
ANNUAL FINANCIAL REPORT LAKE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

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

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Audit Highlights

Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2010.

Results

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

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

Findings and Best Practice

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

LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT

- ◆ Lake County and the Lake County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ A cash shortage totaling \$202,344.63 existed on July 26, 2010, resulting from the bookkeeper issuing county checks for personal use.
- ◆ The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Lake County School Department did not account for American Recovery and Reinvestment Act grants separately from other county funds.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The State Division of Property Assessments noted deficiencies in the maintenance of various records by the assessor of property.
-

OFFICE OF SHERIFF

- ◆ Collections were not deposited to the office bank account within three days of receipt.
-

OTHER FINDINGS

- ◆ Lake County has material recurring audit findings.
 - ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Mayor; Road Superintendent; Director of Schools; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; Sheriff; and in the Ambulance Service.
-

BEST PRACTICE

Lake County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Lake County.

INTRODUCTORY SECTION

Lake County Officials

June 30, 2010

Officials

Macie Roberson, County Mayor
William Cantrell, Road Superintendent
Amy Floyd, Director of Schools
Tammie Hopper, Trustee
Regina 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
Greg Story, Sheriff

Board of County Commissioners

Macie Roberson, County Mayor, Chairman
Tony Bargery
Shelby Barker
Wayne Hatley
Denny Johnson
Steve Jones
Joyce McCoy

Michael Moore
Richard Perkins
Charles Stewart
Tony White
Tim Windsor
Jimmy Yates

Highway Commission

Alvin Parker, Chairman
Doug Gant
Jimmy Leake

Sammy Parker
Ronald Snyder, Sr.
Joe Williams

Board of Education

Tony Hutcheson, Chairman
Shane Hamilton
Carolyn Hayes
Martha Hopper
Tammy Hopper
Cora Hughes
Scott Price
Owen Schuff

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
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INDEPENDENT AUDITOR'S REPORT

October 18, 2010

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Lake County's basic financial statements as listed in the table of contents. 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 did not audit the financial statements of the discretely presented Lake County Emergency Communications District, which represent 4.7 percent and 1.9 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lake County Emergency Communications District, is based on the report of other auditors.

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

evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2010, on our consideration of Lake County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

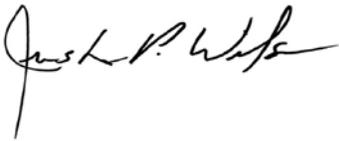
As described in Note V.C., Lake County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Governmental Activities	Component Units	
		Lake County School Department	Lake County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 594	\$ 0	\$ 265,468
Equity in Pooled Cash and Investments	3,670,802	1,872,395	0
Accounts Receivable	530,357	4,885	5,339
Allowance for Uncollectibles	(229,645)	0	0
Due from Other Governments	832,688	339,731	0
Property Taxes Receivable	907,649	855,259	0
Allowance for Uncollectible Property Taxes	(3,564)	(3,361)	0
Cash Shortage	197,882	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	401,750	67,365	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,989,641	6,322,870	0
Infrastructure	2,004,978	0	0
Other Capital Assets	357,423	343,203	210,903
Total Assets	<u>\$ 10,660,555</u>	<u>\$ 9,802,347</u>	<u>\$ 481,710</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 14,430	\$ 43,571	\$ 1,317
Payroll Deductions Payable	0	11,111	1,406
Contracts Payable	681,386	0	0
Accrued Interest Payable	53,417	0	0
Due to State of Tennessee	43	0	0
Deferred Revenue - Current Property Taxes	847,737	798,803	0
Noncurrent Liabilities:			
Due Within One Year	267,868	1,545	0
Due in More Than One Year	10,413,340	382,289	0
Total Liabilities	<u>\$ 12,278,221</u>	<u>\$ 1,237,319</u>	<u>\$ 2,723</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 504,892	\$ 0	\$ 0
Invested in Capital Assets	0	6,733,438	210,903
Restricted for:			
Highway/Public Works	750,763	0	0
Debt Service	1,650,045	0	0
Other Purposes	22,842	42,757	0
Unrestricted	(4,546,208)	1,788,833	268,084
Total Net Assets (Deficit)	<u>\$ (1,617,666)</u>	<u>\$ 8,565,028</u>	<u>\$ 478,987</u>

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

Exhibit B

Lake County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Lake County School Department	Lake County Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 393,336	\$ 80,640	\$ 16,380	\$ 0	(296,316)	\$ 0	\$ 0
Finance	298,495	136,698	1,902	0	(159,895)	0	0
Administration of Justice	403,757	117,617	9,000	0	(277,140)	0	0
Public Safety	1,093,291	361,889	5,969	26,261	(699,172)	0	0
Public Health and Welfare	732,380	783,019	53,840	0	104,479	0	0
Social, Cultural, and Recreational Services	112,564	0	55,761	0	(56,803)	0	0
Agriculture and Natural Resources	28,982	0	0	0	(28,982)	0	0
Other Operations	88,173	0	0	3,200	(84,973)	0	0
Highways	1,285,261	12,800	1,193,681	502,159	423,379	0	0
Interest on Long-term Debt	504,100	0	125,000	0	(379,100)	0	0
Other Debt Service	6,968	0	0	0	(6,968)	0	0
Total Primary Government	\$ 4,947,307	\$ 1,492,663	\$ 1,461,533	\$ 531,620	(1,461,491)	\$ 0	\$ 0
Component Units:							
Lake County School Department	\$ 8,850,661	\$ 79,738	\$ 1,810,946	\$ 0	0	\$ (6,959,977)	\$ 0
Lake County Emergency Communications District	121,602	150,143	10,000	0	0	0	38,541
Total Component Units	\$ 8,972,263	\$ 229,881	\$ 1,820,946	\$ 0	\$ 0	\$ (6,959,977)	\$ 38,541

(Continued)

Exhibit B

Lake County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units		
					Lake County School Department	Lake County Emergency Communications District	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				787,288	809,763		0
Property Taxes Levied for Debt Service				71,938	0		0
Local Option Sales Taxes				345,405	286,531		0
Hotel/Motel Tax				37,247	0		0
Wheel Tax				189,275	43,464		0
Other Local Taxes				43,936	2,637		0
Grants and Contributions Not Restricted to Specific Programs				50,055	5,468,451		0
Unrestricted Investment Income				71,241	0		369
Miscellaneous				16,968	36,903		0
Total General Revenues				<u>\$ 1,613,353</u>	<u>\$ 6,647,749</u>	<u>\$</u>	<u>369</u>
Change in Net Assets				\$ 151,862	(312,228)	\$	38,910
Net Assets (Deficit), July 1, 2009				(1,912,093)	8,877,256		440,077
Prior-period Adjustment				142,565	0		0
Net Assets (Deficit), June 30, 2010				<u>\$ (1,617,666)</u>	<u>\$ 8,565,028</u>	<u>\$</u>	<u>478,987</u>

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

Lake County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	0	0	0	594	594	594
Cash	1,226,225	784,199	1,640,521	19,857	19,857	3,670,802
Equity in Pooled Cash and Investments	530,357	0	0	0	0	530,357
Accounts Receivable	(229,645)	0	0	0	0	(229,645)
Allowance for Uncollectibles	56,894	717,827	57,967	0	0	832,688
Due from Other Governments	594	0	0	0	0	594
Due from Other Funds	779,461	26,154	75,880	26,154	26,154	907,649
Property Taxes Receivable	(3,063)	(102)	(297)	(102)	(102)	(3,564)
Allowance for Uncollectible Property Taxes	197,882	0	0	0	0	197,882
Cash Shortage						
Total Assets	\$ 2,558,705	\$ 1,528,078	\$ 1,774,071	\$ 46,503	\$ 46,503	\$ 5,907,357

ASSETS

Cash	0
Equity in Pooled Cash and Investments	1,640,521
Accounts Receivable	0
Allowance for Uncollectibles	0
Due from Other Governments	57,967
Due from Other Funds	0
Property Taxes Receivable	75,880
Allowance for Uncollectible Property Taxes	(297)
Cash Shortage	0
Total Assets	\$ 1,774,071

LIABILITIES AND FUND BALANCES

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	500	13,930	0	0	0	14,430
Accounts Payable	0	681,386	0	0	0	681,386
Contracts Payable	0	0	0	594	594	594
Due to Other Funds	0	43	0	0	0	43
Due to State of Tennessee	728,009	24,428	70,872	24,428	24,428	847,737
Deferred Revenue - Current Property Taxes	48,389	1,624	4,711	1,624	1,624	56,348
Deferred Revenue - Delinquent Property Taxes	261,187	100,532	29,000	0	0	390,719
Other Deferred Revenues						
Total Liabilities	\$ 1,038,085	\$ 821,943	\$ 104,583	\$ 26,646	\$ 26,646	\$ 1,991,257

Liabilities

Accounts Payable	0
Contracts Payable	681,386
Due to Other Funds	0
Due to State of Tennessee	43
Deferred Revenue - Current Property Taxes	70,872
Deferred Revenue - Delinquent Property Taxes	4,711
Other Deferred Revenues	29,000
Total Liabilities	\$ 1,045,83

(Continued)

Lake County, Tennessee
 Balance Sheet
 Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	11,288	\$	11,288
Reserved for Purchase of Electronic Fingerprint Imaging System	656	0	0	0		656
Reserved for Computer System - Register	459	0	0	0		459
Reserved for Automation Purposes - Chancery Court	246	0	0	0		246
Reserved for Automation Purposes - Sheriff						
Unreserved, Reported In:						
General Fund	1,519,259	0	0	0		1,519,259
Special Revenue Funds	0	706,135	0	8,569		714,704
Debt Service Funds	0	0	1,669,488	0		1,669,488
Total Fund Balances	\$ 1,520,620	\$ 706,135	\$ 1,669,488	\$ 19,857	\$	3,916,100
Total Liabilities and Fund Balances	\$ 2,558,705	\$ 1,528,078	\$ 1,774,071	\$ 46,503	\$	5,907,357

LIABILITIES AND FUND BALANCES (Cont.)

