

**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, 2007**



**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

*DIVISION OF COUNTY AUDIT*  
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*Assistant to the Comptroller*

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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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# ***Audit Highlights***

Annual Financial Report  
Lake County, Tennessee  
For the Year Ended June 30, 2007

## ***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, 2007.

## ***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 eight findings and recommendations, which we have reviewed with Lake County management. Detailed findings and recommendations 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.
- ◆ Lake County had not completed the steps set forth in the implementation plan for Governmental Accounting Standards Board Statement No. 34 filed with the Comptroller of the Treasury.

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### **OFFICE OF COUNTY MAYOR**

- ◆ The Solid Waste/Sanitation Fund had an undesignated fund deficit of \$20,154 at June 30, 2007.
  - ◆ The office did not file a report on debt obligation with the state director of Local Finance for a capital outlay note issued during the year.
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## **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, General Sessions, and Juvenile 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.

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# INTRODUCTORY SECTION

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Lake County Officials  
June 30, 2007

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**Officials**

Macie Roberson, County Mayor  
William Cantrell, Road Superintendent  
Tammie Hopper, Trustee  
Buddy Moore, Assessor of Property  
Jo Ann Mills, County Clerk  
Deborah Beasley, Circuit, General Sessions, and Juvenile Courts Clerk  
Nanette Cook, Clerk and Master  
Claudia Adcock, Register  
Danny Tippit, Sheriff

**Board of County Commissioners**

Macie Roberson, Chairman	
Tony Bargery	Michael Moore
Shelby Barker	Richard Perkins
Wayne Hatley	Charles Stewart
Denny Johnson	Tony White
Steve Jones	Tim Windsor
Joyce McCoy	Jimmy Yates

**Highway Commission**

Joe Williams, Chairman	Coy Leake
Sammy Parker, Vice-Chairman	Alvin Parker
William Forrest, Secretary-Treasurer	Ronald 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**

September 14, 2007

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, 2007, as shown on pages 15 through 33 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, 2007, 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, 2007, 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 September 14, 2007, 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.

The budgetary comparison and pension information on pages 37 through 41 are not required parts of the basic financial statements but they do provide 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds 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 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". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lake County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 937,466	\$ 661,460	\$ 2,026,143	\$ 15,342	\$ 3,640,411
Accounts Receivable	36,163	10	30	10	36,213
Due from Other Governments	80,176	212,502	58,806	0	351,484
Property Taxes Receivable	738,714	24,752	71,918	24,752	860,136
Allowance for Uncollectible Property Taxes	(11,446)	(383)	(1,114)	(384)	(13,327)
Total Assets	<u>\$ 1,781,073</u>	<u>\$ 898,341</u>	<u>\$ 2,155,783</u>	<u>\$ 39,720</u>	<u>\$ 4,874,917</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 42,650	\$ 0	\$ 550	\$ 43,200
Deferred Revenue - Current Property Taxes	690,615	23,141	67,236	23,141	804,133
Deferred Revenue - Delinquent Property Taxes	32,526	1,090	3,166	1,090	37,872
Other Deferred Revenues	15,072	106,251	29,403	0	150,726
Total Liabilities	<u>\$ 738,213</u>	<u>\$ 173,132</u>	<u>\$ 99,805</u>	<u>\$ 24,781</u>	<u>\$ 1,035,931</u>
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 9,308	\$ 9,308
Reserved for Alcohol and Drug Treatment	3,147	0	0	0	3,147
Reserved for Computer System - Register	1,661	0	0	0	1,661
Reserved for Automation Purposes - Chancery Court	528	0	0	0	528
Reserved for Capital Outlay	0	0	0	21,751	21,751
Other Federal Reserves	3,544	0	0	0	3,544
Unreserved, Reported In:					
General Fund	1,033,980	0	0	0	1,033,980
Special Revenue Funds (Deficit)	0	725,209	0	(16,120)	709,089
Debt Service Funds	0	0	2,055,978	0	2,055,978
Total Fund Balances	<u>\$ 1,042,860</u>	<u>\$ 725,209</u>	<u>\$ 2,055,978</u>	<u>\$ 14,939</u>	<u>\$ 3,838,986</u>
Total Liabilities and Fund Balances	<u>\$ 1,781,073</u>	<u>\$ 898,341</u>	<u>\$ 2,155,783</u>	<u>\$ 39,720</u>	<u>\$ 4,874,917</u>

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, 2007

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 966,472	\$ 23,161	\$ 437,619	\$ 31,970	\$ 1,459,222
Licenses and Permits	4,550	0	0	0	4,550
Fines, Forfeitures, and Penalties	35,491	0	0	4,036	39,527
Charges for Current Services	716,039	0	0	3,135	719,174
Other Local Revenues	258,298	96,758	103,190	201	458,447
Fees Received from County Officials	255,106	0	0	0	255,106
State of Tennessee	699,729	1,387,304	0	0	2,087,033
Federal Government	602,211	0	0	0	602,211
Other Governments and Citizens Groups	47,607	620	125,000	28,497	201,724
Total Revenues	\$ 3,585,503	\$ 1,507,843	\$ 665,809	\$ 67,839	\$ 5,826,994
<u>Expenditures</u>					
Current:					
General Government	\$ 501,833	\$ 0	\$ 0	\$ 379	\$ 502,212
Finance	265,336	0	0	1,738	267,074
Administration of Justice	336,312	0	0	2,366	338,678
Public Safety	873,995	0	0	6,404	880,399
Public Health and Welfare	672,020	0	0	67,795	739,815
Social, Cultural, and Recreational Services	111,865	0	0	0	111,865
Agricultural and Natural Resources	23,559	0	0	0	23,559
Other Operations	579,739	0	0	0	579,739
Highways	0	1,373,277	0	0	1,373,277
Debt Service:					
Principal on Debt	0	0	187,373	0	187,373
Interest on Debt	0	0	436,217	0	436,217
Other Debt Service	0	0	2,756,668	0	2,756,668
Total Expenditures	\$ 3,364,659	\$ 1,373,277	\$ 3,380,258	\$ 78,682	\$ 8,196,876

(Continued)

Exhibit B

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 220,844	\$ 134,566	\$ (2,714,449)	\$ (10,843)	\$ (2,369,882)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 57,000	\$ 0	\$ 0	\$ 0	\$ 57,000
Bonds Issued	0	0	2,750,000	0	2,750,000
Insurance Recovery	16,881	0	0	0	16,881
Total Other Financing Sources (Uses)	\$ 73,881	\$ 0	\$ 2,750,000	\$ 0	\$ 2,823,881
Net Change in Fund Balances	\$ 294,725	\$ 134,566	\$ 35,551	\$ (10,843)	\$ 453,999
Fund Balance, July 1, 2006	748,135	590,643	2,020,427	25,782	3,384,987
Fund Balance, June 30, 2007	\$ 1,042,860	\$ 725,209	\$ 2,055,978	\$ 14,939	\$ 3,838,986

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 2,615,110
Cash	224,730
Investments	18,729
Due from Other Governments	<u>25,119</u>
Total Assets	<u>\$ 2,883,688</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 53,879
Due to Litigants, Heirs, and Others	<u>2,829,809</u>
Total Liabilities	<u>\$ 2,883,688</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, 2007**

**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 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, Suite 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. 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.

**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, assets held in custody for two joint ventures, 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 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 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**

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .83 percent of total taxes levied.

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

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

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

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

## **3. 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 the Highway Department) not to 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, 2007:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Juvenile Court	\$ 986

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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 County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

### B. Fund Deficit

The Solid Waste/Sanitation Fund had a fund deficit of \$20,154 in the undesignated fund balance account at June 30, 2007. This fund deficit resulted from the county using capital outlay notes that were legally restricted for capital purposes to fund operating expenses in the current and prior years. We have properly reflected these use restrictions in the financial statements of this report.

## 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 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 had no pooled investments at June 30, 2007.

**Investment Balances.** As of June 30, 2007, Lake County had the following non-pooled investments carried at fair value. This investment is in the Constitutional Officers - Agency Fund and does not expose the county to any risk; therefore, further disclosure is not required.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Savings Bonds - Series I	on demand	<u>\$ 18,729</u>
Total		<u><u>\$ 18,729</u></u>

**B. Capital Lease**

On January 23, 2006, Lake County entered into a two-year lease-purchase agreement for a vehicle for the Sheriff's Department. The terms of the agreement require total lease payments of \$21,593 plus interest of 5.65 percent. Title to the vehicle transfers to Lake County at the end of the lease period. The General Debt Service Fund is making the lease payments.

Since Lake County is presenting fund financial statements only, the present value of minimum lease payments under the lease agreement 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 statements, but Lake County is not presenting government-wide statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	<u>\$ 7,596</u>
Total Minimum Lease Payments	<u>\$ 7,596</u>
Amount Representing Interest	<u>(406)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 7,190</u></u>

**C. 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, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	3.5 to 5.5 %	\$ 11,550,000	\$ 11,071,178
Capital Outlay Notes	3.73 to 4.88	162,000	105,015
Capital Lease	5.65	21,593	7,190

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 161,294	\$ 516,411	\$ 41,697	\$ 4,573
2009	172,313	510,492	43,492	2,772
2010	183,381	503,799	19,826	874
2011	239,500	496,680	0	0
2012	255,673	486,635	0	0
2013-2017	1,508,018	2,260,085	0	0
2018-2022	2,037,004	1,890,837	0	0
2023-2027	2,726,267	1,355,998	0	0
2028-2032	2,503,511	644,156	0	0
2033-2037	1,107,162	202,881	0	0
2038-2039	177,055	13,115	0	0
Total	\$ 11,071,178	\$ 8,881,089	\$ 105,015	\$ 8,219

There is \$2,055,978 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,392, based on the 2000 federal census. Debt per capita, including bonds, notes, and the capital lease totaled \$1,406, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2006	\$ 8,471,499	\$ 70,558	\$ 21,699
Additions	2,750,000	57,000	0
Deductions	(150,321)	(22,543)	(14,509)
Balance, June 30, 2007	<u>\$ 11,071,178</u>	<u>\$ 105,015</u>	<u>\$ 7,190</u>
Balance Due Within One Year	<u>\$ 161,294</u>	<u>\$ 41,697</u>	<u>\$ 7,190</u>

	Compensated Absences
Balance, July 1, 2006	\$ 48,659
Additions	17,597
Deductions	15,245
Balance, June 30, 2007	<u>\$ 51,011</u>
Balance Due Within One Year	<u>\$ 2,551</u>

Compensated absences will be paid by the employing funds.

**IV. OTHER INFORMATION**

**A. Risk Management**

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

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, 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. Contingent Liabilities**

The county attorney stated that he was not aware of any potential claims that were pending which would materially affect the county's financial statements.

As described in Note IV.D., below, Lake County is a participant with Obion and Dyer counties in a joint venture known as the Northwest Tennessee Regional Port Authority. The port authority borrowed \$2.2 million in March 2007, and an additional \$410,000 in April 2007. The county commissions of the participating counties have approved making payments on these debt issuances (Lake County - 50 percent, Dyer County - 25 percent, and Obion County - 25 percent) until such time as the port authority has revenue to make payments.

