FINDING 05.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

Lake County and the Lake County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Lake County and the Lake County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Lake County’s and the Lake County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires counties that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Lake County’s and the Lake County School Department’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Lake County and the Lake County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical cost of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

## OFFICE OF TRUSTEE

### FINDING 05.02      **SOME COUNTY FUNDS WERE NOT INVESTED IN ACCORDANCE WITH STATE STATUTE** (Noncompliance Under Government Auditing Standards)

The trustee had investments totaling \$1,450,000 in Educational Loan Revenue Bonds at June 30, 2005. These bonds were uninsured, unregistered, and held by the county's financial agent which is the counterparty for these investments. These bonds were not an investment type permitted by Section 5-8-301, Tennessee Code Annotated. This statute requires that such public funds be invested in bonds, notes, or treasury bills of the U.S. government; 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 county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

### RECOMMENDATION

The trustee should ensure all county funds are invested in accordance with state statute.

### MANAGEMENT'S RESPONSE – TRUSTEE (DIRECT QUOTE)

“The county consulted with its investment advisors and lawyers about the proper investment of idle county funds. Based on that advice, the county's financial agent, which is the counter party for these investments, invested a portion of its funds in “AAA” rated bonds issued by a nonprofit, public-benefit corporation incorporated pursuant to the laws of the State of Tennessee. The corporation was formed at the request of a local government in Tennessee, and pursuant to a Plan for Doing Business approved by the Governor of the State, in accordance with the Higher Education Act. The corporation has been designated as the state's non-profit lender by the Tennessee Student Assistance Corporation, the state's statutory corporation and agency which guarantees loans in the state. The corporation's bonds that the county invested in are currently rated “Aaa” by Moody's Investor Service and “AAA” by Fitch, the highest rating assigned by each respective rating service which is substantially higher than the minimum level required by law. The Division of County Audit for the State of Tennessee has since determined that the corporation is not an authorized investment for counties as defined under Tennessee Code Annotated. Immediately upon receipt of such notice from the Division of County Audit, the county's financial agent liquidated these investments without any loss and invested in other securities as authorized by Tennessee Code Annotated.”

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 05.03      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Lake County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

### **RECOMMENDATION**

Lake County officials should consider adopting the County Financial Management System of 1981 or a private act, that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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**FINDING 05.04      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records in each of these offices were also involved in issuing receipts, preparing bank deposits, taking deposits to the bank, posting receipts to the cash journal, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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**FINDING 05.05      ACCOUNTING DEFICIENCIES OCCURRED IN PATIENT ACCOUNTS RECEIVABLE OF THE AMBULANCE SERVICE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

A control account for patient accounts receivable of the Ambulance Service was not properly maintained and did not accurately reflect patient accounts receivable at any time during the period under examination. Also, the subsidiary patient accounts receivable ledger had not been maintained properly and did not reflect correct individual patient accounts receivable balances. The Ambulance Service has a policy that provides for the write-off of uncollectible accounts receivable that are 18 months old. However, because the control

account for patient accounts receivable and the patient subsidiary accounts receivable ledger did not reflect the correct individual accounts receivable balances, we could not determine if this policy had been followed. Because of these deficiencies, patient accounts receivable at June 30, 2005, have not been reflected in the financial statements of this report. The exclusion of patient accounts receivable of the Ambulance Service at June 30, 2005, is not considered to have a material effect on Lake County's financial statements.

#### RECOMMENDATION

The control account for patient accounts receivable should be maintained properly and should accurately reflect patient accounts receivable at all times. Also, the subsidiary patient accounts receivable ledger should be maintained properly and reconciled with the control account.

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**FINDING 05.06      THE COUNTY VIOLATED THE CONFLICT OF INTEREST STATUTE AND MADE PURCHASES FROM A BUSINESS OWNED BY A COUNTY COMMISSIONER**  
(Noncompliance Under Government Auditing Standards)

During the year, the Sheriff's Office used General Fund monies to purchase groceries totaling \$45,766 from Bestway Grocery, a business owned by Denny Johnson, a member of the Lake County Commission. These payments to a business owned by a member of the County Commission violate the state conflict of interest statute, Section 12-4-101(a)(1), Tennessee Code Annotated. This statute states that "it is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county ... shall or may be interested, to be directly interested in any such contract."

#### RECOMMENDATION

County officials should review these payments and resolve the conflict of interest.

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**FINDING 05.07      GENERAL DEBT SERVICE FUNDS WERE IMPROPERLY EXPENDED TO PURCHASE PROPERTY**  
(Noncompliance Under Government Auditing Standards)

The County Commission authorized a payment of \$63,823 from the General Debt Service Fund to purchase an old factory building at a tax sale that was conducted by the Lake County Clerk and Master. Debt service funds are established for the purpose of accumulating resources for the payment of principal and interest on long-term debt. The expenditure of debt service funds to purchase property is not in accordance with that purpose. Courts have ruled that revenues generated for a specific purpose, such as debt retirement, may not legally be used for another purpose.

RECOMMENDATION

The General Debt Service Fund should only be used for the payment of long-term debt of the county.

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

There were no findings and questioned costs for federal awards.

**LAKE COUNTY, TENNESSEE, AND  
LAKE COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2004**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.