<u>Fund Balances</u>	
Reserved for Purchase of Electronic Fingerprint Imaging System	
Reserved for Computer System - Register	
Reserved for Automation Purposes - Chancery Court	
Reserved for Automation Purposes - Sheriff	
Unreserved, Reported In:	
General Fund	
Special Revenue Funds	
Debt Service Funds	
Total Fund Balances	

Total Liabilities and Fund Balances

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

Exhibit C-2

Lake County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,916,100
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	401,750	
Add: buildings and improvements net of accumulated depreciation		1,989,641	
Add: infrastructure net of accumulated depreciation		2,004,978	
Add: other capital assets net of accumulated depreciation		<u>357,423</u>	4,753,792
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(24,710)	
Less: bonds payable		(10,554,190)	
Less: accrued interest on notes and bonds		(53,417)	
Less: compensated absences payable		<u>(102,308)</u>	(10,734,625)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>447,067</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(1,617,666)</u></u>

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

Exhibit C-3

Lake County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 980,024	\$ 24,450	\$ 443,600	\$ 33,057	\$ 1,481,131
Licenses and Permits	11,097	0	0	0	11,097
Fines, Forfeitures, and Penalties	36,487	0	0	1,017	37,504
Charges for Current Services	863,834	0	0	2,091	865,925
Other Local Revenues	115,037	7,177	28,283	571	151,068
Fees Received from County Officials	222,767	0	0	0	222,767
State of Tennessee	473,580	1,705,223	0	0	2,178,803
Federal Government	30,964	0	0	0	30,964
Other Governments and Citizens Groups	51,509	12,800	125,000	28,877	218,186
Total Revenues	\$ 2,785,299	\$ 1,749,650	\$ 596,883	\$ 65,613	\$ 5,197,445
<u>Expenditures</u>					
Current:					
General Government	\$ 376,968	\$ 0	\$ 0	\$ 450	\$ 377,418
Finance	293,695	0	0	1,144	294,839
Administration of Justice	388,793	0	0	1,622	390,415
Public Safety	1,022,656	0	0	2,430	1,025,086
Public Health and Welfare	602,407	0	0	82,368	684,775
Social, Cultural, and Recreational Services	112,564	0	0	0	112,564
Agriculture and Natural Resources	25,969	0	0	0	25,969
Other Operations	88,173	0	0	0	88,173
Highways	0	1,835,542	0	0	1,835,542
Debt Service:					
Principal on Debt	0	0	216,719	0	216,719
Interest on Debt	0	0	505,453	0	505,453
Other Debt Service	0	0	6,968	0	6,968
Total Expenditures	\$ 2,911,225	\$ 1,835,542	\$ 729,140	\$ 88,014	\$ 5,563,921
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (125,926)	\$ (85,892)	\$ (132,257)	\$ (22,401)	\$ (366,476)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 24,710	\$ 0	\$ 0	\$ 0	\$ 24,710
Insurance Recovery	0	2,284	0	0	2,284
Transfers In	0	0	0	66,883	66,883
Transfers Out	(66,883)	0	0	0	(66,883)
Total Other Financing Sources (Uses)	\$ (42,173)	\$ 2,284	\$ 0	\$ 66,883	\$ 26,994
Net Change in Fund Balances	\$ (168,099)	\$ (83,608)	\$ (132,257)	\$ 44,482	\$ (339,482)
Fund Balance, July 1, 2009	1,546,154	789,743	1,801,745	(24,625)	4,113,017
Prior-period Adjustment	142,565	0	0	0	142,565
Fund Balance, June 30, 2010	\$ 1,520,620	\$ 706,135	\$ 1,669,488	\$ 19,857	\$ 3,916,100

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

Exhibit C-4

Lake County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (339,482)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 705,667	
Less: current year depreciation expense	<u>(327,132)</u>	378,535
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 447,067	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(545,343)</u>	(98,276)
(3) The issuance of long-term debt (e.g., notes, bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: note proceeds	\$ (24,710)	
Add: principal payments on notes	19,815	
Add: principal payments on capital leases	13,523	
Add: principal payments on bonds	<u>183,381</u>	192,009
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 1,353	
Change in compensated absences payable	<u>17,723</u>	<u>19,076</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 151,862</u>

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

Exhibit D

Lake County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 294,937
Equity in Pooled Cash and Investments	275,873
Investments	21,729
Due from Other Governments	<u>72,924</u>
Total Assets	<u>\$ 665,463</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 56,025
Due to Litigants, Heirs, and Others	<u>609,438</u>
Total Liabilities	<u>\$ 665,463</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, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

Administrative Office:

Lake County Emergency Communications District
109 Court Street
Tiptonville, TN 38079

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Lake County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Lake County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Lake County issues all debt for the discretely presented Lake County School Department.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which have no

measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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; however, Lake County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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 funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues 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, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is

incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

The discretely presented Lake County School Department reports the following major governmental funds:

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

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

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Lake County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. In addition, investments are held separately by the county's Constitutional Officers – Agency Fund. 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.

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to .21 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.

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

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

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

Property, plant, equipment, and infrastructure of the primary government and the discretely presented Lake County School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25
Other Capital Assets	5 - 20
Infrastructure:	
Roads	8 - 20
Bridges	30

4. Compensated Absences

It is the general policy of Lake County (with the exception of the Sheriff's and Highway Departments) 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 Sheriff's Department's policy to permit employees to accumulate earned but unused vacation benefits that will be paid to employees upon separation from service. Employees are also 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.

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.

It is the policy of the discretely presented Lake County 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. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2010, Lake County had \$6,330,000 in outstanding debt for capital purposes for the discretely presented Lake County School Department. This debt is a liability of Lake County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Lake County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county’s capital assets.

In the fund financial statements, 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, 2010:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Juvenile Court	\$ 1,590

7. Prior-period Adjustment

Beginning fund equity of the General Fund was restated and increased \$142,565 as a result of a cash shortage as discussed in Note III.B.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Lake County School Department

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

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

Primary Government

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

Discretely Presented Lake County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

B. Cash Shortage

The General Fund had a cash shortage of \$197,882 at June 30, 2010, and an additional cash shortage of \$4,463 for the period July 1 through July 26, 2010. This cash shortage totaling \$202,345 resulted from the county mayor's bookkeeper issuing 191 vendor checks from the county's General Fund for personal use. A special investigative report regarding the shortage was issued on September 9, 2010, and is available at www.tn.gov/comptroller.

IV. 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 county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected on the balance sheets or statements of net assets 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller’s Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled investments at June 30, 2010.

Investment Balances. As of June 30, 2010, Lake County had the following nonpooled 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	\$ 21,729

B. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 401,750	\$ 0	\$ 0	\$ 401,750
Total Capital Assets Not Depreciated	<u>\$ 401,750</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 401,750</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,773,682	\$ 0	\$ 0	\$ 3,773,682
Infrastructure	1,584,380	680,977	0	2,265,357
Other Capital Assets	3,507,031	24,690	(42,474)	3,489,247
Total Capital Assets Depreciated	<u>\$ 8,865,093</u>	<u>\$ 705,667</u>	<u>\$ (42,474)</u>	<u>\$ 9,528,286</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,644,653	\$ 139,388	\$ 0	\$ 1,784,041
Infrastructure	191,011	69,368	0	260,379
Other Capital Assets	3,055,922	118,376	(42,474)	3,131,824
Total Accumulated Depreciation	<u>\$ 4,891,586</u>	<u>\$ 327,132</u>	<u>\$ (42,474)</u>	<u>\$ 5,176,244</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,973,507</u>	<u>\$ 378,535</u>	<u>\$ 0</u>	<u>\$ 4,352,042</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,375,257</u>	<u>\$ 378,535</u>	<u>\$ 0</u>	<u>\$ 4,753,792</u>

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

Governmental Activities:

General Government	\$ 15,918
Finance	3,656
Administration of Justice	13,342
Public Safety	84,854
Public Health and Welfare	72,295
Agriculture and Natural Resources	3,013
Highway/Public Works	<u>134,054</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 327,132</u></u>

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

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 67,365	\$ 0	\$ 67,365
Total Capital Assets Not Depreciated	<u>\$ 67,365</u>	<u>\$ 0</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 10,185,645	\$ 0	\$ 10,185,645
Other Capital Assets	1,275,240	100,264	1,375,504
Total Capital Assets Depreciated	<u>\$ 11,460,885</u>	<u>\$ 100,264</u>	<u>\$ 11,561,149</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,554,749	\$ 308,026	\$ 3,862,775
Other Capital Assets	884,173	148,128	1,032,301
Total Accumulated Depreciation	<u>\$ 4,438,922</u>	<u>\$ 456,154</u>	<u>\$ 4,895,076</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,021,963</u>	<u>\$ (355,890)</u>	<u>\$ 6,666,073</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 7,089,328</u></u>	<u><u>\$ (355,890)</u></u>	<u><u>\$ 6,733,438</u></u>

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

Governmental Activities:

Instruction	\$ 273,364
Support Services	173,173
Operation of Non-Instructional Services	<u>9,617</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 456,154</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 594
Discretely Presented School Department:		
School Federal Projects	General Purpose School	795

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, 2010, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund
General Fund	\$ 66,883

Discretely Presented Lake County School Department

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	\$ 13,620

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

D. Long-term Debt

Primary Government

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 three 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, 2010, will be retired from the General and General Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	3.5 to 5.5 %	\$ 11,550,000	\$ 10,554,190
Capital Outlay Note	4.25	24,710	24,710

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 7,906	\$ 1,050	\$ 8,956
2012	8,242	714	8,956
2013	8,562	395	8,957
Total	\$ 24,710	\$ 2,159	\$ 26,869

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2016-2020	1,800,308	2,055,364	3,855,672
2021-2025	2,430,170	1,591,397	4,021,567
2026-2030	3,251,855	941,502	4,193,357
2031-2035	1,183,478	332,580	1,516,058
2036-2039	538,576	52,864	591,440
Total	\$ 10,554,190	\$ 7,350,387	\$ 17,904,577

There is \$1,669,488 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,327, based on the 2000 federal census. Debt per capita, including bonds and notes totaled \$1,330, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2009	\$ 10,737,571	\$ 19,815
Additions	0	24,710
Deductions	(183,381)	(19,815)
Balance, June 30, 2010	\$ 10,554,190	\$ 24,710
Balance Due Within One Year	\$ 239,500	\$ 7,906

	Capital Lease	Compensated Absences
Balance, July 1, 2009	\$ 13,523	\$ 120,031
Additions	0	73,139
Deductions	(13,523)	(90,862)
Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 102,308</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 20,462</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 10,681,208
Less: Due Within One Year	<u>(267,868)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,413,340</u>

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

Discretely Presented Lake County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Lake County School Department for the year ended June 30, 2010, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 27,691	\$ 246,201
Additions	34,829	182,585
Deductions	(31,612)	(75,860)
Balance, June 30, 2010	<u>\$ 30,908</u>	<u>\$ 352,926</u>
Balance Due Within One Year	<u>\$ 1,545</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 383,834
Less: Due Within One Year	<u>(1,545)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 382,289</u>

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

E. On-Behalf Payments – Discretely Presented Lake County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lake County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$20,049 and \$9,194, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Lake 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 (TCA), by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The

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

It is the policy of the Lake County Highway Department to purchase commercial insurance for employee health coverage. Pre-65 age retirees are not allowed to remain in the program. Lake County does not provide health insurance for other general government employees.