**C. Change in Administration**

On August 31, 2006, Paul David Jones left the Office of Sheriff and was succeeded by Danny Tippit.

**D. 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 January 2007, Lake County issued \$2,750,000 in general obligation bonds and contributed the net proceeds to the port authority 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. As noted in footnote IV.B. above, in

March 2007, the port authority borrowed \$2.2 million at 4.15 percent interest for the construction costs of the port. Interest payments are to begin in September 2007 and conclude with a lump-sum principal retirement in March 2012. In April 2007, the port authority borrowed an additional \$410,000 without interest for additional construction costs of the port with payments of \$4,271 due in 96 monthly installments beginning in April 2009.

Lake County is a participant with Dyer County and the cities of Tiptonville, Ridgely, and Dyersburg in an entity known as the TennKen Railroad Authority. The governing board for the authority consists of the mayors of both counties and all three cities. This entity was created to facilitate active involvement by all affected local governments in Tennessee regarding a section of railroad track commonly known as the TennKen Railroad. The TennKen Railroad is owned by the Hickman River City Development Corporation (HRCDC), a public entity chartered in Kentucky. The HRCDC had previously purchased the line from Illinois Central Railroad to ensure rail access to the river port in Hickman, Kentucky. All funding for the Lake County Railroad Authority comes from the State of Tennessee through the Tennessee Department of Transportation as grants which are used for the maintenance and rehabilitation of the TennKen Railroad track and the necessary engineering services for said maintenance and rehabilitation. The Lake County Mayor's Office handles the administration of these grant funds and passes them through to the HRCDC for disbursement.

## **E. Retirement Commitments**

### **Employees**

#### **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 Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or 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 ending June 30, 2007, was 4.02 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 ending June 30, 2007, Lake County’s annual pension cost of \$93,027 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$93,027	100%	\$0
6-30-06	48,323	100	0
6-30-05	46,646	100	0

**F. 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 provide for purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 966,472	\$ 970,098	\$ 970,098	\$ (3,626)
Licenses and Permits	4,550	2,200	2,200	2,350
Fines, Forfeitures, and Penalties	35,491	30,084	30,084	5,407
Charges for Current Services	716,039	534,560	664,560	51,479
Other Local Revenues	258,298	183,050	243,050	15,248
Fees Received from County Officials	255,106	228,300	228,300	26,806
State of Tennessee	699,729	565,962	630,808	68,921
Federal Government	602,211	615,800	615,800	(13,589)
Other Governments and Citizens Groups	47,607	52,201	52,201	(4,594)
<b>Total Revenues</b>	<b>\$ 3,585,503</b>	<b>\$ 3,182,255</b>	<b>\$ 3,437,101</b>	<b>\$ 148,402</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 28,907	\$ 27,982	\$ 28,907	\$ 0
County Mayor/Executive	109,054	107,725	109,054	0
County Attorney	17,603	11,137	17,604	1
Election Commission	144,132	72,584	144,132	0
Register of Deeds	66,553	67,343	67,343	790
Development	15,310	15,149	15,310	0
County Buildings	120,274	81,300	120,457	183
<u>Finance</u>				
Property Assessor's Office	88,414	90,482	90,483	2,069
Reappraisal Program	5,064	4,980	5,064	0
County Trustee's Office	88,459	86,595	88,484	25
County Clerk's Office	83,399	82,401	83,895	496
<u>Administration of Justice</u>				
Circuit Court	137,761	139,694	139,794	2,033
General Sessions Court	92,102	93,586	93,587	1,485
Chancery Court	68,831	68,480	68,911	80
Juvenile Court	36,489	35,963	36,541	52
Other Administration of Justice	1,129	800	1,129	0
<u>Public Safety</u>				
Sheriff's Department	409,942	398,960	414,585	4,643
Jail	418,836	361,935	420,533	1,697
Civil Defense	45,217	62,000	61,648	16,431
<u>Public Health and Welfare</u>				
Local Health Center	84,586	90,779	90,778	6,192
Rabies and Animal Control	352	0	352	0
Ambulance/Emergency Medical Services	554,975	532,677	557,349	2,374
Maternal and Child Health Services	500	500	500	0
Sanitation Management	31,607	28,000	31,607	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	85,773	68,599	85,950	177

(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>				
Libraries	\$ 19,000	\$ 19,000	\$ 19,000	\$ 0
Other Social, Cultural, and Recreational	7,092	6,800	7,092	0
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	23,559	23,469	23,559	0
<u>Other Operations</u>				
Tourism	48,036	49,000	49,000	964
Other Economic and Community Development	502,177	500,000	502,177	0
Other Charges	27,378	25,250	27,461	83
Contributions to Other Agencies	2,148	3,650	3,650	1,502
Total Expenditures	<u>\$ 3,364,659</u>	<u>\$ 3,156,820</u>	<u>\$ 3,405,936</u>	<u>\$ 41,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 220,844</u>	<u>\$ 25,435</u>	<u>\$ 31,165</u>	<u>\$ 189,679</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 57,000	\$ 0	\$ 0	\$ 57,000
Insurance Recovery	16,881	3,000	16,881	0
Total Other Financing Sources (Uses)	<u>\$ 73,881</u>	<u>\$ 3,000</u>	<u>\$ 16,881</u>	<u>\$ 57,000</u>
Net Change in Fund Balance	\$ 294,725	\$ 28,435	\$ 48,046	\$ 246,679
Fund Balance, July 1, 2006	<u>748,135</u>	<u>793,679</u>	<u>793,679</u>	<u>(45,544)</u>
Fund Balance, June 30, 2007	<u>\$ 1,042,860</u>	<u>\$ 822,114</u>	<u>\$ 841,725</u>	<u>\$ 201,135</u>

Exhibit D-2

Lake County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 23,161	\$ 23,050	\$ 23,050	\$ 111
Other Local Revenues	96,758	20,000	20,000	76,758
State of Tennessee	1,387,304	1,551,660	1,551,660	(164,356)
Other Governments and Citizens Groups	620	30,000	30,000	(29,380)
Total Revenues	<u>\$ 1,507,843</u>	<u>\$ 1,624,710</u>	<u>\$ 1,624,710</u>	<u>\$ (116,867)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 160,416	\$ 185,339	\$ 185,339	\$ 24,923
Highway and Bridge Maintenance	320,624	907,000	907,000	586,376
Operation and Maintenance of Equipment	265,416	316,354	316,354	50,938
Other Charges	105,353	122,000	122,000	16,647
Employee Benefits	307,706	328,000	328,000	20,294
Capital Outlay	213,762	290,000	290,000	76,238
Total Expenditures	<u>\$ 1,373,277</u>	<u>\$ 2,148,693</u>	<u>\$ 2,148,693</u>	<u>\$ 775,416</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 134,566</u>	<u>\$ (523,983)</u>	<u>\$ (523,983)</u>	<u>\$ 658,549</u>
Net Change in Fund Balance	\$ 134,566	\$ (523,983)	\$ (523,983)	\$ 658,549
Fund Balance, July 1, 2006	<u>590,643</u>	<u>939,705</u>	<u>939,705</u>	<u>(349,062)</u>
Fund Balance, June 30, 2007	<u>\$ 725,209</u>	<u>\$ 415,722</u>	<u>\$ 415,722</u>	<u>\$ 309,487</u>

Exhibit D-3

Lake County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**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	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 4,422	\$ 4,422	\$ 0	100 %	\$ 2,258	0 %
6-30-03	4,187	4,187	0	100	1,767	0
6-30-01	4,032	4,032	0	100	1,354	0

**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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 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 Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, 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 county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than 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.

Exhibit E-1

Lake County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 405	\$ 1,450	\$ 13,487	\$ 15,342
Accounts Receivable	0	10	0	10
Property Taxes Receivable	0	24,752	0	24,752
Allowance for Uncollectible Property Taxes	0	(384)	0	(384)
Total Assets	<u>\$ 405</u>	<u>\$ 25,828</u>	<u>\$ 13,487</u>	<u>\$ 39,720</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 0	\$ 550	\$ 550
Deferred Revenue - Current Property Taxes	0	23,141	0	23,141
Deferred Revenue - Delinquent Property Taxes	0	1,090	0	1,090
Total Liabilities	<u>\$ 0</u>	<u>\$ 24,231</u>	<u>\$ 550</u>	<u>\$ 24,781</u>
<u>Fund Balances</u>				
Reserved for Purchase of Electronic Fingerprint Imaging	\$ 0	\$ 0	\$ 9,308	\$ 9,308
Reserved for Capital Outlay	0	21,751	0	21,751
Unreserved (Deficit)	405	(20,154)	3,629	(16,120)
Total Fund Balances	<u>\$ 405</u>	<u>\$ 1,597</u>	<u>\$ 12,937</u>	<u>\$ 14,939</u>
Total Liabilities and Fund Balances	<u>\$ 405</u>	<u>\$ 25,828</u>	<u>\$ 13,487</u>	<u>\$ 39,720</u>

Exhibit E-2

Lake County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Funds				
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total Nonmajor Governmental Funds
<u>Revenues</u>					
Local Taxes	\$ 1,371	\$ 30,599	\$ 0	\$ 0	\$ 31,970
Fines, Forfeitures, and Penalties	0	0	4,036	0	4,036
Charges for Current Services	0	0	0	3,135	3,135
Other Local Revenues	0	201	0	0	201
Other Governments and Citizens Groups	0	28,497	0	0	28,497
Total Revenues	<u>\$ 1,371</u>	<u>\$ 59,297</u>	<u>\$ 4,036</u>	<u>\$ 3,135</u>	<u>\$ 67,839</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 379	\$ 379
Finance	0	0	0	1,738	1,738
Administration of Justice	1,348	0	0	1,018	2,366
Public Safety	0	0	6,404	0	6,404
Public Health and Welfare	0	67,795	0	0	67,795
Total Expenditures	<u>\$ 1,348</u>	<u>\$ 67,795</u>	<u>\$ 6,404</u>	<u>\$ 3,135</u>	<u>\$ 78,682</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 23</u>	<u>\$ (8,498)</u>	<u>\$ (2,368)</u>	<u>\$ 0</u>	<u>\$ (10,843)</u>
Net Change in Fund Balances	<u>\$ 23</u>	<u>\$ (8,498)</u>	<u>\$ (2,368)</u>	<u>\$ 0</u>	<u>\$ (10,843)</u>
Fund Balance, July 1, 2006	382	10,095	15,305	0	25,782
Fund Balance, June 30, 2007	<u><u>\$ 405</u></u>	<u><u>\$ 1,597</u></u>	<u><u>\$ 12,937</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 14,939</u></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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,371	\$ 1,400	\$ 1,400	\$ (29)
Total Revenues	\$ 1,371	\$ 1,400	\$ 1,400	\$ (29)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 1,348	\$ 1,625	\$ 1,625	\$ 277
Total Expenditures	\$ 1,348	\$ 1,625	\$ 1,625	\$ 277
Excess (Deficiency) of Revenues Over Expenditures	\$ 23	\$ (225)	\$ (225)	\$ 248
Net Change in Fund Balance	\$ 23	\$ (225)	\$ (225)	\$ 248
Fund Balance, July 1, 2006	382	383	383	(1)
Fund Balance, June 30, 2007	\$ 405	\$ 158	\$ 158	\$ 247