Discretely Presented Lake County School Department

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

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Risk Financing Activities

Lake County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for their workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained their excess coverage insurance from Reliance Insurance Company for their claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left the LOGIC members exposed to significant claim liabilities for their policy years. In 2003, the LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2009, the LOGIC board of directors made a second assessment of its members. Lake County's share of this second assessment totaled \$24,278 and was settled before June 30, 2010, by paying the discounted amount of \$23,307.

C. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: a lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Lake County and the Lake County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Lake County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Lake County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Lake County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Lake County may enter into derivative transactions in subsequent years.

D. Subsequent Events

On August 31, 2010, Regina Moore left the Office of Assessor of Property and was succeeded by Joyce Barnes, and Greg Story left the Office of Sheriff and was succeeded by Bryan Avery.

E. 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.

The attorney representing Lake County for matters associated with development of the Northwest Tennessee Regional Port Authority has advised that the county is involved in one pending lawsuit concerning the port project. This case involves a land condemnation suit for development of the port project, and the attorney estimates that the potential claims against the county resulting from such litigation would not materially affect the county's financial statements.

The discretely presented Lake County 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.

As described in Note V.G., 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.

F. Change in Administration

Sheriff Danny Tippit died on December 21, 2009. Greg Story was appointed to fill the unexpired term beginning February 15, 2010.

G. Joint Ventures

Lake County is a participant with Obion and Dyer counties in a multicounty 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 Note V.E. 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 began September 2007, and will conclude with a lump sum principal retirement in March 2012. In April 2007, the port authority borrowed an additional \$410,000 without interest for added construction costs of the port with payments of \$4,271 due in 96 monthly installments beginning 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 TennKen 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.

H. Retirement Commitments

Plan Description

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

associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Lake County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 4.42 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lake County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2010, Lake County's annual pension cost of \$117,710 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$117,710	100%	\$0
6-30-09	118,353	100	0
6-30-08	97,744	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81 percent percent funded. The actuarial accrued liability for benefits was \$6.09 million, and the actuarial value of assets was \$4.93 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.16 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.69 million, and the ratio of the UAAL to the covered payroll was 42.96 percent.

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

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is

granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2010, 2009, and 2008, were \$253,447, \$258,044, and \$241,574, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on

that issue. The state provides a partial subsidy to the Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the 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. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2010, the Lake County School Department contributed \$75,860 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<u>Plan</u>
ARC	\$ 182,000
Interest on the NPO	11,079
Adjustment to the ARC	<u>(10,494)</u>
Annual OPEB cost	\$ 182,585
Less: Amount of contribution	<u>(75,860)</u>
Increase/decrease in NPO	\$ 106,725
Net OPEB obligation, 7-1-09	<u>246,201</u>
Net OPEB obligation, 6-30-10	<u><u>\$ 352,926</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 186,000	34%	\$ 122,570
6-30-09	"	188,147	34	246,201
6-30-10	"	182,585	42	352,926

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 1,649,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,649,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,752,615
UAAL as a % of covered payroll	35%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2010.

J. 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 \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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.

Office of Director of Schools

Purchasing procedures for the discretely presented Lake County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, 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.

VI. OTHER NOTES – DISCRETELY PRESENTED LAKE COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Significant Accounting Policies

1. Reporting Entity

The Lake County Emergency Communications District, a component unit of Lake County, was created in October 2000 by the legislative body of Lake County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts developed by the Office of the Comptroller of the Treasury, Division of County Audit, pursuant to Section 7-86-304, Tennessee Code Annotated.

In evaluating how to define the Lake County Emergency Communications District for financial reporting purposes, management has considered whether the district is a primary government or a component unit of another primary government. The decision to be included as a component unit of another reporting entity is made by applying the criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. The district must obtain the approval of the Lake County Commission before the issuance of most debt instruments. The county has determined that this constitutes fiscal dependency by the district, and has, therefore, included the district as a component unit of Lake County.

The district is deemed to be a municipality under Tennessee state law and, as such, is exempt from federal income taxes.

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

The Lake County Emergency Communications District accounts for its financial position and results of operations in accordance with generally accepted accounting principles as defined in the statements of the Governmental Accounting Standards Board (GASB) for proprietary funds. Generally accepted accounting principles for proprietary fund types are those applicable to similar businesses in the private sector, and the measurement focus is on the determination of net income, financial position, and cash flows. Proprietary fund types are accounted for on the accrual basis, whereby income is recognized as it is earned, and expenses are recognized as they are incurred, whether or not cash is received or paid out at that time.

The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Office of the Comptroller of the Treasury requires Tennessee emergency communications districts not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

3. Assets, Liabilities, and Net Assets

Deposits and Investments

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of inception. State

statutes also authorize the district to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loans associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds.

Accounts Receivable

Accounts receivable are recorded for amounts due from telephone companies. For the year ended June 30, 2010, it also included an overpayment to a vendor for \$1,995.

Capital Assets

Capital assets are stated at cost. At this time, assets consist only of communications equipment and office equipment, which are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

Compensated Absences

The district pays one employee hourly, and the other staff are considered contract labor. Any vacation or sick leave is expensed as incurred. An accrual for compensated absences would not be material to the financial statements.

Net Assets

Equity is reported as net assets, which are classified into the following components as applicable:

- Invested in capital assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any payables that are attributable to the acquisition, construction, or improvement of those assets
- Restricted – net assets when constraints are placed on their use by external third parties or imposed by law
- Unrestricted – all other net assets that do not meet the definition of the other categories

The district elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

B. Stewardship, Compliance, and Accountability

The district's Board of Directors approves an appropriatory budget annually. The budget is prepared on a basis that differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that capital expenditures are budgeted as operating expenses rather than being capitalized as capital assets, and expenses are on the cash basis rather than the accrual basis. The legal level of control is at each line item of expense; therefore, each line item must be amended prior to expending funds. A reconciliation of the differences between budgetary basis and GAAP basis is as follows.

Net income - budgetary basis	\$ 43,238
Accrual adjustments	(7,338)
Capitalized expenditures	45,546
Depreciation expense	<u>(42,536)</u>
Net income - GAAP basis	<u>\$ 38,910</u>

C. Detailed Notes on Accounts

1. Deposits and Investments

As of June 30, 2010, investments consisted of a certificate of deposit that matures quarterly.

Custodial Credit Risk – The district’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district’s agent in the district’s name, or by the Federal Reserve banks acting as third-party agents. As of June 30, 2010, all bank deposits were fully collateralized or insured.

2. Capital Assets

Capital assets activity during the year was as follows:

Descriptions	Balance 7-1-09	Additions	Balance 6-30-10
Capital Assets, Being Depreciated:			
Communications			
Equipment	\$ 301,680	\$ 45,546	\$ 347,226
Office Equipment	13,734	0	13,734
Total Capital Assets Being Depreciated	\$ 315,414	\$ 45,546	\$ 360,960
Less Accumulated Depreciation:			
Communications			
Equipment	\$ 104,655	\$ 40,705	\$ 145,360
Office Equipment	2,866	1,831	4,697
Total Accumulated Depreciation	\$ 107,521	\$ 42,536	\$ 150,057
Total Capital Assets, Net	\$ 207,893	\$ 3,010	\$ 210,903

D. Other Information

Risk Management

The district is exposed to various risks related to general and public officials' liability, officers/directors omissions liability, and property and casualty loss. Since the district's operations are run through the Lake County Sheriff's Department, the district is covered by Lake County's insurance. The county is insured through the Local Government Insurance Pool, which is a public entity risk pool established to provide insurance coverage to local governments and is self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of a fixed amount set by the pool for each insured event. Settlements have not exceeded insurance coverage in any of the prior three years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 980,024	\$ 972,125	\$ 972,125	\$ 7,899
Licenses and Permits	11,097	9,340	9,340	1,757
Fines, Forfeitures, and Penalties	36,487	44,777	44,777	(8,290)
Charges for Current Services	863,834	1,006,630	1,006,630	(142,796)
Other Local Revenues	115,037	155,000	155,000	(39,963)
Fees Received from County Officials	222,767	255,993	255,993	(33,226)
State of Tennessee	473,580	534,200	534,200	(60,620)
Federal Government	30,964	98,600	98,600	(67,636)
Other Governments and Citizens Groups	51,509	52,204	52,204	(695)
Total Revenues	<u>\$ 2,785,299</u>	<u>\$ 3,128,869</u>	<u>\$ 3,128,869</u>	<u>\$ (343,570)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 29,422	\$ 29,745	\$ 29,745	\$ 323
County Mayor/Executive	117,353	123,537	123,537	6,184
County Attorney	24,937	25,945	25,945	1,008
Election Commission	67,061	70,937	70,937	3,876
Register of Deeds	72,544	74,310	74,309	1,765
Development	7,337	19,000	20,752	13,415
County Buildings	58,314	60,481	60,481	2,167
<u>Finance</u>				
Property Assessor's Office	100,030	106,888	108,709	8,679
Reappraisal Program	3,475	4,894	4,894	1,419
County Trustee's Office	91,762	95,683	95,683	3,921
County Clerk's Office	98,428	101,871	101,871	3,443
<u>Administration of Justice</u>				
Circuit Court	160,958	168,316	168,316	7,358
General Sessions Court	105,292	104,692	105,467	175
Chancery Court	75,476	77,597	77,597	2,121
Juvenile Court	45,102	45,084	45,485	383
Other Administration of Justice	1,965	1,700	2,200	235
<u>Public Safety</u>				
Sheriff's Department	476,523	476,669	501,379	24,856
Jail	507,727	468,090	512,180	4,453
Civil Defense	38,406	22,000	38,406	0
<u>Public Health and Welfare</u>				
Local Health Center	64,304	55,117	64,632	328
Ambulance/Emergency Medical Services	508,627	590,666	590,666	82,039
Maternal and Child Health Services	0	500	500	500
Sanitation Management	29,476	29,500	29,500	24
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	89,174	97,258	97,257	8,083
Libraries	19,000	19,000	19,000	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services (Cont.)</u>				
Other Social, Cultural, and Recreational	\$ 4,390	\$ 12,000	\$ 12,000	\$ 7,610
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	25,969	26,520	26,520	551
<u>Other Operations</u>				
Tourism	54,000	49,000	54,000	0
Other Charges	28,609	32,000	32,000	3,391
Contributions to Other Agencies	5,564	8,300	8,300	2,736
Total Expenditures	<u>\$ 2,911,225</u>	<u>\$ 2,997,300</u>	<u>\$ 3,102,268</u>	<u>\$ 191,043</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (125,926)	\$ 131,569	\$ 26,601	\$ (152,527)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 24,710	\$ 0	\$ 24,710	\$ 0
Insurance Recovery	0	10,000	10,000	(10,000)
Transfers Out	(66,883)	(7,000)	(66,883)	0
Total Other Financing Sources (Uses)	<u>\$ (42,173)</u>	<u>\$ 3,000</u>	<u>\$ (32,173)</u>	<u>\$ (10,000)</u>
Net Change in Fund Balance	\$ (168,099)	\$ 134,569	\$ (5,572)	\$ (162,527)
Fund Balance, July 1, 2009	1,546,154	1,181,665	1,181,665	364,489
Prior-period Adjustment	142,565	0	0	142,565
Fund Balance, June 30, 2010	<u>\$ 1,520,620</u>	<u>\$ 1,316,234</u>	<u>\$ 1,176,093</u>	<u>\$ 344,527</u>