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 30,599	\$ 29,161	\$ 29,161	\$ 1,438
Other Local Revenues	201	450	450	(249)
Other Governments and Citizens Groups	28,497	30,696	30,696	(2,199)
Total Revenues	<u>\$ 59,297</u>	<u>\$ 60,307</u>	<u>\$ 60,307</u>	<u>\$ (1,010)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 27,372	\$ 31,491	\$ 31,491	\$ 4,119
Other Waste Disposal	40,423	32,400	40,424	1
Total Expenditures	<u>\$ 67,795</u>	<u>\$ 63,891</u>	<u>\$ 71,915</u>	<u>\$ 4,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (8,498)</u>	<u>\$ (3,584)</u>	<u>\$ (11,608)</u>	<u>\$ 3,110</u>
Net Change in Fund Balance	\$ (8,498)	\$ (3,584)	\$ (11,608)	\$ 3,110
Fund Balance, July 1, 2006	<u>10,095</u>	<u>9,941</u>	<u>11,608</u>	<u>(1,513)</u>
Fund Balance, June 30, 2007	<u><u>\$ 1,597</u></u>	<u><u>\$ 6,357</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,597</u></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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 4,036	\$ 4,000	\$ 4,000	\$ 36
Total Revenues	\$ 4,036	\$ 4,000	\$ 4,000	\$ 36
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 6,404	\$ 3,045	\$ 6,628	\$ 224
Total Expenditures	\$ 6,404	\$ 3,045	\$ 6,628	\$ 224
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,368)	\$ 955	\$ (2,628)	\$ 260
Net Change in Fund Balance	\$ (2,368)	\$ 955	\$ (2,628)	\$ 260
Fund Balance, July 1, 2006	15,305	14,998	14,998	307
Fund Balance, June 30, 2007	\$ 12,937	\$ 15,953	\$ 12,370	\$ 567

# **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-term 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 437,619	\$ 423,788	\$ 423,788	\$ 13,831
Other Local Revenues	103,190	56,000	56,000	47,190
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 665,809</u>	<u>\$ 604,788</u>	<u>\$ 604,788</u>	<u>\$ 61,021</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 57,373	\$ 55,858	\$ 57,562	\$ 189
Education	130,000	130,000	130,000	0
<u>Interest on Debt</u>				
General Government	141,672	78,327	141,672	0
Education	294,545	294,545	294,545	0
<u>Other Debt Service</u>				
General Government	2,755,943	5,500	2,755,943	0
Education	725	483	725	0
Total Expenditures	<u>\$ 3,380,258</u>	<u>\$ 3,314,713</u>	<u>\$ 3,380,447</u>	<u>\$ 189</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,714,449)</u>	<u>\$ (2,709,925)</u>	<u>\$ (2,775,659)</u>	<u>\$ 61,210</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 2,750,000	\$ 2,750,000	\$ 2,750,000	0
Total Other Financing Sources (Uses)	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>\$ 2,750,000</u>	<u>0</u>
Net Change in Fund Balance	\$ 35,551	\$ 40,075	\$ (25,659)	\$ 61,210
Fund Balance, July 1, 2006	2,020,427	2,021,127	2,021,127	(700)
Fund Balance, June 30, 2007	<u>\$ 2,055,978</u>	<u>\$ 2,061,202</u>	<u>\$ 1,995,468</u>	<u>\$ 60,510</u>

# Fiduciary 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.

Joint Venture Fund – The Joint Venture 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.

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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Other Agency Fund – The Other Agency Fund is used to account for debt issued by Lake County for the Northwest Tennessee Regional Port Authority for the acquisition of land and development of port facilities and related expenses.

Exhibit G-1

Lake County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 0	\$ 30,201	\$ 75,861	\$ 0	\$ 2,509,048	\$ 2,615,110
Cash	0	0	0	224,730	0	224,730
Investments	0	0	0	18,729	0	18,729
Due from Other Governments	23,678	0	1,441	0	0	25,119
Total Assets	<u>\$ 23,678</u>	<u>\$ 30,201</u>	<u>\$ 77,302</u>	<u>\$ 243,459</u>	<u>\$ 2,509,048</u>	<u>\$ 2,883,688</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 23,678	\$ 30,201	\$ 0	\$ 0	\$ 0	\$ 53,879
Due to Litigants, Heirs, and Others	0	0	77,302	243,459	2,509,048	2,829,809
Total Liabilities	<u>\$ 23,678</u>	<u>\$ 30,201</u>	<u>\$ 77,302</u>	<u>\$ 243,459</u>	<u>\$ 2,509,048</u>	<u>\$ 2,883,688</u>

Exhibit G-2

Lake County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 125,517	\$ 125,517	\$ 0
Due from Other Governments	27,237	23,678	27,237	23,678
<b>Total Assets</b>	<b>\$ 27,237</b>	<b>\$ 149,195</b>	<b>\$ 152,754</b>	<b>\$ 23,678</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,237	\$ 149,195	\$ 152,754	\$ 23,678
<b>Total Liabilities</b>	<b>\$ 27,237</b>	<b>\$ 149,195</b>	<b>\$ 152,754</b>	<b>\$ 23,678</b>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 28,717	\$ 5,732	\$ 4,248	\$ 30,201
<b>Total Assets</b>	<b>\$ 28,717</b>	<b>\$ 5,732</b>	<b>\$ 4,248</b>	<b>\$ 30,201</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 28,717	\$ 5,732	\$ 4,248	\$ 30,201
<b>Total Liabilities</b>	<b>\$ 28,717</b>	<b>\$ 5,732</b>	<b>\$ 4,248</b>	<b>\$ 30,201</b>
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 12,149	\$ 1,113,664	\$ 1,049,952	\$ 75,861
Due from Other Governments	7,688	1,441	7,688	1,441
<b>Total Assets</b>	<b>\$ 19,837</b>	<b>\$ 1,115,105</b>	<b>\$ 1,057,640</b>	<b>\$ 77,302</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 19,837	\$ 1,115,105	\$ 1,057,640	\$ 77,302
<b>Total Liabilities</b>	<b>\$ 19,837</b>	<b>\$ 1,115,105</b>	<b>\$ 1,057,640</b>	<b>\$ 77,302</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 240,337	\$ 1,152,751	\$ 1,168,358	\$ 224,730
Investments	15,000	3,729	0	18,729
<b>Total Assets</b>	<b>\$ 255,337</b>	<b>\$ 1,156,480</b>	<b>\$ 1,168,358</b>	<b>\$ 243,459</b>

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 255,337	\$ 1,156,480	\$ 1,168,358	\$ 243,459
Total Liabilities	<u>\$ 255,337</u>	<u>\$ 1,156,480</u>	<u>\$ 1,168,358</u>	<u>\$ 243,459</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,659,953	\$ 150,905	\$ 2,509,048
Total Assets	<u>\$ 0</u>	<u>\$ 2,659,953</u>	<u>\$ 150,905</u>	<u>\$ 2,509,048</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 2,659,953	\$ 150,905	\$ 2,509,048
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,659,953</u>	<u>\$ 150,905</u>	<u>\$ 2,509,048</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 40,866	\$ 3,904,866	\$ 1,330,622	\$ 2,615,110
Cash	240,337	1,152,751	1,168,358	224,730
Investments	15,000	3,729	0	18,729
Due from Other Governments	34,925	25,119	34,925	25,119
Total Assets	<u>\$ 331,128</u>	<u>\$ 5,086,465</u>	<u>\$ 2,533,905</u>	<u>\$ 2,883,688</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 55,954	\$ 154,927	\$ 157,002	\$ 53,879
Due to Litigants, Heirs, and Others	275,174	4,931,538	2,376,903	2,829,809
Total Liabilities	<u>\$ 331,128</u>	<u>\$ 5,086,465</u>	<u>\$ 2,533,905</u>	<u>\$ 2,883,688</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Lake County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b><u>NOTES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Incinerator	\$ 65,000	4.88	% 12-14-01	12-14-08	\$ 30,558	\$ 0	\$ 9,701	\$ 20,857
Solid Waste Building and Equipment Repair	40,000	3.73	10-18-05	10-18-08	40,000	0	12,842	27,158
Ambulance	57,000	4.35	12-18-06	12-18-09	0	57,000	0	57,000
Total Notes Payable					<u>\$ 70,558</u>	<u>\$ 57,000</u>	<u>\$ 22,543</u>	<u>\$ 105,015</u>
<b><u>CAPITAL LEASES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Sheriff Department Vehicle	23,123	4.5	11-5-04	11-5-06	\$ 7,703	\$ 0	\$ 7,703	0
Sheriff Department Vehicle	21,593	5.65	1-23-06	1-23-08	13,996	0	6,806	7,190
Total Capital Leases Payable					<u>\$ 21,699</u>	<u>\$ 0</u>	<u>\$ 14,509</u>	<u>\$ 7,190</u>
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Jail Construction/Renovation	1,650,000	4.75 to 5	3-14-01	3-14-39	\$ 1,561,499	\$ 0	\$ 20,321	\$ 1,541,178
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-30	6,910,000	0	130,000	6,780,000
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	0	2,750,000	0	2,750,000
Total Bonds Payable					<u>\$ 8,471,499</u>	<u>\$ 2,750,000</u>	<u>\$ 150,321</u>	<u>\$ 11,071,178</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
2008	\$ 161,294	\$ 516,411	\$ 677,705
2009	172,313	510,492	682,805
2010	183,381	503,799	687,180
2011	239,500	496,680	736,180
2012	255,673	486,635	742,308
2013	266,902	475,881	742,783
2014	283,189	464,693	747,882
2015	304,539	452,791	757,330
2016	315,953	439,985	755,938
2017	337,435	426,735	764,170
2018	358,987	412,335	771,322
2019	380,614	396,623	777,237
2020	407,319	379,686	787,005
2021	434,106	361,134	795,240
2022	455,978	341,059	797,037
2023	482,940	319,640	802,580
2024	514,996	296,959	811,955
2025	542,150	272,605	814,755
2026	574,408	246,970	821,378
2027	611,773	219,824	831,597
2028	649,252	190,225	839,477
2029	686,850	158,835	845,685
2030	729,572	125,648	855,220
2031	212,424	90,381	302,805
2032	225,413	79,067	304,480
2033	233,546	67,054	300,600
2034	246,828	54,615	301,443
2035	265,267	41,463	306,730
2036	278,872	27,313	306,185
2037	82,649	12,436	95,085
2038	86,606	8,479	95,085
2039	90,449	4,636	95,085
Total	\$ 11,071,178	\$ 8,881,089	\$ 19,952,267

Exhibit H-3

Lake County, Tennessee  
Schedule of Investments  
June 30, 2007

<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	\$ 18,729
Total Investments	\$ 18,729