Exhibit E-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 24,450	\$ 24,538	\$ 24,538	\$ (88)
Other Local Revenues	7,177	20,000	20,000	(12,823)
State of Tennessee	1,705,223	1,733,290	1,733,290	(28,067)
Federal Government	0	60,000	60,000	(60,000)
Other Governments and Citizens Groups	12,800	15,000	15,000	(2,200)
Total Revenues	<u>\$ 1,749,650</u>	<u>\$ 1,852,828</u>	<u>\$ 1,852,828</u>	<u>\$ (103,178)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 171,090	\$ 196,249	\$ 196,249	\$ 25,159
Highway and Bridge Maintenance	1,005,265	1,207,000	1,207,000	201,735
Operation and Maintenance of Equipment	232,055	366,864	366,864	134,809
Other Charges	119,402	125,300	125,300	5,898
Employee Benefits	304,711	362,000	362,000	57,289
Capital Outlay	3,019	138,000	138,000	134,981
Total Expenditures	<u>\$ 1,835,542</u>	<u>\$ 2,395,413</u>	<u>\$ 2,395,413</u>	<u>\$ 559,871</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (85,892)</u>	<u>\$ (542,585)</u>	<u>\$ (542,585)</u>	<u>\$ 456,693</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,284	\$ 0	\$ 0	\$ 2,284
Total Other Financing Sources (Uses)	<u>\$ 2,284</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,284</u>
Net Change in Fund Balance	\$ (83,608)	\$ (542,585)	\$ (542,585)	\$ 458,977
Fund Balance, July 1, 2009	<u>789,743</u>	<u>768,033</u>	<u>768,033</u>	<u>21,710</u>
Fund Balance, June 30, 2010	<u>\$ 706,135</u>	<u>\$ 225,448</u>	<u>\$ 225,448</u>	<u>\$ 480,687</u>

Exhibit E-3

Lake County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Lake County School Department
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-09	\$ 4,931	\$ 6,087	\$ 1,156	81 %	\$ 2,284	42.96 %
6-30-07	4,815	5,246	431	91.78	2,284	18.87

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Lake County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Lake County School Department
June 30, 2010

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-07	\$ 0	\$ 1,730	\$ 1,730	0	\$ 4,025	43 %
"	7-1-09	0	1,649	1,649	0	4,753	35

*Data only available for two actuarial valuations.

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the 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.

B. CASH SHORTAGE

The General Fund had a cash shortage of \$197,882 at June 30, 2010, and an additional cash shortage of \$4,463 for the period July 1 through July 26, 2010. This cash shortage totaling \$202,345 resulted from the county mayor's bookkeeper issuing 191 vendor checks from the county's General Fund for personal use. A special investigative report regarding the shortage was issued on September 9, 2010, and is available at www.tn.gov/comptroller.

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

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.

Lake County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	594 \$	594
	431	2,377	17,049	0	19,857
	0	26,154	0	0	26,154
	0	(102)	0	0	(102)
\$	431 \$	28,429 \$	17,049 \$	594 \$	46,503

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Total Liabilities

\$	0 \$	0 \$	0 \$	594 \$	594
	0	24,428	0	0	24,428
	0	1,624	0	0	1,624
\$	0 \$	26,052 \$	0 \$	594 \$	26,646

Fund Balances

Reserved for Purchase of Electronic Fingerprint Imaging System
 Unreserved
 Total Fund Balances

\$	0 \$	0 \$	11,288 \$	0 \$	11,288
	431	2,377	5,761	0	8,569
\$	431 \$	2,377 \$	17,049 \$	0 \$	19,857

Total Liabilities and Fund Balances

\$	431 \$	28,429 \$	17,049 \$	594 \$	46,503
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Exhibit F-2

Lake County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 1,196	\$ 31,861	\$ 0	\$ 0	\$ 33,057
Fines, Forfeitures, and Penalties	0	0	1,017	0	1,017
Charges for Current Services	0	0	0	2,091	2,091
Other Local Revenues	0	571	0	0	571
Other Governments and Citizens Groups	0	28,877	0	0	28,877
Total Revenues	<u>\$ 1,196</u>	<u>\$ 61,309</u>	<u>\$ 1,017</u>	<u>\$ 2,091</u>	<u>\$ 65,613</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 0	\$ 0	\$ 450	\$ 450
Finance	0	0	0	1,144	1,144
Administration of Justice	1,125	0	0	497	1,622
Public Safety	0	0	2,430	0	2,430
Public Health and Welfare	0	82,368	0	0	82,368
Total Expenditures	<u>\$ 1,125</u>	<u>\$ 82,368</u>	<u>\$ 2,430</u>	<u>\$ 2,091</u>	<u>\$ 88,014</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 71</u>	<u>\$ (21,059)</u>	<u>\$ (1,413)</u>	<u>\$ 0</u>	<u>\$ (22,401)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 66,883	\$ 0	\$ 0	\$ 66,883
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 66,883</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,883</u>
Net Change in Fund Balances	\$ 71	\$ 45,824	\$ (1,413)	\$ 0	\$ 44,482
Fund Balance, July 1, 2009	360	(43,447)	18,462	0	(24,625)
Fund Balance, June 30, 2010	<u>\$ 431</u>	<u>\$ 2,377</u>	<u>\$ 17,049</u>	<u>\$ 0</u>	<u>\$ 19,857</u>

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,196	\$ 1,250	\$ 1,250	\$ (54)
Total Revenues	\$ 1,196	\$ 1,250	\$ 1,250	\$ (54)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 1,125	\$ 1,262	\$ 1,262	\$ 137
Total Expenditures	\$ 1,125	\$ 1,262	\$ 1,262	\$ 137
Excess (Deficiency) of Revenues Over Expenditures	\$ 71	\$ (12)	\$ (12)	\$ 83
Net Change in Fund Balance	\$ 71	\$ (12)	\$ (12)	\$ 83
Fund Balance, July 1, 2009	360	442	442	(82)
Fund Balance, June 30, 2010	\$ 431	\$ 430	\$ 430	\$ 1

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 31,861	\$ 31,400	\$ 31,400	\$ 461
Other Local Revenues	571	6,500	6,500	(5,929)
Other Governments and Citizens Groups	28,877	26,900	26,900	1,977
Total Revenues	<u>\$ 61,309</u>	<u>\$ 64,800</u>	<u>\$ 64,800</u>	<u>\$ (3,491)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 44,388	\$ 41,638	\$ 45,733	\$ 1,345
Other Waste Disposal	37,980	36,000	82,363	44,383
Total Expenditures	<u>\$ 82,368</u>	<u>\$ 77,638</u>	<u>\$ 128,096</u>	<u>\$ 45,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,059)</u>	<u>\$ (12,838)</u>	<u>\$ (63,296)</u>	<u>\$ 42,237</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 66,883	\$ 7,000	\$ 59,000	\$ 7,883
Total Other Financing Sources (Uses)	<u>\$ 66,883</u>	<u>\$ 7,000</u>	<u>\$ 59,000</u>	<u>\$ 7,883</u>
Net Change in Fund Balance	\$ 45,824	\$ (5,838)	\$ (4,296)	\$ 50,120
Fund Balance, July 1, 2009	(43,447)	5,969	5,969	(49,416)
Fund Balance, June 30, 2010	<u>\$ 2,377</u>	<u>\$ 131</u>	<u>\$ 1,673</u>	<u>\$ 704</u>

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,017	\$ 720	\$ 720	\$ 297
Total Revenues	\$ 1,017	\$ 720	\$ 720	\$ 297
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 2,430	\$ 2,720	\$ 2,720	\$ 290
Total Expenditures	\$ 2,430	\$ 2,720	\$ 2,720	\$ 290
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,413)	\$ (2,000)	\$ (2,000)	\$ 587
Net Change in Fund Balance	\$ (1,413)	\$ (2,000)	\$ (2,000)	\$ 587
Fund Balance, July 1, 2009	18,462	17,297	17,297	1,165
Fund Balance, June 30, 2010	\$ 17,049	\$ 15,297	\$ 15,297	\$ 1,752

Major Governmental Fund

General Debt Service Fund

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.

Exhibit G

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 443,600	\$ 439,400	\$ 439,400	\$ 4,200
Other Local Revenues	28,283	88,500	88,500	(60,217)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 596,883</u>	<u>\$ 652,900</u>	<u>\$ 652,900</u>	<u>\$ (56,017)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 56,719	\$ 43,208	\$ 57,850	\$ 1,131
Education	160,000	160,000	160,000	0
<u>Interest on Debt</u>				
General Government	225,983	225,203	225,203	(780)
Education	279,470	279,470	279,470	0
<u>Other Debt Service</u>				
General Government	5,457	5,600	5,600	143
Education	1,511	2,035	2,035	524
Total Expenditures	<u>\$ 729,140</u>	<u>\$ 715,516</u>	<u>\$ 730,158</u>	<u>\$ 1,018</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (132,257)</u>	<u>\$ (62,616)</u>	<u>\$ (77,258)</u>	<u>\$ (54,999)</u>
Net Change in Fund Balance	<u>\$ (132,257)</u>	<u>\$ (62,616)</u>	<u>\$ (77,258)</u>	<u>\$ (54,999)</u>
Fund Balance, July 1, 2009	<u>1,801,745</u>	<u>1,798,017</u>	<u>1,798,017</u>	<u>3,728</u>
Fund Balance, June 30, 2010	<u>\$ 1,669,488</u>	<u>\$ 1,735,401</u>	<u>\$ 1,720,759</u>	<u>\$ (51,271)</u>

Fiduciary Funds

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.