Exhibit H-4

Lake County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 55,587 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, <u>TCA</u>	51,576	100,000	St. Paul Fire and Marine Insurance Company
Trustee	Section 8-24-102, <u>TCA</u>	46,569	315,000	Traveler's Casualty and Surety Company of America
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	St. Paul Fire and Marine Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	Traveler's Casualty and Surety Company of America
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	Traveler's Casualty and Surety Company of America
Clerk and Master	Section 8-24-102, <u>TCA</u>	46,569	50,000	RLI Insurance Company
Register	Section 8-24-102, <u>TCA</u>	46,569	15,000	Traveler's Casualty and Surety Company of America
Sheriff:				
Paul David Jones (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,538		
Danny Tippit (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	43,288 (2)	25,000	Traveler's Casualty and Surety Company of America
<u>Blanket Bond:</u>				
County and Highway Employees			150,000	Local Government Property and Casualty Fund

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

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

Exhibit H-5

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 650,673	\$ 0	\$ 21,801	\$ 0	\$ 0	\$ 21,802	\$ 63,348	\$ 757,624	
Trustee's Collections - Prior Year	27,424	0	919	0	0	919	2,670	31,932	
Circuit/Clerk & Master Collections - Prior Years	7,100	0	249	0	0	249	1,059	8,657	
Interest and Penalty	4,840	0	162	0	0	162	479	5,643	
Payments in-Lieu-of Taxes - Other	12,718	0	0	0	0	0	0	12,718	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	67,004	0	0	0	0	0	289,296	356,300	
Hotel/Motel Tax	40,033	0	0	0	0	0	0	40,033	
Wheel Tax	107,298	0	7,439	0	0	0	75,278	190,015	
Litigation Tax - General	13,401	0	0	0	0	0	0	13,401	
Litigation Tax - Special Purpose	686	1,371	0	0	0	0	0	2,057	
Litigation Tax - Jail, Workhouse, or Courthouse	44	0	0	0	0	0	4,368	4,412	
Business Tax	16,963	0	0	0	0	0	997	17,960	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	8,712	0	0	0	0	0	0	8,712	
Wholesale Beer Tax	8,491	0	0	0	0	0	0	8,491	
Interstate Telecommunications Tax	252	0	0	0	0	0	0	252	
Other Statutory Local Taxes	833	0	29	0	0	29	124	1,015	
Total Local Taxes	\$ 966,472	\$ 1,371	\$ 30,599	\$ 0	\$ 0	\$ 23,161	\$ 437,619	\$ 1,459,222	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 248	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 248	
<u>Permits</u>									
Building Permits	4,302	0	0	0	0	0	0	4,302	
Total Licenses and Permits	\$ 4,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,550	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 629	
Officers Costs	2,520	0	0	0	0	0	0	2,520	
Drug Control Fines	76	0	0	1,930	0	0	0	2,006	

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	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	\$ 81	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	81
Data Entry Fee - Circuit Court	38	0	0	0	0	0	0	0	38
<u>General Sessions Court</u>									
Fines	10,525	0	0	0	0	0	0	0	10,525
Officers Costs	7,021	0	0	0	0	0	0	0	7,021
Drug Control Fines	1,423	0	0	1,856	0	0	0	0	3,279
Jail Fees	8,230	0	0	0	0	0	0	0	8,230
DUI Treatment Fines	2,073	0	0	0	0	0	0	0	2,073
Data Entry Fee - General Sessions Court	1,228	0	0	0	0	0	0	0	1,228
<u>Juvenile Court</u>									
Fines	247	0	0	0	0	0	0	0	247
Fines for Littering	28	0	0	0	0	0	0	0	28
Officers Costs	165	0	0	0	0	0	0	0	165
<u>Chancery Court</u>									
Officers Costs	1,022	0	0	0	0	0	0	0	1,022
Data Entry Fee - Chancery Court	106	0	0	0	0	0	0	0	106
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	79	0	0	0	0	0	0	0	79
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	0	250	0	0	0	0	250
Total Fines, Forfeitures, and Penalties	\$ 35,491	\$ 0	\$ 0	\$ 4,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,527
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 706,685	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	706,685
Work Release Charges for Board	1,760	0	0	0	0	0	0	0	1,760
<u>Fees</u>									
Copy Fees	387	0	0	0	0	0	0	0	387
Telephone Commissions	4,515	0	0	0	0	0	0	0	4,515
Constitutional Officers' Fees and Commissions	0	0	0	0	3,135	0	0	0	3,135
Data Processing Fee - Register	1,596	0	0	0	0	0	0	0	1,596
Data Processing Fee - Sheriff	351	0	0	0	0	0	0	0	351

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Sexual Offender Registration Fees - Sheriff	\$ 745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 745
Total Charges for Current Services	\$ 716,039	\$ 0	\$ 0	\$ 0	\$ 3,135	\$ 0	\$ 0	\$ 0	\$ 719,174
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 212,301	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 88,566	\$ 300,867	
Lease/Rentals	29,000	0	0	0	0	0	0	29,000	
Commissary Sales	5,656	0	0	0	0	0	0	5,656	
Miscellaneous Refunds	4,199	0	201	0	0	36	0	4,436	
<u>Nonrecurring Items</u>									
Accrued Interest on Debt Issues	0	0	0	0	0	0	14,624	14,624	
Sale of Equipment	0	0	0	0	0	96,722	0	96,722	
<u>Other Local Revenues</u>									
Other Local Revenues	7,142	0	0	0	0	0	0	7,142	
Total Other Local Revenues	\$ 258,298	\$ 0	\$ 201	\$ 0	\$ 0	\$ 96,758	\$ 103,190	\$ 458,447	
<u>Fees Received from County Officials</u>									
<u>Fees-In-Lieu of Salary</u>									
County Clerk	\$ 51,486	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,486	
Circuit Court Clerk	29,571	0	0	0	0	0	0	29,571	
General Sessions Court Clerk	27,846	0	0	0	0	0	0	27,846	
Clerk and Master	19,851	0	0	0	0	0	0	19,851	
Juvenile Court Clerk	20,578	0	0	0	0	0	0	20,578	
Register	19,958	0	0	0	0	0	0	19,958	
Sheriff	3,963	0	0	0	0	0	0	3,963	
Trustee	81,853	0	0	0	0	0	0	81,853	
Total Fees Received from County Officials	\$ 255,106	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 255,106	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Aging Programs	61,108	0	0	0	0	0	0	61,108	

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>									
<u>General Government Grants (Cont.)</u>									
State Reappraisal Grant	\$ 2,384	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,384
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	3,000	0	0	0	0	0	0	0	3,000
<u>Health and Welfare Grants</u>									
Health Department Programs	58,672	0	0	0	0	0	0	0	58,672
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	145,358	0	0	145,358
Litter Program	32,708	0	0	0	0	0	0	0	32,708
<u>Other State Revenues</u>									
Income Tax	1,102	0	0	0	0	0	0	0	1,102
Beer Tax	18,753	0	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	13,652	0	0	0	0	0	0	0	13,652
Board of Jurors	392	0	0	0	0	0	0	0	392
Contracted Prisoner Boarding	412,291	0	0	0	0	0	0	0	412,291
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,235,548	0	0	1,235,548
Petroleum Special Tax	0	0	0	0	0	6,398	0	0	6,398
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	64,846	0	0	0	0	0	0	0	64,846
Other State Revenues	5,441	0	0	0	0	0	0	0	5,441
Total State of Tennessee	\$ 699,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,387,304	\$ 0	\$ 0	2,087,033
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 502,177	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	502,177
Homeland Security Grants	48,434	0	0	0	0	0	0	0	48,434
Other Federal through State	50,000	0	0	0	0	0	0	0	50,000
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	1,600	0	0	0	0	0	0	0	1,600
Total Federal Government	\$ 602,211	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	602,211

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 620	\$ 0	\$ 620
Contributions	0	0	28,497	0	0	0	125,000	153,497
Contracted Services	47,607	0	0	0	0	0	0	47,607
Total Other Governments and Citizens Groups	\$ 47,607	\$ 0	\$ 28,497	\$ 0	\$ 0	\$ 620	\$ 125,000	\$ 201,724
Total	\$ 3,585,503	\$ 1,371	\$ 59,297	\$ 4,036	\$ 3,135	\$ 1,507,843	\$ 665,809	\$ 5,826,994

Exhibit H-6

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Other Per Diem & Fees		21,600	
Social Security		1,790	
State Retirement		458	
Unemployment Compensation		99	
Audit Services		3,160	
Total County Commission			\$ 28,907

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Secretary(ies)		18,029	
Longevity Pay		336	
Other Salaries & Wages		9,014	
Social Security		6,159	
State Retirement		3,263	
Unemployment Compensation		220	
Communication		1,413	
Data Processing Services		7,211	
Postal Charges		3,591	
Printing, Stationery, and Forms		2,017	
Electricity		657	
Natural Gas		331	
Office Supplies		2,061	
Water and Sewer		75	
Building and Contents Insurance		500	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		65	
Total County Mayor/Executive			109,054

County Attorney

County Official/Administrative Officer	\$	5,203	
Social Security		398	
State Retirement		209	
Unemployment Compensation		114	
Legal Services		11,679	
Total County Attorney			17,603

Election Commission

County Official/Administrative Officer	\$	41,912	
Election Commission		2,830	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	8,654	
Social Security		3,206	
State Retirement		1,685	
Communication		1,397	
Data Processing Services		1,380	
Legal Notices, Recording, and Court Costs		346	
Maintenance & Repair Services - Equipment		1,144	
Postal Charges		1,809	
Printing, Stationery, and Forms		6,103	
Travel		1,215	
Electricity		745	
Natural Gas		424	
Office Supplies		5,159	
Water and Sewer		242	
Building and Contents Insurance		835	
Workers' Compensation Insurance		98	
Voting Machines		64,948	
Total Election Commission			\$ 144,132

Register of Deeds

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		6,572	
Longevity Pay		120	
Social Security		4,074	
State Retirement		1,872	
Unemployment Compensation		147	
Communication		1,257	
Data Processing Services		1,596	
Postal Charges		397	
Printing, Stationery, and Forms		402	
Rentals		948	
Electricity		459	
Natural Gas		318	
Office Supplies		728	
Water and Sewer		52	
Building and Contents Insurance		699	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		18	
Total Register of Deeds			66,553

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Development

County Official/Administrative Officer	\$	20	
Other Contracted Services		15,290	
Total Development			\$ 15,310

County Buildings

Maintenance & Repair Services - Buildings	\$	80,040	
Maintenance & Repair Services - Equipment		2,936	
Pest Control		2,895	
Custodial Supplies		2,989	
Electricity		9,271	
Natural Gas		3,698	
Water and Sewer		1,047	
Building and Contents Insurance		13,989	
Workers' Compensation Insurance		1,605	
Heating and Air Conditioning Equipment		1,804	
Total County Buildings			120,274

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	46,569	
Secretary(ies)		18,029	
Longevity Pay		144	
Other Salaries & Wages		4,509	
Board and Committee Members Fees		930	
Social Security		4,649	
State Retirement		730	
Unemployment Compensation		181	
Communication		588	
Postal Charges		1,608	
Printing, Stationery, and Forms		99	
Rentals		401	
Travel		803	
Other Contracted Services		7,397	
Electricity		331	
Natural Gas		166	
Office Supplies		1,155	
Water and Sewer		38	
Building and Contents Insurance		29	
Workers' Compensation Insurance		58	
Total Property Assessor's Office			88,414