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 H-1

Lake County, Tennessee
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
June 30, 2010

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	
Cash	\$ 0	\$ 0	\$ 0	\$ 294,937	\$ 0	\$ 294,937
Equity in Pooled Cash and Investments	0	26,391	53,544	0	195,938	275,873
Investments	0	0	0	21,729	0	21,729
Due from Other Governments	29,634	0	43,290	0	0	72,924
Total Assets	\$ 29,634	\$ 26,391	\$ 96,834	\$ 316,666	\$ 195,938	\$ 665,463
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 29,634	\$ 26,391	\$ 0	\$ 0	\$ 0	\$ 56,025
Due to Litigants, Heirs, and Others	0	0	96,834	316,666	195,938	609,438
Total Liabilities	\$ 29,634	\$ 26,391	\$ 96,834	\$ 316,666	\$ 195,938	\$ 665,463

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 137,292	\$ 137,292	\$ 0
Due from Other Governments	30,288	29,634	30,288	29,634
Total Assets	\$ 30,288	\$ 166,926	\$ 167,580	\$ 29,634
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 30,288	\$ 166,926	\$ 167,580	\$ 29,634
Total Liabilities	\$ 30,288	\$ 166,926	\$ 167,580	\$ 29,634
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 38,652	\$ 11,764	\$ 24,025	\$ 26,391
Total Assets	\$ 38,652	\$ 11,764	\$ 24,025	\$ 26,391
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 38,652	\$ 11,764	\$ 24,025	\$ 26,391
Total Liabilities	\$ 38,652	\$ 11,764	\$ 24,025	\$ 26,391
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 71,098	\$ 474,975	\$ 492,529	\$ 53,544
Due from Other Governments	18,030	43,290	18,030	43,290
Total Assets	\$ 89,128	\$ 518,265	\$ 510,559	\$ 96,834
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 89,128	\$ 518,265	\$ 510,559	\$ 96,834
Total Liabilities	\$ 89,128	\$ 518,265	\$ 510,559	\$ 96,834
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 538,176	\$ 1,641,945	\$ 1,885,184	\$ 294,937
Investments	19,827	1,902	0	21,729
Total Assets	\$ 558,003	\$ 1,643,847	\$ 1,885,184	\$ 316,666

(Continued)

Exhibit H-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	\$ 558,003	\$ 1,643,847	\$ 1,885,184	\$ 316,666
Total Liabilities	<u>\$ 558,003</u>	<u>\$ 1,643,847</u>	<u>\$ 1,885,184</u>	<u>\$ 316,666</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 972,752	\$ 38	\$ 776,852	\$ 195,938
Total Assets	<u>\$ 972,752</u>	<u>\$ 38</u>	<u>\$ 776,852</u>	<u>\$ 195,938</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 972,752	\$ 38	\$ 776,852	\$ 195,938
Total Liabilities	<u>\$ 972,752</u>	<u>\$ 38</u>	<u>\$ 776,852</u>	<u>\$ 195,938</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 538,176	\$ 1,641,945	\$ 1,885,184	\$ 294,937
Equity in Pooled Cash and Investments	1,082,502	624,069	1,430,698	275,873
Investments	19,827	1,902	0	21,729
Due from Other Governments	48,318	72,924	48,318	72,924
Total Assets	<u>\$ 1,688,823</u>	<u>\$ 2,340,840</u>	<u>\$ 3,364,200</u>	<u>\$ 665,463</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 68,940	\$ 178,690	\$ 191,605	\$ 56,025
Due to Litigants, Heirs, and Others	1,619,883	2,162,150	3,172,595	609,438
Total Liabilities	<u>\$ 1,688,823</u>	<u>\$ 2,340,840</u>	<u>\$ 3,364,200</u>	<u>\$ 665,463</u>

Lake County School Department

This section presents combining and individual fund financial statements for the Lake County School Department, a discretely presented component unit. The Lake County School Department uses a General Fund, a Special Revenue Fund, and a Fiduciary Fund.

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

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

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for resources legally held in trust to provide scholarships for students.

Exhibit I-1

Lake County, Tennessee
Statement of Activities
Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Total Governmental Activities			
Governmental Activities:						
Instruction	\$ 5,118,344	\$ 0	\$ 733,332	\$	\$ (4,385,012)	
Support Services	2,776,137	0	297,386		(2,478,751)	
Operation of Non-Instructional Services	831,180	79,738	780,228		28,786	
Other Debt Service	125,000	0	0		(125,000)	
Total Governmental Activities	\$ 8,850,661	\$ 79,738	\$ 1,810,946	\$	\$ (6,959,977)	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$	809,763	
Local Option Sales Taxes					286,531	
Wheel Tax					43,464	
Other Local Taxes					2,637	
Grants and Contributions Not Restricted for Specific Programs					5,468,451	
Miscellaneous					36,903	
Total General Revenues				\$	6,647,749	
Change in Net Assets				\$	(312,228)	
Net Assets, July 1, 2009					8,877,256	
Net Assets, June 30, 2010				\$	8,565,028	

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2010

	<u>Major Funds</u>		Total
	General Purpose School	School Federal Projects	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,845,389	\$ 27,006	\$ 1,872,395
Accounts Receivable	0	4,885	4,885
Due from Other Governments	339,731	0	339,731
Due from Other Funds	0	795	795
Property Taxes Receivable	855,259	0	855,259
Allowance for Uncollectible Property Taxes	(3,361)	0	(3,361)
Total Assets	<u>\$ 3,037,018</u>	<u>\$ 32,686</u>	<u>\$ 3,069,704</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 36,450	\$ 7,121	\$ 43,571
Payroll Deductions Payable	11,111	0	11,111
Due to Other Funds	795	0	795
Deferred Revenue - Current Property Taxes	798,803	0	798,803
Deferred Revenue - Delinquent Property Taxes	53,095	0	53,095
Other Deferred Revenues	24,000	0	24,000
Total Liabilities	<u>\$ 924,254</u>	<u>\$ 7,121</u>	<u>\$ 931,375</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 17,192	\$ 0	\$ 17,192
Reserved for Title I Grants to Local Education Agencies	0	8,884	8,884
Reserved for Special Education - Grants to States	0	14,195	14,195
Other Federal Reserves	0	2,486	2,486
Unreserved, Reported In:			
General Fund	2,095,572	0	2,095,572
Total Fund Balances	<u>\$ 2,112,764</u>	<u>\$ 25,565</u>	<u>\$ 2,138,329</u>
Total Liabilities and Fund Balances	<u>\$ 3,037,018</u>	<u>\$ 32,686</u>	<u>\$ 3,069,704</u>

Exhibit I-3

Lake County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Lake County School Department
June 30, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	2,138,329
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	67,365	
Add: buildings and improvements net of accumulated depreciation		6,322,870	
Add: other capital assets net of accumulated depreciation		<u>343,203</u>	6,733,438
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(30,908)	
Less: other postemployment benefits liability		<u>(352,926)</u>	(383,834)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>77,095</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>8,565,028</u></u>

Exhibit I-4

Lake County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,138,381	\$ 0	\$ 1,138,381
Licenses and Permits	687	0	687
Charges for Current Services	93,175	0	93,175
Other Local Revenues	37,032	0	37,032
State of Tennessee	5,478,915	0	5,478,915
Federal Government	785,026	1,020,066	1,805,092
Total Revenues	<u>\$ 7,533,216</u>	<u>\$ 1,020,066</u>	<u>\$ 8,553,282</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,947,679	\$ 774,611	\$ 4,722,290
Support Services	2,447,013	228,561	2,675,574
Operation of Non-Instructional Services	806,690	0	806,690
Capital Outlay	16,965	0	16,965
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,343,347</u>	<u>\$ 1,003,172</u>	<u>\$ 8,346,519</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 189,869</u>	<u>\$ 16,894</u>	<u>\$ 206,763</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 13,620	\$ 0	\$ 13,620
Transfers Out	0	(13,620)	(13,620)
Total Other Financing Sources (Uses)	<u>\$ 13,620</u>	<u>\$ (13,620)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 203,489	\$ 3,274	\$ 206,763
Fund Balance, July 1, 2009	1,909,275	22,291	1,931,566
Fund Balance, June 30, 2010	<u>\$ 2,112,764</u>	<u>\$ 25,565</u>	<u>\$ 2,138,329</u>

Exhibit I-5

Lake County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 206,763
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 100,264	
Less: current year depreciation expense	<u>(456,154)</u>	(355,890)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 77,095	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(130,254)</u>	(53,159)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	\$ (3,217)	
Change in other postemployment benefits liability	<u>(106,725)</u>	<u>(109,942)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (312,228)</u>

Exhibit I-6

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lake County School Department
General Purpose School Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,138,381	\$ 1,099,450	\$ 1,099,450	\$ 38,931
Licenses and Permits	687	1,000	1,000	(313)
Charges for Current Services	93,175	81,000	81,000	12,175
Other Local Revenues	37,032	26,200	26,200	10,832
State of Tennessee	5,478,915	5,417,628	5,446,871	32,044
Federal Government	785,026	487,575	630,075	154,951
Total Revenues	\$ 7,533,216	\$ 7,112,853	\$ 7,284,596	\$ 248,620
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,308,970	\$ 3,272,774	\$ 3,310,874	\$ 1,904
Special Education Program	427,111	407,286	429,546	2,435
Vocational Education Program	211,598	215,708	217,284	5,686
<u>Support Services</u>				
Attendance	40,750	45,933	45,933	5,183
Health Services	27,584	29,435	29,435	1,851
Other Student Support	181,378	191,854	191,854	10,476
Regular Instruction Program	261,218	262,582	268,582	7,364
Special Education Program	46,677	48,885	48,885	2,208
Other Programs	29,243	0	29,243	0
Board of Education	114,924	118,613	118,613	3,689
Director of Schools	144,602	154,538	154,538	9,936
Office of the Principal	461,005	469,259	472,459	11,454
Fiscal Services	65,876	66,022	69,343	3,467
Operation of Plant	660,135	644,094	663,637	3,502
Maintenance of Plant	137,887	136,837	143,837	5,950
Transportation	275,734	291,720	291,720	15,986
<u>Operation of Non-Instructional Services</u>				
Food Service	502,012	453,578	502,076	64
Early Childhood Education	304,678	304,676	304,678	0
<u>Capital Outlay</u>				
Regular Capital Outlay	16,965	200,000	75,000	58,035
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,343,347	\$ 7,313,794	\$ 7,492,537	\$ 149,190
Excess (Deficiency) of Revenues Over Expenditures	\$ 189,869	\$ (200,941)	\$ (207,941)	\$ 397,810

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 13,620	\$ 10,000	\$ 10,000	\$ 3,620
Total Other Financing Sources (Uses)	\$ 13,620	\$ 10,000	\$ 10,000	\$ 3,620
Net Change in Fund Balance	\$ 203,489	\$ (190,941)	\$ (197,941)	\$ 401,430
Fund Balance, July 1, 2009	1,909,275	1,928,274	1,909,275	0
Fund Balance, June 30, 2010	\$ 2,112,764	\$ 1,737,333	\$ 1,711,334	\$ 401,430

Exhibit I-7

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lake County School Department
School Federal Projects Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,020,066	\$ 1,453,449	\$ 1,454,805	\$ (434,739)
Total Revenues	\$ 1,020,066	\$ 1,453,449	\$ 1,454,805	\$ (434,739)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 452,980	\$ 512,564	\$ 475,880	\$ 22,900
Special Education Program	301,982	477,580	466,679	164,697
Vocational Education Program	19,649	20,151	19,649	0
<u>Support Services</u>				
Other Student Support	4,266	132,897	133,581	129,315
Regular Instruction Program	204,848	298,348	340,521	135,673
Special Education Program	18,316	26,016	26,035	7,719
Vocational Education Program	1,131	1,131	1,131	0
Total Expenditures	\$ 1,003,172	\$ 1,468,687	\$ 1,463,476	\$ 460,304
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,894	\$ (15,238)	\$ (8,671)	\$ 25,565
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (13,620)	\$ (7,054)	\$ (13,620)	\$ 0
Total Other Financing Sources (Uses)	\$ (13,620)	\$ (7,054)	\$ (13,620)	\$ 0
Net Change in Fund Balance	\$ 3,274	\$ (22,292)	\$ (22,291)	\$ 25,565
Fund Balance, July 1, 2009	22,291	22,292	22,291	0
Fund Balance, June 30, 2010	\$ 25,565	\$ 0	\$ 0	\$ 25,565

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2010

	<u>Other Trust Fund</u> Private Purpose Trust
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 338,615</u>
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Lake County Students	<u>\$ 338,615</u>

Exhibit I-9

Lake County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Lake County School Department
Fiduciary Fund
For the Year Ended June 30, 2010

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 2,748
Total Additions	<u>\$ 2,748</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 8,500
Total Deductions	<u>\$ 8,500</u>
Change in Net Assets	\$ (5,752)
Net Assets, July 1, 2009	<u>344,367</u>
Net Assets, June 30, 2010	<u><u>\$ 338,615</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, and Bonds
 For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
NOTES PAYABLE								
<u>Payable through General Fund</u>								
Sheriff Department Vehicles	\$ 24,710	4.25 %	3-24-10	3-24-13	\$ 0	\$ 24,710	\$ 0	24,710
<u>Payable through General Debt Service Fund</u>								
Ambulance	57,000	4.35	12-18-06	12-18-09	\$ 19,815	\$ 0	\$ 19,815	0
Total Notes Payable					\$ 19,815	\$ 24,710	\$ 19,815	24,710
CAPITAL LEASES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Sheriff Department Vehicles	40,612	5.9	12-6-07	12-6-09	\$ 13,523	\$ 0	\$ 13,523	0
Total Capital Leases Payable					\$ 13,523	\$ 0	\$ 13,523	0
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Construction/Renovation	1,650,000	4.75 to 5	3-14-01	3-14-39	\$ 1,497,571	\$ 0	\$ 23,381	1,474,190
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-30	6,490,000	0	160,000	6,330,000
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	2,750,000	0	0	2,750,000
Total Bonds Payable					\$ 10,737,571	\$ 0	\$ 183,381	10,554,190

Exhibit J-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2011	\$ 7,906	\$ 1,050	\$ 8,956
2012	8,242	714	8,956
2013	8,562	395	8,957
Total	\$ 24,710	\$ 2,159	\$ 26,869

Year Ending June 30	Bonds		Total
	Principal	Interest	
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	\$ 10,554,190	\$ 7,350,387	\$ 17,904,577

Exhibit J-3

Lake County, Tennessee
Schedule of Investments
June 30, 2010

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
U.S. Savings Bonds - Series I	<u>\$ 21,729</u>
Total Investments	<u>\$ 21,729</u>

Exhibit J-4

Lake County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 66,883
Total Transfers Primary Government			<u>\$ 66,883</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 4,591
"	General Purpose School	Early intervening services	<u>9,029</u>
Total Transfers Discretely Presented Lake County School Department			<u>\$ 13,620</u>

Exhibit J-5

Lake County, Tennessee
 Schedule of Salaries and Official Bonds of Principal Officials
 Primary Government and Discretely Presented Lake County School Department
 For the Year Ended June 30, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,150 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,974	100,000	"
Director of Schools	State Board of Education and Lake County Board of Education	74,500 (2)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,251	315,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,251	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	52,251	50,000	RLI Insurance Company
Register	Section 8-24-102, <u>TCA</u>	52,251	15,000	Traveler's Casualty and Surety Company of America
Sheriff:				
Danny Tippitt (7-1-09 through 12-21-09)	Section 8-24-102, <u>TCA</u>	29,338 (3)	25,000	"
Vacant (12-22-09 through 2-14-10)				
Greg Story (2-15-10 through 6-30-10)	Section 8-24-102, <u>TCA</u>	20,954	25,000	"
<u>Blanket Bond:</u>				
County and Highway Employees			150,000	Local Government Property and Casualty Fund
Director of School's Office			150,000	Tennessee Risk Management Trust

- (1) Includes \$1,800 for serving as chairman of the County Commission.
- (2) Includes a chief executive officer training supplement of \$1,000. Does not include a \$4,800 vehicle allowance, \$2,854 disability insurance premiums, \$3,811 life insurance premiums, or \$15,080 health, vision, and dental insurance premiums.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-6

Lake County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	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	\$ 680,841	\$ 0	\$ 22,813	\$ 0	\$ 0	\$ 22,813	\$ 66,284	\$ 792,751	
Trustee's Collections - Prior Year	40,347	0	1,352	0	0	1,352	3,928	46,979	
Circuit/Clerk & Master Collections - Prior Years	1,984	0	70	0	0	70	296	2,420	
Interest and Penalty	6,441	0	215	0	0	215	630	7,501	
Payments in-Lieu-of Taxes - Other	10,751	0	0	0	0	0	0	10,751	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	52,775	0	0	0	0	0	292,498	345,273	
Hotel/Motel Tax	37,247	0	0	0	0	0	0	37,247	
Wheel Tax	106,909	0	7,411	0	0	0	74,955	189,275	
Litigation Tax - General	11,726	0	0	0	0	0	0	11,726	
Litigation Tax - Special Purpose	609	1,196	0	0	0	0	0	1,805	
Litigation Tax - Jail, Workhouse, or Courthouse Business Tax	19	0	0	0	0	0	4,018	4,037	
Statutory Local Taxes	16,844	0	0	0	0	0	991	17,835	
Bank Excise Tax	4,998	0	0	0	0	0	0	4,998	
Wholesale Beer Tax	8,408	0	0	0	0	0	0	8,408	
Interstate Telecommunications Tax	125	0	0	0	0	0	0	125	
Total Local Taxes	\$ 980,024	\$ 1,196	\$ 31,861	\$ 0	\$ 0	\$ 24,450	\$ 443,600	\$ 1,481,131	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 326	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 326	
Cable TV Franchise	8,086	0	0	0	0	0	0	8,086	
<u>Permits</u>									
Building Permits	2,025	0	0	0	0	0	0	2,025	
Other Permits	660	0	0	0	0	0	0	660	
Total Licenses and Permits	\$ 11,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,097	

(Continued)

Exhibit J-6

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</u>									
<u>Circuit Court</u>									
Fines	\$ 3,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,182
Officers Costs	4,478	0	0	0	0	0	0	0	4,478
Drug Control Fines	370	0	0	852	0	0	0	0	1,222
Drug Court Fees	300	0	0	0	0	0	0	0	300
Jail Fees	227	0	0	0	0	0	0	0	227
Data Entry Fee - Circuit Court	40	0	0	0	0	0	0	0	40
<u>General Sessions Court</u>									
Fines	5,425	0	0	0	0	0	0	0	5,425
Officers Costs	6,689	0	0	0	0	0	0	0	6,689
Drug Control Fines	977	0	0	165	0	0	0	0	1,142
Drug Court Fees	367	0	0	0	0	0	0	0	367
Jail Fees	10,848	0	0	0	0	0	0	0	10,848
DUI Treatment Fines	1,614	0	0	0	0	0	0	0	1,614
Data Entry Fee - General Sessions Court	714	0	0	0	0	0	0	0	714
<u>Juvenile Court</u>									
Fines	10	0	0	0	0	0	0	0	10
Officers Costs	84	0	0	0	0	0	0	0	84
<u>Chancery Court</u>									
Officers Costs	858	0	0	0	0	0	0	0	858
Data Entry Fee - Chancery Court	102	0	0	0	0	0	0	0	102
Courtroom Security Fee	45	0	0	0	0	0	0	0	45
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	157	0	0	0	0	0	0	0	157
Total Fines, Forfeitures, and Penalties	\$ 36,487	\$ 0	\$ 0	\$ 1,017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,504
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 851,845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	851,845
Work Release Charges for Board	1,948	0	0	0	0	0	0	0	1,948

(Continued)