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries & Wages	\$	4,500	
Social Security		514	
Unemployment Compensation		50	
Total Reappraisal Program			\$ 5,064

County Trustee's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		18,029	
Longevity Pay		192	
Social Security		4,802	
State Retirement		2,592	
Unemployment Compensation		154	
Communication		772	
Data Processing Services		5,116	
Legal Notices, Recording, and Court Costs		99	
Postal Charges		3,344	
Printing, Stationery, and Forms		241	
Electricity		352	
Natural Gas		177	
Office Supplies		3,742	
Water and Sewer		40	
Building and Contents Insurance		540	
Premiums on Corporate Surety Bonds		1,648	
Workers' Compensation Insurance		50	
Total County Trustee's Office			88,459

County Clerk's Office

County Official/Administrative Officer	\$	46,569
Deputy(ies)		18,029
Longevity Pay		288
Other Salaries & Wages		794
Social Security		5,017
State Retirement		2,608
Unemployment Compensation		169
Communication		808
Postal Charges		2,069
Printing, Stationery, and Forms		385
Electricity		1,429
Natural Gas		887
Office Supplies		1,535

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Water and Sewer	\$	688	
Other Supplies and Materials		1,244	
Building and Contents Insurance		500	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		55	
Total County Clerk's Office			\$ 83,399

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		36,058	
Part-time Personnel		9,053	
Longevity Pay		648	
Other Salaries & Wages		300	
Jury and Witness Fees		2,934	
Social Security		7,059	
State Retirement		3,358	
Unemployment Compensation		450	
Communication		1,541	
Data Processing Services		7,960	
Postal Charges		2,398	
Printing, Stationery, and Forms		1,721	
Rentals		2,054	
Electricity		3,732	
Natural Gas		1,878	
Office Supplies		3,367	
Water and Sewer		423	
Building and Contents Insurance		5,748	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		185	
Total Circuit Court			137,761

General Sessions Court

Judge(s)	\$	74,749
Other Salaries & Wages		1,100
Social Security		5,718
State Retirement		3,005
Communication		754
Postal Charges		207
Travel		754

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Other Contracted Services	\$	4,350	
Electricity		230	
Natural Gas		116	
Office Supplies		603	
Water and Sewer		26	
Building and Contents Insurance		350	
Workers' Compensation Insurance		140	
Total General Sessions Court			\$ 92,102

Chancery Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		9,014	
Longevity Pay		216	
Social Security		4,269	
State Retirement		1,872	
Unemployment Compensation		157	
Communication		471	
Postal Charges		512	
Printing, Stationery, and Forms		1,978	
Electricity		419	
Natural Gas		211	
Office Supplies		2,260	
Water and Sewer		48	
Building and Contents Insurance		637	
Workers' Compensation Insurance		198	
Total Chancery Court			68,831

Juvenile Court

County Official/Administrative Officer	\$	21,636	
Social Security		1,655	
State Retirement		870	
Unemployment Compensation		154	
Communication		847	
Postal Charges		166	
Travel		295	
Other Contracted Services		9,690	
Electricity		291	
Natural Gas		146	
Office Supplies		604	
Water and Sewer		33	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Building and Contents Insurance	\$	48	
Workers' Compensation Insurance		54	
Total Juvenile Court			\$ 36,489

Other Administration of Justice

Library Books/Media	\$	1,129	
Total Other Administration of Justice			1,129

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	51,826	
Deputy(ies)		200,581	
Salary Supplements		3,600	
Secretary(ies)		18,028	
In-Service Training		4,625	
Social Security		20,836	
State Retirement		8,328	
Unemployment Compensation		1,932	
Communication		12,210	
Contracts with Government Agencies		445	
Licenses		18	
Maintenance & Repair Services - Vehicles		4,279	
Postal Charges		3,243	
Printing, Stationery, and Forms		1,700	
Rentals		1,925	
Travel		1,029	
Electricity		8,891	
Gasoline		22,615	
Natural Gas		1,181	
Office Supplies		5,402	
Uniforms		1,902	
Water and Sewer		2,412	
Other Supplies and Materials		3,936	
Building and Contents Insurance		21,137	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		7,536	
Total Sheriff's Department			409,942

Jail

Dispatchers/Radio Operators	\$	116,929	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Guards	\$	105,050	
In-Service Training		2,137	
Social Security		16,842	
State Retirement		5,601	
Unemployment Compensation		2,531	
Maintenance & Repair Services - Buildings		2,258	
Maintenance & Repair Services - Equipment		2,631	
Medical and Dental Services		35,238	
Custodial Supplies		9,918	
Electricity		13,337	
Food Supplies		53,127	
Natural Gas		12,804	
Uniforms		1,029	
Water and Sewer		4,893	
Other Supplies and Materials		22,457	
Building and Contents Insurance		8,600	
Workers' Compensation Insurance		3,454	
Total Jail			\$ 418,836

Civil Defense

Other Charges	\$	45,217	
Total Civil Defense			45,217

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$	46,457	
Social Security		3,554	
State Retirement		980	
Unemployment Compensation		497	
Communication		1,753	
Contracts with Government Agencies		3,327	
Maintenance & Repair Services - Buildings		4,620	
Postal Charges		1,951	
Travel		4,460	
Other Contracted Services		6,540	
Custodial Supplies		305	
Drugs and Medical Supplies		653	
Electricity		3,662	
Natural Gas		1,397	
Office Supplies		517	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Water and Sewer	\$	688	
Building and Contents Insurance		3,000	
Workers' Compensation Insurance		225	
Total Local Health Center			\$ 84,586

Rabies and Animal Control

Other Charges	\$	352	
Total Rabies and Animal Control			352

Ambulance/Emergency Medical Services

Supervisor/Director	\$	29,870	
Medical Personnel		293,403	
Secretary(ies)		15,614	
Social Security		25,905	
State Retirement		7,491	
Unemployment Compensation		4,114	
Ambulance Services		1,200	
Communication		3,433	
Licenses		693	
Maintenance & Repair Services - Vehicles		8,848	
Postal Charges		4,559	
Travel		966	
Other Contracted Services		2,400	
Drugs and Medical Supplies		20,837	
Electricity		4,392	
Gasoline		22,725	
Natural Gas		1,437	
Office Supplies		4,705	
Water and Sewer		942	
Other Supplies and Materials		2,491	
Building and Contents Insurance		10,000	
Workers' Compensation Insurance		18,451	
Other Charges		13,061	
Other Capital Outlay		57,438	
Total Ambulance/Emergency Medical Services			554,975

Maternal and Child Health Services

Contributions	\$	500	
Total Maternal and Child Health Services			500

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management

Deputy(ies)	\$	16,620	
Education Media Personnel		4,608	
Social Security		1,271	
Unemployment Compensation		343	
Maintenance & Repair Services - Vehicles		2,781	
Gasoline		5,097	
Other Charges		<u>887</u>	
Total Sanitation Management	\$		31,607

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	20,484	
Supervisor/Director		12,300	
Social Security		3,281	
State Retirement		824	
Unemployment Compensation		530	
Communication		2,871	
Contributions		3,900	
Maintenance & Repair Services - Buildings		1,887	
Maintenance & Repair Services - Vehicles		436	
Travel		3,757	
Other Contracted Services		13,311	
Electricity		3,164	
Gasoline		276	
Natural Gas		2,141	
Office Supplies		1,039	
Water and Sewer		491	
Other Supplies and Materials		14,482	
Other Charges		<u>599</u>	
Total Senior Citizens Assistance			85,773

Libraries

Contributions	\$	<u>19,000</u>	
Total Libraries			19,000

Other Social, Cultural, and Recreational

Other Charges	\$	<u>7,092</u>	
Total Other Social, Cultural, and Recreational			7,092

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	14,742	
Secretary(ies)		6,987	
Communication		898	
Office Supplies		393	
Building and Contents Insurance		539	
Total Agriculture Extension Service			\$ 23,559

Other Operations

Tourism

Contributions	\$	48,036	
Total Tourism			48,036

Other Economic and Community Development

Other Capital Outlay	\$	502,177	
Total Other Economic and Community Development			502,177

Other Charges

Trustee's Commission	\$	27,378	
Total Other Charges			27,378

Contributions to Other Agencies

Contributions	\$	2,148	
Total Contributions to Other Agencies			2,148

Total General Fund \$ 3,364,659

Law Library Fund

Administration of Justice

Other Administration of Justice

Electricity	\$	237	
Library Books/Media		950	
Natural Gas		119	
Water and Sewer		27	
Trustee's Commission		15	
Total Other Administration of Justice			\$ 1,348

Total Law Library Fund 1,348

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$	17,459	
Social Security		1,332	
Unemployment Compensation		161	
Communication		293	
Maintenance & Repair Services - Buildings		629	
Maintenance & Repair Services - Equipment		3,593	
Diesel Fuel		1,619	
Electricity		1,743	
Trustee's Commission		543	
Total Waste Incinerator			\$ 27,372

Other Waste Disposal

Contracts with Government Agencies	\$	40,423	
Total Other Waste Disposal			40,423

Total Solid Waste/Sanitation Fund \$ 67,795

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	500	
Law Enforcement Supplies		174	
Other Supplies and Materials		5,025	
Trustee's Commission		46	
Other Charges		659	
Total Drug Enforcement			\$ 6,404

Total Drug Control Fund 6,404

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	379	
Total Register of Deeds			\$ 379

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	1,176	
Total County Trustee's Office			1,176

(Continued)

Exhibit H-6

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

Constitutional Officers - Fees Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 562	
Total County Clerk's Office		\$ 562

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 626	
Total Circuit Court		626

Chancery Court

Constitutional Officers' Operating Expenses	\$ 392	
Total Chancery Court		<u>392</u>

Total Constitutional Officers - Fees Fund		\$ 3,135
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 51,576	
Accountants/Bookkeepers	30,793	
Secretary(ies)	26,382	
Board and Committee Members Fees	13,800	
Advertising	716	
Communication	4,376	
Data Processing Services	4,376	
Dues and Memberships	2,829	
Legal Services	7,350	
Maintenance & Repair Services - Buildings	1,954	
Postal Charges	686	
Printing, Stationery, and Forms	165	
Travel	1,634	
Drugs and Medical Supplies	901	
Electricity	5,954	
Natural Gas	4,486	
Office Supplies	1,062	
Water and Sewer	<u>1,376</u>	
Total Administration		\$ 160,416

Highway and Bridge Maintenance

Equipment Operators	\$ 219,277
Asphalt - Cold Mix	80

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Hot Mix	\$	11,009	
Asphalt - Liquid		18,337	
Crushed Stone		50,380	
Pipe - Metal		3,702	
Road Signs		2,949	
Wood Products		188	
Chemicals		14,702	
Total Highway and Bridge Maintenance			\$ 320,624