Exhibit J-6

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</u>									
Copy Fees	\$ 314	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 314
Archives and Records Management Fee - County Clerk	2,870	0	0	0	0	0	0	0	2,870
Telephone Commissions	3,273	0	0	0	0	0	0	0	3,273
Constitutional Officers' Fees and Commissions	0	0	0	0	2,091	0	0	0	2,091
Data Processing Fee - Register	1,420	0	0	0	0	0	0	0	1,420
Data Processing Fee - Sheriff	234	0	0	0	0	0	0	0	234
Sexual Offender Registration Fees - Sheriff	1,674	0	0	0	0	0	0	0	1,674
Data Processing Fee - County Clerk	256	0	0	0	0	0	0	0	256
Total Charges for Current Services	\$ 863,834	\$ 0	\$ 0	\$ 0	\$ 2,091	\$ 0	\$ 0	\$ 0	\$ 865,925
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 66,082	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,159	\$ 71,241
Lease/Rentals	29,700	0	0	0	0	0	0	23,124	52,824
Sale of Materials and Supplies	0	0	571	0	0	0	0	0	571
Commissary Sales	3,336	0	0	0	0	0	0	0	3,336
Miscellaneous Refunds	931	0	0	0	0	7,177	0	0	8,108
<u>Nonrecurring Items</u>									
Sale of Property	8,860	0	0	0	0	0	0	0	8,860
<u>Other Local Revenues</u>									
Other Local Revenues	6,128	0	0	0	0	0	0	0	6,128
Total Other Local Revenues	\$ 115,037	\$ 0	\$ 571	\$ 0	\$ 0	\$ 7,177	\$ 0	\$ 28,283	\$ 151,068
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 48,424	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,424
Circuit Court Clerk	22,233	0	0	0	0	0	0	0	22,233
General Sessions Court Clerk	25,890	0	0	0	0	0	0	0	25,890
Clerk and Master	12,744	0	0	0	0	0	0	0	12,744
Juvenile Court Clerk	12,621	0	0	0	0	0	0	0	12,621

(Continued)

Exhibit J-6

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>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of Salary (Cont.)</u>									
Register	\$ 15,521	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,521
Sheriff	1,330	0	0	0	0	0	0	0	1,330
Trustee	84,004	0	0	0	0	0	0	0	84,004
Total Fees Received from County Officials	\$ 222,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,767
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	55,761	0	0	0	0	0	0	0	55,761
State Reappraisal Grant	1,902	0	0	0	0	0	0	0	1,902
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	4,800	0	0	0	0	0	0	0	4,800
Health and Welfare Grants									
<u>Health Department Programs</u>									
Public Works Grants	21,380	0	0	0	0	0	0	0	21,380
<u>State Aid Program</u>									
Litter Program	0	0	0	0	0	502,159	0	0	502,159
<u>Other State Revenues</u>									
Income Tax	32,460	0	0	0	0	0	0	0	32,460
Beer Tax	1,068	0	0	0	0	0	0	0	1,068
Alcoholic Beverage Tax	17,778	0	0	0	0	0	0	0	17,778
Board of Jurors	15,460	0	0	0	0	0	0	0	15,460
Contracted Prisoner Boarding	266	0	0	0	0	0	0	0	266
Gasoline and Motor Fuel Tax	297,325	0	0	0	0	0	0	0	297,325
Petroleum Special Tax	0	0	0	0	0	1,196,676	0	0	1,196,676
Registrar's Salary Supplement	0	0	0	0	0	6,388	0	0	6,388
Total State of Tennessee	\$ 473,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,705,223	\$ 0	\$ 0	\$ 2,178,803

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Federal Government</u>								
<u>Federal Through State</u>								
Civil Defense Reimbursement	\$ 903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 903
Homeland Security Grants	26,261	0	0	0	0	0	0	26,261
Other Federal through State	3,200	0	0	0	0	0	0	3,200
<u>Direct Federal Revenue</u>	600	0	0	0	0	0	0	600
Other Direct Federal Revenue								
Total Federal Government	\$ 30,964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,964
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,800	\$ 0	\$ 12,800
Contributions	0	0	28,877	0	0	0	125,000	153,877
Contracted Services	51,509	0	0	0	0	0	0	51,509
Total Other Governments and Citizens Groups	\$ 51,509	\$ 0	\$ 28,877	\$ 0	\$ 0	\$ 12,800	\$ 125,000	\$ 218,186
Total	\$ 2,785,299	\$ 1,196	\$ 61,309	\$ 1,017	\$ 2,091	\$ 1,749,650	\$ 596,883	\$ 5,197,445

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 747,125	\$ 0	\$ 747,125
Trustee's Collections - Prior Year	44,275	0	44,275
Circuit/Clerk & Master Collections - Prior Years	2,280	0	2,280
Interest and Penalty	7,069	0	7,069
<u>County Local Option Taxes</u>			
Local Option Sales Tax	291,531	0	291,531
Wheel Tax	43,464	0	43,464
Business Tax	1,982	0	1,982
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	655	0	655
Total Local Taxes	<u>\$ 1,138,381</u>	<u>\$ 0</u>	<u>\$ 1,138,381</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 532	\$ 0	\$ 532
<u>Permits</u>			
Other Permits	155	0	155
Total Licenses and Permits	<u>\$ 687</u>	<u>\$ 0</u>	<u>\$ 687</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 79,738	\$ 0	\$ 79,738
<u>Other Charges for Services</u>			
Other Charges for Services	13,437	0	13,437
Total Charges for Current Services	<u>\$ 93,175</u>	<u>\$ 0</u>	<u>\$ 93,175</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Refund of Telecommunication and Internet Fees (E-Rate)	\$ 6,720	\$ 0	\$ 6,720
Miscellaneous Refunds	15,159	0	15,159
<u>Nonrecurring Items</u>			
Sale of Equipment	1,051	0	1,051
Damages Recovered from Individuals	536	0	536
<u>Other Local Revenues</u>			
Other Local Revenues	13,566	0	13,566
Total Other Local Revenues	<u>\$ 37,032</u>	<u>\$ 0</u>	<u>\$ 37,032</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 29,243	\$ 0	\$ 29,243
<u>State Education Funds</u>			
Basic Education Program	4,548,100	0	4,548,100
Basic Education Program - ARRA	167,900	0	167,900
Early Childhood Education	304,677	0	304,677
School Food Service	5,535	0	5,535
Other State Education Funds	616	0	616
Coordinated School Health - ARRA	90,978	0	90,978
Internet Connectivity - ARRA	2,589	0	2,589

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Family Resource Centers - ARRA	\$ 33,300	\$ 0	\$ 33,300
Statewide Student Management System (SSMS) - ARRA	2,333	0	2,333
Career Ladder Program	41,367	0	41,367
Career Ladder - Extended Contract - ARRA	39,281	0	39,281
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	206,396	0	206,396
Safe Schools - ARRA	6,600	0	6,600
Total State of Tennessee	<u>\$ 5,478,915</u>	<u>\$ 0</u>	<u>\$ 5,478,915</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 275,541	\$ 0	\$ 275,541
Breakfast	112,316	0	112,316
USDA - Other	13,076	0	13,076
USDA Food Service Equipment Grant - ARRA	22,500	0	22,500
Vocational Education - Basic Grants to States	0	23,176	23,176
Title I Grants to Local Education Agencies	0	545,368	545,368
Special Education - Grants to States	908	327,958	328,866
Special Education Preschool Grants	0	11,211	11,211
Safe and Drug-free Schools - State Grants	0	4,996	4,996
Rural Education	0	22,871	22,871
Eisenhower Professional Development State Grants	80,449	80,786	161,235
Other Federal through State	280,236	3,700	283,936
Total Federal Government	<u>\$ 785,026</u>	<u>\$ 1,020,066</u>	<u>\$ 1,805,092</u>
Total	<u>\$ 7,533,216</u>	<u>\$ 1,020,066</u>	<u>\$ 8,553,282</u>

Exhibit J-8

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Other Per Diem and Fees		21,600	
Social Security		1,790	
State Retirement		477	
Unemployment Compensation		119	
Audit Services		3,636	
Total County Commission			\$ 29,422

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Secretary(ies)		19,128	
Longevity Pay		360	
Other Salaries and Wages		9,563	
Social Security		7,100	
State Retirement		3,545	
Unemployment Compensation		328	
Communication		1,115	
Data Processing Services		8,027	
Postal Charges		769	
Printing, Stationery, and Forms		1,313	
Travel		400	
Electricity		668	
Natural Gas		395	
Office Supplies		3,170	
Water and Sewer		56	
Building and Contents Insurance		996	
Workers' Compensation Insurance		70	
Total County Mayor/Executive			117,353

County Attorney

County Official/Administrative Officer	\$	5,637	
Social Security		431	
State Retirement		249	
Unemployment Compensation		124	
Legal Services		18,496	
Total County Attorney			24,937

Election Commission

County Official/Administrative Officer	\$	47,026
Election Commission		775

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	200	
Social Security		3,597	
State Retirement		2,079	
Communication		1,261	
Data Processing Services		5,393	
Postal Charges		991	
Printing, Stationery, and Forms		1,095	
Travel		1,130	
Electricity		662	
Natural Gas		637	
Office Supplies		971	
Water and Sewer		284	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 67,061

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		7,104	
Longevity Pay		48	
Social Security		4,544	
State Retirement		2,310	
Unemployment Compensation		148	
Communication		1,074	
Data Processing Services		1,420	
Postal Charges		231	
Printing, Stationery, and Forms		263	
Rentals		980	
Electricity		467	
Natural Gas		276	
Office Supplies		665	
Water and Sewer		39	
Building and Contents Insurance		699	
Workers' Compensation Insurance		25	
Total Register of Deeds			72,544

Development

Other Contracted Services	\$	7,337	
Total Development			7,337

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Maintenance and Repair Services - Buildings	\$	7,876	
Maintenance and Repair Services - Equipment		3,916	
Pest Control		2,592	
Custodial Supplies		2,364	
Electricity		7,118	
Natural Gas		4,122	
Water and Sewer		1,389	
Building and Contents Insurance		14,851	
Workers' Compensation Insurance		5,900	
Heating and Air Conditioning Equipment		8,186	
Total County Buildings			\$ 58,314

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Secretary(ies)		19,128	
Longevity Pay		120	
Other Salaries and Wages		9,563	
Board and Committee Members Fees		650	
Social Security		5,980	
State Retirement		2,914	
Unemployment Compensation		404	
Communication		415	
Postal Charges		607	
Printing, Stationery, and Forms		132	
Rentals		392	
Travel		690	
Other Contracted Services		4,295	
Electricity		336	
Natural Gas		199	
Office Supplies		1,156	
Water and Sewer		28	
Building and Contents Insurance		690	
Workers' Compensation Insurance		80	
Total Property Assessor's Office			100,030