Operation and Maintenance of Equipment

Foremen	\$	30,712	
Mechanic(s)		59,305	
Laundry Service		7,413	
Custodial Supplies		134	
Diesel Fuel		51,835	
Equipment and Machinery Parts		78,164	
Garage Supplies		7,747	
Gasoline		12,980	
Lubricants		5,219	
Propane Gas		762	
Tires and Tubes		10,801	
Chemicals		344	
Total Operation and Maintenance of Equipment			265,416

Other Charges

Building and Contents Insurance	\$	5,298	
Liability Insurance		19,050	
Premiums on Corporate Surety Bonds		200	
Trustee's Commission		12,848	
Vehicle and Equipment Insurance		25,460	
Workers' Compensation Insurance		34,627	
Other Charges		7,870	
Total Other Charges			105,353

Employee Benefits

Social Security	\$	32,852	
State Retirement		16,978	
Employee and Dependent Insurance		257,578	
Unemployment Compensation		298	
Total Employee Benefits			307,706

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Building Improvements	\$ 6,467	
Communication Equipment	1,159	
Highway Equipment	92,500	
Motor Vehicles	105,993	
Office Equipment	91	
Other Capital Outlay	7,552	
Total Capital Outlay		<u>\$ 213,762</u>

Total Highway/Public Works Fund \$ 1,373,277

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 20,321	
Principal on Notes	22,543	
Principal on Capital Leases	14,509	
Total General Government		<u>\$ 57,373</u>

Education

Principal on Bonds	\$ 130,000	
Total Education		130,000

Interest on Debt

General Government

Interest on Bonds	\$ 137,510	
Interest on Notes	3,025	
Interest on Capital Leases	1,137	
Total General Government		141,672

Education

Interest on Bonds	\$ 294,545	
Total Education		294,545

Other Debt Service

General Government

Trustee's Commission	\$ 5,943	
Contributions	2,659,953	
Underwriters Discount	13,750	
Other Debt Issuance Charges	76,297	
Total General Government		2,755,943

Education

Other Charges	\$ 725	
Total Education		<u>725</u>

Total General Debt Service Fund 3,380,258

Total Governmental Funds - Primary Government \$ 8,195,876

Exhibit H-7

Lake County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	<u>Cities- Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 149,195
Total Cash Receipts	<u>\$ 149,195</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 147,703
Trustee's Commission	1,492
Total Cash Disbursements	<u>\$ 149,195</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

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

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

*SHAREE BREWER, CPA, CGFM, CFE*  
*ELISHA CROWELL, CFE*  
*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, 2007

## ***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, 2007.

## ***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 three findings and recommendations, which we have reviewed with the Lake County School Department's management. Detailed 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.
- ◆ The Lake County School Department had not completed the steps set forth in the implementation plan for Governmental Accounting Standards Board Statement No. 34 filed with the Comptroller of the Treasury.

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### **OTHER FINDING**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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# INTRODUCTORY SECTION

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Lake County School Officials  
June 30, 2007

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**Official**

Joel Hassell, Director of Schools

**Board of Education**

Tony Hutcheson, Chairman  
Regina Moore, Vice Chairman  
Carolyn Hayes  
Cora Hughes  
Nicky Leland  
Scott Price  
Owen 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**

September 14, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the 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, 2007, as shown on pages 15 through 29, 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, 2007, or the changes in its financial position for the year then ended.

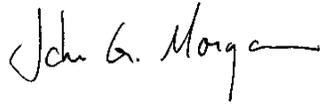
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Lake County School Department as of June 30, 2007, and the respective changes in financial 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 September 14, 2007, 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.

The budgetary comparison information on pages 33 through 35 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 the nonmajor governmental fund, and the 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/yu

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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, 2007

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Govern-mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,933,906	\$ 71,687	\$ 2,005,593
Accounts Receivable	338	0	338
Due from Other Governments	197,977	0	197,977
Due from Other Funds	11,549	0	11,549
Property Taxes Receivable	810,633	0	810,633
Allowance for Uncollectible Property Taxes	(12,560)	0	(12,560)
Total Assets	<u>\$ 2,941,843</u>	<u>\$ 71,687</u>	<u>\$ 3,013,530</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 37,727	\$ 5,862	\$ 43,589
Payroll Deductions Payable	4,605	764	5,369
Due to Other Funds	0	11,549	11,549
Deferred Revenue - Current Property Taxes	757,851	0	757,851
Deferred Revenue - Delinquent Property Taxes	35,693	0	35,693
Other Deferred Revenues	29,492	0	29,492
Total Liabilities	<u>\$ 865,368</u>	<u>\$ 18,175</u>	<u>\$ 883,543</u>
<u>Fund Balances</u>			
Other Local Education Reserves	\$ 51,858	\$ 0	\$ 51,858
Reserved for Career Ladder - Extended Contract	26,255	0	26,255
Reserved for Innovative Education Program Strategies	0	8,376	8,376
Reserved for Special Education - Grants to States	0	31,050	31,050
Other Federal Reserves	0	14,086	14,086
Unreserved, Reported In:			
General Fund	1,998,362	0	1,998,362
Total Fund Balances	<u>\$ 2,076,475</u>	<u>\$ 53,512</u>	<u>\$ 2,129,987</u>
Total Liabilities and Fund Balances	<u>\$ 2,941,843</u>	<u>\$ 71,687</u>	<u>\$ 3,013,530</u>

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  
Lake County School Department  
For the Year Ended June 30, 2007

	<u>Major Fund</u>		<u>Nonmajor Fund</u>	
	General Purpose School	School Federal Projects	Total Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 1,091,767	\$ 0	\$	1,091,767
Licenses and Permits	1,124	0		1,124
Charges for Current Services	83,656	0		83,656
Other Local Revenues	61,179	0		61,179
State of Tennessee	4,968,986	0		4,968,986
Federal Government	682,409	534,292		1,216,701
Total Revenues	<u>\$ 6,889,121</u>	<u>\$ 534,292</u>	<u>\$</u>	<u>7,423,413</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 3,853,341	\$ 500,212	\$	4,353,553
Support Services	2,178,660	111,324		2,289,984
Operation of Non-Instructional Services	565,293	0		565,293
Capital Outlay	37,276	0		37,276
Debt Service:				
Other Debt Service	125,000	0		125,000
Total Expenditures	<u>\$ 6,759,570</u>	<u>\$ 611,536</u>	<u>\$</u>	<u>7,371,106</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 129,551</u>	<u>\$ (77,244)</u>	<u>\$</u>	<u>52,307</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,263	\$ 0	\$	4,263
Transfers In	8,836	0		8,836
Transfers Out	0	(8,836)		(8,836)
Total Other Financing Sources (Uses)	<u>\$ 13,099</u>	<u>\$ (8,836)</u>	<u>\$</u>	<u>4,263</u>
Net Change in Fund Balances	\$ 142,650	\$ (86,080)	\$	56,570
Fund Balance, July 1, 2006	<u>1,933,825</u>	<u>139,592</u>		<u>2,073,417</u>
Fund Balance, June 30, 2007	<u>\$ 2,076,475</u>	<u>\$ 53,512</u>	<u>\$</u>	<u>2,129,987</u>

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

Exhibit C-1

Lake County, Tennessee  
Statement of Fiduciary Net Assets  
Lake County School Department  
Fiduciary Fund  
June 30, 2007

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 351,899
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Lake County Students	\$ 351,899

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

Exhibit C-2

Lake County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Lake County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2007

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 17,337
Total Additions	<u>\$ 17,337</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 16,000
Total Deductions	<u>\$ 16,000</u>
Change in Net Assets	\$ 1,337
Net Assets, July 1, 2006	<u>350,562</u>
Net Assets, June 30, 2007	<u><u>\$ 351,899</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, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The 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 Lake 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. 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental fund:

**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.

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 used to provide annual scholarships to one or more Lake County students selected by the Board of Education.

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

1. **Deposits and Investments**

State statutes authorize Lake County, the School Department's primary 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 funds of Lake County and the School Department. 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 by the School Department at the balance sheet date.

**2. Receivables and Payables**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to .83 percent of total taxes levied.

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

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

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

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

**3. 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. 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.

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

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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: Instruction-Regular Instruction

Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service, 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 GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

### III. 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 statement 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.** Lake County, the School Department’s primary government, is 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 had no pooled investments as of June 30, 2007. The county had one nonpooled investment carried at cost in an Agency Fund at June 30, 2007; however, this investment did not expose the county to any risks so no further disclosure is required.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 11,549

This balance 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, 2007, consisted of the following amount:

	Transfers In
Transfers Out	General Purpose School Fund
Nonmajor governmental fund	\$ 8,836
Total	\$ 8,836

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.

**C. 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, 2007, was as follows:

	Compensated Absences
Balance, July 1, 2006	\$ 23,206
Additions	21,756
Deductions	26,902
Balance, June 30, 2007	\$ 18,060
Balance Due Within One Year	\$ 903

Compensated absences will be paid by the employing funds.

**IV. 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 districts. 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. Contingent Liabilities**

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

**C. Retirement Commitments**

**Employees**

**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/tcrs/PS/](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.E. 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).

## **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$225,651, \$201,160, and \$200,383, respectively, equal to the required contributions for each year.

### **D. Other Post-employment Benefits**

In addition to the retirement commitments described above, the Lake County School Department makes a contribution toward the health insurance premium of the School Department's group medical plan for employees who retire with 30 years of service. This contribution continues until the employee reaches age 65 and is Medicare eligible. During the year, this contribution was \$187.50 for three months and \$200 for nine months for seven former employees. Expenditures totaling \$16,537.50 were recognized for post-employment health care.

### **E. Purchasing Law**

Purchasing procedures for the 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 \$10,000.

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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 and Budget  
Lake County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,091,767	\$ 1,054,141	\$ 1,054,141	\$ 37,626
Licenses and Permits	1,124	1,000	1,000	124
Charges for Current Services	83,656	80,000	80,000	3,656
Other Local Revenues	61,179	21,950	83,280	(22,101)
State of Tennessee	4,968,986	4,819,980	4,884,398	84,588
Federal Government	682,409	543,239	821,245	(138,836)
Total Revenues	<u>\$ 6,889,121</u>	<u>\$ 6,520,310</u>	<u>\$ 6,924,064</u>	<u>\$ (34,943)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,256,515	\$ 2,995,654	\$ 3,281,954	\$ 25,439
Special Education Program	386,828	436,286	436,286	49,458
Vocational Education Program	209,998	213,593	213,593	3,595
<u>Support Services</u>				
Attendance	53,066	53,191	53,191	125
Health Services	46,271	49,250	49,348	3,077
Other Student Support	130,516	131,817	132,497	1,981
Regular Instruction Program	224,327	217,622	224,883	556
Special Education Program	22,640	22,882	23,237	597
Board of Education	93,348	107,678	107,678	14,330
Director of Schools	143,027	154,122	154,147	11,120
Office of the Principal	460,098	467,242	468,267	8,169
Fiscal Services	56,439	58,383	58,383	1,944
Operation of Plant	630,870	555,830	642,890	12,020
Maintenance of Plant	105,998	133,956	133,956	27,958
Transportation	212,060	267,260	268,860	56,800
<u>Operation of Non-Instructional Services</u>				
Food Service	414,619	388,795	414,645	26
Early Childhood Education	150,674	156,000	156,999	6,325
<u>Capital Outlay</u>				
Regular Capital Outlay	37,276	225,000	100,000	62,724
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	<u>\$ 6,759,570</u>	<u>\$ 6,634,561</u>	<u>\$ 7,045,814</u>	<u>\$ 286,244</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 129,551</u>	<u>\$ (114,251)</u>	<u>\$ (121,750)</u>	<u>\$ 251,301</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,263	\$ 0	\$ 0	\$ 4,263
Transfers In	8,836	11,000	11,000	(2,164)
Total Other Financing Sources (Uses)	<u>\$ 13,099</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 2,099</u>

(Continued)

Exhibit D

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ 142,650	\$ (103,251)	\$ (110,750)	\$ 253,400
Fund Balance, July 1, 2006	1,933,825	1,880,841	1,880,841	52,984
Fund Balance, June 30, 2007	<u>\$ 2,076,475</u>	<u>\$ 1,777,590</u>	<u>\$ 1,770,091</u>	<u>\$ 306,384</u>

**LAKE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF LAKE COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**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: Instruction-Regular Instruction Program, Support Services-Attendance, Operation of Non-Instructional Services-Food Service 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 (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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**INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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# Nonmajor Governmental Fund

## Special Revenue Fund

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The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 534,292	\$ 645,795	\$ 702,218	\$ (167,926)
Total Revenues	\$ 534,292	\$ 645,795	\$ 702,218	\$ (167,926)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 282,048	\$ 260,154	\$ 367,144	\$ 85,096
Special Education Program	193,893	210,442	212,603	18,710
Vocational Education Program	24,271	24,363	24,363	92
<u>Support Services</u>				
Regular Instruction Program	105,407	109,632	155,783	50,376
Special Education Program	2,300	1,000	2,497	197
Vocational Education Program	750	750	750	0
Operation of Plant	2,867	11,875	18,014	15,147
Maintenance of Plant	0	5,500	5,500	5,500
Total Expenditures	\$ 611,536	\$ 623,716	\$ 786,654	\$ 175,118
Excess (Deficiency) of Revenues Over Expenditures	\$ (77,244)	\$ 22,079	\$ (84,436)	\$ 7,192
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (8,836)	\$ (22,079)	\$ (25,735)	\$ 16,899
Total Other Financing Sources (Uses)	\$ (8,836)	\$ (22,079)	\$ (25,735)	\$ 16,899
Net Change in Fund Balance	\$ (86,080)	\$ 0	\$ (110,171)	\$ 24,091
Fund Balance, July 1, 2006	139,592	0	110,171	29,421
Fund Balance, June 30, 2007	\$ 53,512	\$ 0	\$ 0	\$ 53,512

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

Lake County, Tennessee  
Schedule of Transfers  
Lake County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 8,836</u>
Total Transfers			<u><u>\$ 8,836</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Lake County Board of Education	\$ 85,865 (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 and \$4,800 vehicle allowance.

Exhibit F-3

Lake County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Lake County School Department  
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 714,021	\$ 0	\$ 714,021
Trustee's Collections - Prior Year	30,095	0	30,095
Circuit/Clerk & Master Collections - Prior Years	8,159	0	8,159
Interest and Penalty	5,319	0	5,319
<u>County Local Option Taxes</u>			
Local Option Sales Tax	289,296	0	289,296
Wheel Tax	40,608	0	40,608
Business Tax	1,995	0	1,995
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	1,317	0	1,317
Other Statutory Local Taxes	957	0	957
Total Local Taxes	<u>\$ 1,091,767</u>	<u>\$ 0</u>	<u>\$ 1,091,767</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 907	\$ 0	\$ 907
<u>Permits</u>			
Other Permits	217	0	217
Total Licenses and Permits	<u>\$ 1,124</u>	<u>\$ 0</u>	<u>\$ 1,124</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 69,272	\$ 0	\$ 69,272
<u>Other Charges for Services</u>			
Other Charges for Services	14,384	0	14,384
Total Charges for Current Services	<u>\$ 83,656</u>	<u>\$ 0</u>	<u>\$ 83,656</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 2,400	\$ 0	\$ 2,400
Miscellaneous Refunds	11,658	0	11,658
<u>Nonrecurring Items</u>			
Sale of Equipment	36,900	0	36,900
Damages Recovered from Individuals	103	0	103
<u>Other Local Revenues</u>			
Other Local Revenues	10,118	0	10,118
Total Other Local Revenues	<u>\$ 61,179</u>	<u>\$ 0</u>	<u>\$ 61,179</u>
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 4,432,300	\$ 0	\$ 4,432,300
School Food Service	6,240	0	6,240
Career Ladder Program	67,442	0	67,442
Career Ladder - Extended Contract	49,527	0	49,527
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	151,667	0	151,667
Other State Grants	246,852	0	246,852
Other State Revenues	14,958	0	14,958
Total State of Tennessee	<u>\$ 4,968,986</u>	<u>\$ 0</u>	<u>\$ 4,968,986</u>

(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	Total
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 246,215	\$ 0	\$ 246,215
Breakfast	92,148	0	92,148
Vocational Education - Basic Grants to States	0	25,553	25,553
Title I Grants to Local Education Agencies	0	206,389	206,389
Innovative Education Program Strategies	0	27,615	27,615
Special Education - Grants to States	72,831	200,097	272,928
Special Education Preschool Grants	0	11,860	11,860
Eisenhower Professional Development State Grants	84,650	57,282	141,932
Other Federal through State	186,565	5,496	192,061
Total Federal Government	<u>\$ 682,409</u>	<u>\$ 534,292</u>	<u>\$ 1,216,701</u>
Total	<u>\$ 6,889,121</u>	<u>\$ 534,292</u>	<u>\$ 7,423,413</u>

Exhibit F-4

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Lake County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,133,904	
Career Ladder Program	39,419	
Career Ladder Extended Contracts	32,158	
Homebound Teachers	3,269	
Educational Assistants	91,493	
Certified Substitute Teachers	33,955	
Non-certified Substitute Teachers	41,334	
Social Security	140,537	
State Retirement	134,880	
Life Insurance	3,142	
Medical Insurance	264,364	
Unemployment Compensation	1,846	
Employer Medicare	32,868	
Maintenance & Repair Services - Equipment	3,975	
Other Contracted Services	14,551	
Instructional Supplies and Materials	148,134	
Textbooks	42,562	
Regular Instruction Equipment	94,124	
Total Regular Instruction Program		\$ 3,256,515

Special Education Program

Teachers	\$ 289,658	
Career Ladder Program	3,500	
Homebound Teachers	4,748	
Certified Substitute Teachers	55	
Non-certified Substitute Teachers	276	
Social Security	16,116	
State Retirement	16,636	
Medical Insurance	39,694	
Unemployment Compensation	139	
Employer Medicare	3,769	
Contracts with Private Agencies	9,416	
Instructional Supplies and Materials	2,821	
Total Special Education Program		386,828

Vocational Education Program

Teachers	\$ 156,258
Career Ladder Program	3,000
Career Ladder Extended Contracts	1,200

(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.)

Certified Substitute Teachers	\$	55	
Social Security		9,434	
State Retirement		9,968	
Medical Insurance		25,738	
Unemployment Compensation		101	
Employer Medicare		2,206	
Instructional Supplies and Materials		2,038	
Total Vocational Education Program			\$ 209,998

Support Services

Attendance

Supervisor/Director	\$	41,907	
Career Ladder Program		1,000	
Social Security		2,624	
State Retirement		2,630	
Medical Insurance		3,790	
Unemployment Compensation		19	
Employer Medicare		614	
Travel		482	
Total Attendance			53,066

Health Services

Medical Personnel	\$	34,792	
Social Security		2,136	
State Retirement		2,133	
Medical Insurance		4,520	
Unemployment Compensation		23	
Employer Medicare		499	
Travel		562	
Drugs and Medical Supplies		1,606	
Total Health Services			46,271

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		78,821	
School Resource Officer		23,876	
Social Security		6,190	
State Retirement		6,357	
Medical Insurance		7,323	

(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.)

Unemployment Compensation	\$	62	
Employer Medicare		1,448	
Evaluation and Testing		3,600	
Travel		224	
Other Contracted Services		1,615	
Total Other Student Support			\$ 130,516

Regular Instruction Program

Supervisor/Director	\$	25,797	
Career Ladder Program		4,985	
Career Ladder Extended Contracts		4,800	
Librarians		112,470	
Social Security		8,487	
State Retirement		9,076	
Medical Insurance		21,374	
Unemployment Compensation		94	
Employer Medicare		1,985	
Travel		22,184	
Library Books/Media		12,767	
In Service/Staff Development		308	
Total Regular Instruction Program			224,327

Special Education Program

Supervisor/Director	\$	10,790	
Clerical Personnel		7,948	
Social Security		1,153	
State Retirement		981	
Medical Insurance		923	
Unemployment Compensation		18	
Employer Medicare		270	
Travel		557	
Total Special Education Program			22,640

Board of Education

Board and Committee Members Fees	\$	2,700	
Social Security		167	
State Retirement		87	
Employer Medicare		39	
Audit Services		2,698	

(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.)

Dues and Memberships	\$	3,337	
Legal Services		4,190	
Travel		5,010	
Other Contracted Services		755	
Other Supplies and Materials		100	
Liability Insurance		9,071	
Trustee's Commission		34,543	
Workers' Compensation Insurance		28,873	
Criminal Investigation of Applicants - TBI		603	
Other Charges		1,175	
Total Board of Education			\$ 93,348

Director of Schools

County Official/Administrative Officer	\$	80,065	
Career Ladder Program		1,000	
Secretary(ies)		16,713	
Social Security		6,354	
State Retirement		5,641	
Medical Insurance		12,324	
Unemployment Compensation		43	
Employer Medicare		1,486	
Other Fringe Benefits		4,800	
Communication		1,962	
Postal Charges		3,932	
Travel		4,736	
Office Supplies		2,257	
Administration Equipment		1,714	
Total Director of Schools			143,027

Office of the Principal

Principals	\$	178,887	
Career Ladder Program		4,000	
Accountants/Bookkeepers		33,826	
Career Ladder Extended Contracts		4,028	
Assistant Principals		94,157	
Secretary(ies)		28,458	
Social Security		19,833	
State Retirement		19,734	
Medical Insurance		41,908	

(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.)

Unemployment Compensation	\$	224	
Employer Medicare		4,638	
Communication		9,537	
Dues and Memberships		625	
Maintenance & Repair Services - Equipment		10,844	
Travel		5,651	
Office Supplies		3,173	
Administration Equipment		575	
Total Office of the Principal			\$ 460,098

Fiscal Services

Accountants/Bookkeepers	\$	35,968	
Clerical Personnel		7,324	
Social Security		2,510	
State Retirement		1,740	
Medical Insurance		2,400	
Unemployment Compensation		39	
Employer Medicare		587	
Data Processing Services		5,012	
Travel		124	
Data Processing Supplies		735	
Total Fiscal Services			56,439

Operation of Plant

Supervisor/Director	\$	30,521	
Custodial Personnel		126,515	
Social Security		9,393	
State Retirement		6,441	
Medical Insurance		11,455	
Unemployment Compensation		205	
Employer Medicare		2,197	
Travel		823	
Other Contracted Services		2,066	
Custodial Supplies		25,516	
Electricity		186,885	
Natural Gas		147,042	
Water and Sewer		18,244	
Boiler Insurance		1,916	
Building and Contents Insurance		37,239	

(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.)

Operation of Plant (Cont.)

Other Charges	\$	2,874	
Plant Operation Equipment		<u>21,538</u>	
Total Operation of Plant			\$ 630,870

Maintenance of Plant

Supervisor/Director	\$	30,195	
Other Salaries & Wages		19,787	
Social Security		3,139	
State Retirement		2,009	
Unemployment Compensation		48	
Employer Medicare		734	
Maintenance & Repair Services - Buildings		1,734	
Maintenance & Repair Services - Equipment		31,199	
Other Supplies and Materials		9,938	
Maintenance Equipment		<u>7,215</u>	
Total Maintenance of Plant			105,998

Transportation

Supervisor/Director	\$	30,466	
Bus Drivers		68,975	
Social Security		6,058	
State Retirement		4,847	
Life Insurance		21	
Medical Insurance		4,836	
Unemployment Compensation		146	
Employer Medicare		1,417	
Maintenance & Repair Services - Vehicles		33,444	
Travel		1,019	
Diesel Fuel		34,461	
Gasoline		4,172	
Lubricants		594	
Tires and Tubes		6,724	
Other Supplies and Materials		3,382	
Vehicle and Equipment Insurance		<u>11,498</u>	
Total Transportation			212,060

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	49,687	
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(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.)

In-Service Training	\$	40	
Social Security		2,727	
State Retirement		3,046	
Medical Insurance		8,173	
Unemployment Compensation		24	
Employer Medicare		638	
Payments to Schools - Breakfast		92,148	
Payments to Schools - Lunch		246,215	
Payments to Schools - Other		6,240	
Travel		2,431	
Other Contracted Services		2,887	
Instructional Supplies and Materials		191	
Other Supplies and Materials		172	
Total Food Service			\$ 414,619

Early Childhood Education

Teachers	\$	67,046	
Career Ladder Program		1,000	
Educational Assistants		19,125	
Social Security		5,099	
State Retirement		4,800	
Medical Insurance		4,473	
Unemployment Compensation		74	
Employer Medicare		1,193	
Contracts with Private Agencies		220	
Food Supplies		259	
Instructional Supplies and Materials		46,184	
Other Charges		1,201	
Total Early Childhood Education			150,674

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	30,681	
Other Capital Outlay		6,595	
Total Regular Capital Outlay			37,276

Other Debt Service

Education

Contributions	\$	125,000	
Total Education			125,000

Total General Purpose School Fund \$ 6,759,570

(Continued)

Exhibit F-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	157,922	
Educational Assistants		19,444	
Certified Substitute Teachers		1,200	
Non-certified Substitute Teachers		1,839	
Social Security		10,417	
State Retirement		8,719	
Medical Insurance		22,402	
Unemployment Compensation		384	
Employer Medicare		2,628	
Maintenance & Repair Services - Equipment		5,002	
Instructional Supplies and Materials		51,780	
Other Charges		311	
Total Regular Instruction Program			\$ 282,048

Special Education Program

Teachers	\$	35,068	
Educational Assistants		110,769	
Social Security		8,977	
State Retirement		6,319	
Unemployment Compensation		280	
Employer Medicare		2,099	
Contracts with Private Agencies		26,446	
Instructional Supplies and Materials		3,935	
Total Special Education Program			193,893

Vocational Education Program

Teachers	\$	6,080	
Social Security		450	
State Retirement		375	
Medical Insurance		130	
Unemployment Compensation		20	
Employer Medicare		130	
Travel		1,200	
Instructional Supplies and Materials		15,886	
Total Vocational Education Program			24,271

Support Services

Regular Instruction Program

Supervisor/Director	\$	25,742	
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(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.)

Regular Instruction Program (Cont.)

Secretary(ies)	\$	11,722	
Social Security		2,424	
State Retirement		1,950	
Medical Insurance		8,173	
Unemployment Compensation		23	
Employer Medicare		597	
Travel		16,936	
Other Supplies and Materials		1,280	
In Service/Staff Development		33,013	
Other Charges		2,047	
Other Equipment		1,500	
Total Regular Instruction Program			\$ 105,407

Special Education Program

Travel	\$	2,300	
Total Special Education Program			2,300

Vocational Education Program

Travel	\$	750	
Total Vocational Education Program			750

Operation of Plant

Natural Gas	\$	2,867	
Total Operation of Plant			2,867

Total School Federal Projects Fund \$ 611,536

Total Governmental Funds - Lake County School Department \$ 7,371,106

**SINGLE AUDIT REPORT**  
**LAKE COUNTY, TENNESSEE**  
**AND**  
**LAKE COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

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

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

*SHAREE BREWER, CPA, CGFM, CFE*  
*ELISHA CROWELL, CFE*  
*State Auditors*

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

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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

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

September 14, 2007

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, 2007, 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 September 14, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements,

but not for the purpose of expressing an opinion on the effectiveness of Lake County's or the Lake County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lake County's or the Lake County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.06, and 07.07.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lake County's or the Lake County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, we believe that none of the significant deficiencies 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, and 07.08.

We consider item 07.05 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Lake County and the Lake County School Department in separate communications.

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

Very truly yours,

A handwritten signature in black ink 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/yu



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

September 14, 2007

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, 2007. 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 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 of 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, 2007.

#### 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 the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake County's or the Lake County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

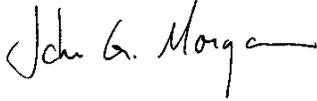
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund, and the aggregate remaining fund information of Lake County and the Lake County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated September 14, 2007. 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 our opinions on the financial statements that collectively comprise Lake County's and the Lake County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Lake County, 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.

Yours very truly,

A handwritten signature in black ink that reads "John G. Morgan" with a stylized flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

Lake County, Tennessee, and the Lake County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 18,404
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	92,148
National School Lunch Program	10.555	N/A	246,215
Passed-through State Department of Economic and Community Development:			
Community Facilities Loans and Grants	10.766	(2)	50,000
Total U.S. Department of Agriculture			\$ 406,767
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	GG-06-12248-00	\$ 502,177
Total U.S. Department of Housing and Urban Development			\$ 502,177
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-07-036550-00	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 289,818
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	259,793
Special Education - Preschool Grants	84.173	N/A	11,860
Vocational Education - Basic Grants to States	84.048	N/A	25,461
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	6,998
Even Start - State Educational Agencies	84.213	(2)	130,009
State Grants for Innovative Programs	84.298	N/A	25,106
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-07-12478-00	33,069
Improving Teacher Quality State Grants	84.367	N/A	158,817
Total U.S. Department of Education			\$ 940,931
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 64,846
Total U.S. Elections Assistance Commission			\$ 64,846
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 61,108
Total U.S. Department of Health and Human Services			\$ 61,108
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022462-02	\$ 44,890
Pre-Disaster Mitigation	97.047	GG-05-11287-00	23,487
Total U.S. Department of Homeland Security			\$ 68,377
Total Expenditures of Federal Awards			\$ 2,053,206

(Continued)

Lake County, Tennessee, and the Lake County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants:			
Early Childhood Education - State Department of Education	N/A	(2)	\$ 246,852
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	2,384
Litter Program - State Department of Transportation	N/A	(2)	<u>32,708</u>
Total State Grants			<u>\$ 281,944</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

Lake County, Tennessee, and the Lake County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
06.02	13	The solid waste/sanitation fund had a fund deficit
06.03	13	The office did not file a Report on Debt Obligation with the state director of Local Finance

**OTHER FINDINGS**

Finding Number	Page Number	Subject
06.05	14	A central system of accounting, budgeting, and purchasing had not been adopted
06.06	14	Duties were not segregated adequately in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff
06.07	15	Accounting deficiencies occurred in patient accounts receivable of the Ambulance Service
06.08	15	The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner

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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, 2007**

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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. The audit of the financial statements of Lake County and the Lake County School Department disclosed significant deficiencies in internal control. None of these deficiencies were considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of both Lake County and the Lake County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the HOME Investment Partnerships Program (CFDA No. 14.239), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. 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 reviewed these findings and recommendations with management to provide an opportunity for their response. 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 07.01      **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 governments 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 costs 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.

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**FINDING 07.02      LAKE COUNTY AND THE LAKE COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**  
(Material Noncompliance Government Auditing Standards)

As noted in finding 07.01, Lake County and the Lake County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. In order to encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Lake County and the Lake County School Department filed with the Comptroller's Office shows that the county has failed to perform the steps in accordance with the timeline set forth in their plan. If Lake County and the Lake County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

**RECOMMENDATION**

Lake County and the Lake County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

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**OFFICE OF COUNTY MAYOR**

**FINDING 07.03      THE SOLID WASTE/SANITATION FUND HAD A FUND DEFICIT**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Solid Waste/Sanitation Fund had a fund deficit of \$20,154 in the undesignated fund balance account at June 30, 2007. In the prior year, county officials used capital outlay note proceeds to fund operating expenses of the Solid Waste/Sanitation Fund which resulted in a fund deficit. These funds were legally restricted for capital outlay purposes and could not be used to pay operating expenses. During the current year, the county did not take corrective action to restore the capital outlay note proceeds which had been inappropriately expended but, in fact, used additional capital outlay note proceeds to fund operating expenses. We have properly reflected these restricted capital outlay note proceeds in the financial statements of this report.

RECOMMENDATION

County officials should monitor the financial activity of their funds to ensure that adequate funding is timely provided to prevent the recurrence of a fund deficit. Capital outlay notes should not be used for operating expenditures.

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FINDING 07.04      **THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE DIRECTOR OF LOCAL FINANCE**  
(Noncompliance Under Government Auditing Standards)

The office did not file a Report on Debt Obligation with the state director of Local Finance for a \$57,000 capital outlay note that was issued during the year. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state director of Local Finance for each debt issuance.

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OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.05      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

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 07.06 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile 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 07.07 ACCOUNTING DEFICIENCIES OCCURRED IN PATIENT ACCOUNTS RECEIVABLE OF THE AMBULANCE SERVICE**  
(Internal Control – Significant Deficiency 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, 2007, have not been reflected in the financial statements of this report. The exclusion of patient accounts receivable of the Ambulance Service at June 30, 2007, 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 07.08

**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 \$16,317 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." This finding has been disclosed in previous audit reports and a listing of total payments made by fiscal year is presented below.

<u>Year Ended</u>	<u>Purchases Reported</u>
2003	\$ 31,991
2004	20,430
2005	45,766
2006	<u>16,317</u>
Total	<u>\$ 114,504</u>

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

**LAKE COUNTY, TENNESSEE, AND THE  
LAKE COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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