Reappraisal Program

Other Salaries and Wages	\$	3,475	
Total Reappraisal Program			3,475

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		19,128	
Longevity Pay		264	
Social Security		5,271	
State Retirement		3,167	
Unemployment Compensation		154	
Communication		668	
Data Processing Services		5,292	
Legal Notices, Recording, and Court Costs		60	
Postal Charges		1,031	
Printing, Stationery, and Forms		379	
Rentals		1,201	
Electricity		358	
Natural Gas		212	
Office Supplies		1,270	
Water and Sewer		30	
Building and Contents Insurance		966	
Workers' Compensation Insurance		60	
Total County Trustee's Office			\$ 91,762

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		19,128	
Part-time Personnel		6,886	
Longevity Pay		360	
Other Salaries and Wages		300	
Social Security		6,032	
State Retirement		3,184	
Unemployment Compensation		304	
Communication		653	
Postal Charges		581	
Printing, Stationery, and Forms		120	
Other Contracted Services		2,412	
Electricity		1,878	
Natural Gas		806	
Office Supplies		2,239	
Water and Sewer		719	
Building and Contents Insurance		500	
Workers' Compensation Insurance		75	
Total County Clerk's Office			98,428

(Continued)

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		57,384	
Longevity Pay		816	
Other Salaries and Wages		120	
Jury and Witness Fees		6,508	
Social Security		8,432	
State Retirement		4,887	
Unemployment Compensation		462	
Communication		1,191	
Data Processing Services		8,333	
Postal Charges		877	
Printing, Stationery, and Forms		216	
Rentals		1,532	
Electricity		3,796	
Natural Gas		2,245	
Office Supplies		4,528	
Water and Sewer		319	
Building and Contents Insurance		6,900	
Workers' Compensation Insurance		161	
Total Circuit Court			\$ 160,958

General Sessions Court

Judge(s)	\$	84,149	
Other Salaries and Wages		1,100	
Social Security		6,400	
State Retirement		3,697	
Unemployment Compensation		11	
Communication		600	
Postal Charges		66	
Travel		1,547	
Other Contracted Services		5,079	
Electricity		235	
Natural Gas		138	
Office Supplies		1,681	
Water and Sewer		19	
Building and Contents Insurance		425	
Workers' Compensation Insurance		145	
Total General Sessions Court			105,292

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		9,563	
Longevity Pay		288	
Social Security		4,751	
State Retirement		2,310	
Unemployment Compensation		154	
Communication		387	
Postal Charges		194	
Printing, Stationery, and Forms		456	
Electricity		426	
Natural Gas		252	
Office Supplies		2,246	
Water and Sewer		36	
Building and Contents Insurance		690	
Premiums on Corporate Surety Bonds		1,247	
Workers' Compensation Insurance		225	
Total Chancery Court			\$ 75,476

Juvenile Court

County Official/Administrative Officer	\$	27,435	
Social Security		2,099	
State Retirement		1,213	
Unemployment Compensation		154	
Communication		795	
Postal Charges		66	
Travel		797	
Other Contracted Services		10,248	
Electricity		296	
Natural Gas		175	
Office Supplies		809	
Water and Sewer		25	
Other Supplies and Materials		378	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			45,102

Other Administration of Justice

Library Books/Media	\$	1,965	
Total Other Administration of Justice			1,965

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	50,292	
Deputy(ies)		209,483	
Salary Supplements		4,800	
Secretary(ies)		18,310	
Other Salaries and Wages		9,328	
Social Security		22,777	
State Retirement		11,166	
Unemployment Compensation		1,451	
Communication		13,307	
Contracts with Government Agencies		2,680	
Data Processing Services		505	
Licenses		20	
Maintenance and Repair Services - Vehicles		11,128	
Postal Charges		1,945	
Printing, Stationery, and Forms		982	
Rentals		2,478	
Travel		358	
Other Contracted Services		844	
Electricity		9,764	
Gasoline		29,078	
Natural Gas		2,191	
Office Supplies		5,914	
Uniforms		2,664	
Water and Sewer		2,996	
Other Supplies and Materials		5,058	
Building and Contents Insurance		24,658	
Premiums on Corporate Surety Bonds		100	
Workers' Compensation Insurance		7,536	
Motor Vehicles		24,710	
Total Sheriff's Department			\$ 476,523

Jail

Dispatchers/Radio Operators	\$	107,827
Guards		99,369
Part-time Personnel		58,088
In-Service Training		1,503
Social Security		20,301
State Retirement		6,735
Unemployment Compensation		3,145
Maintenance and Repair Services - Buildings		879

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Equipment	\$	14,945	
Medical and Dental Services		67,520	
Custodial Supplies		13,167	
Electricity		14,646	
Food Supplies		55,324	
Natural Gas		13,299	
Uniforms		780	
Water and Sewer		6,415	
Other Supplies and Materials		6,362	
Building and Contents Insurance		8,600	
Workers' Compensation Insurance		5,000	
Heating and Air Conditioning Equipment		3,822	
Total Jail			\$ 507,727

Civil Defense

Social Security	\$	765	
Unemployment Compensation		37	
Other Contracted Services		10,000	
Other Charges		27,604	
Total Civil Defense			38,406

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	22,925	
Social Security		1,693	
Unemployment Compensation		173	
Communication		1,263	
Contracts with Government Agencies		3,327	
Maintenance and Repair Services - Buildings		14,452	
Other Contracted Services		6,540	
Custodial Supplies		119	
Drugs and Medical Supplies		425	
Electricity		4,742	
Natural Gas		2,267	
Office Supplies		2,194	
Water and Sewer		784	
Building and Contents Insurance		3,000	
Workers' Compensation Insurance		400	
Total Local Health Center			64,304

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Supervisor/Director	\$	30,766	
Medical Personnel		300,898	
Secretary(ies)		18,234	
Social Security		26,639	
State Retirement		5,625	
Unemployment Compensation		3,805	
Ambulance Services		3,540	
Communication		5,169	
Maintenance and Repair Services - Vehicles		10,724	
Postal Charges		764	
Travel		1,045	
Other Contracted Services		4,132	
Drugs and Medical Supplies		22,638	
Electricity		4,698	
Gasoline		23,831	
Natural Gas		1,961	
Office Supplies		3,869	
Water and Sewer		961	
Other Supplies and Materials		3,054	
Building and Contents Insurance		12,798	
Workers' Compensation Insurance		21,160	
Other Charges		2,316	
Total Ambulance/Emergency Medical Services	\$		508,627

Sanitation Management

Deputy(ies)	\$	17,700	
Education Media Personnel		4,150	
Social Security		1,385	
Unemployment Compensation		299	
Maintenance and Repair Services - Vehicles		666	
Gasoline		5,029	
Other Charges		247	
Total Sanitation Management			29,476

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	21,732	
Supervisor/Director		15,069	
Social Security		3,814	
State Retirement		1,627	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Unemployment Compensation	\$	478	
Communication		2,771	
Contributions		4,485	
Maintenance and Repair Services - Buildings		1,334	
Travel		4,315	
Other Contracted Services		20,637	
Electricity		2,948	
Natural Gas		2,109	
Office Supplies		2,220	
Water and Sewer		579	
Other Supplies and Materials		5,056	
Total Senior Citizens Assistance			\$ 89,174

Libraries

Contributions	\$	19,000	
Total Libraries			19,000

Other Social, Cultural, and Recreational

Other Charges	\$	4,390	
Total Other Social, Cultural, and Recreational			4,390

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	15,641	
Secretary(ies)		7,377	
Communication		1,399	
Office Supplies		586	
Building and Contents Insurance		966	
Total Agriculture Extension Service			25,969

Other Operations

Tourism

Contributions	\$	54,000	
Total Tourism			54,000

Other Charges

Trustee's Commission	\$	28,609	
Total Other Charges			28,609

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 5,564	
Total Contributions to Other Agencies		\$ 5,564

Total General Fund \$ 2,911,225

Law Library Fund

Administration of Justice

Other Administration of Justice

Electricity	\$ 241	
Library Books/Media	710	
Natural Gas	142	
Water and Sewer	20	
Trustee's Commission	12	
Total Other Administration of Justice		\$ 1,125

Total Law Library Fund 1,125

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 21,191	
Social Security	1,683	
Unemployment Compensation	174	
Communication	213	
Maintenance and Repair Services - Buildings	526	
Maintenance and Repair Services - Equipment	10,095	
Diesel Fuel	6,639	
Electricity	3,296	
Trustee's Commission	571	
Total Waste Incinerator		\$ 44,388

Other Waste Disposal

Disposal Fees	\$ 37,980	
Total Other Waste Disposal		37,980

Total Solid Waste/Sanitation Fund 82,368

(Continued)

Exhibit J-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	2,420	
Trustee's Commission		10	
Total Drug Enforcement		<u>2,430</u>	\$ 2,430

Total Drug Control Fund \$ 2,430

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	450	
Total Register of Deeds			\$ 450

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	817	
Total County Trustee's Office			817

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	327	
Total County Clerk's Office			327

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	392	
Total Circuit Court			392

Chancery Court

Constitutional Officers' Operating Expenses	\$	105	
Total Chancery Court		<u>105</u>	

Total Constitutional Officers - Fees Fund 2,091

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,974
Accountants/Bookkeepers		33,347
Secretary(ies)		31,507
Board and Committee Members Fees		13,625
Advertising		480

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	4,584	
Data Processing Services		5,493	
Dues and Memberships		2,829	
Legal Services		5,505	
Maintenance and Repair Services - Buildings		1,756	
Postal Charges		325	
Printing, Stationery, and Forms		175	
Travel		1,106	
Drugs and Medical Supplies		340	
Electricity		5,671	
Natural Gas		4,445	
Office Supplies		494	
Water and Sewer		1,434	
Total Administration			\$ 171,090

Highway and Bridge Maintenance

Equipment Operators	\$	256,247	
Other Contracted Services		682,136	
Asphalt - Cold Mix		851	
Asphalt - Hot Mix		2,765	
Asphalt - Liquid		14,703	
Crushed Stone		27,434	
Pipe - Metal		6,994	
Road Signs		1,267	
Wood Products		207	
Chemicals		12,661	
Total Highway and Bridge Maintenance			1,005,265

Operation and Maintenance of Equipment

Foremen	\$	33,095	
Mechanic(s)		64,548	
Laundry Service		6,925	
Diesel Fuel		29,403	
Equipment and Machinery Parts		65,582	
Garage Supplies		5,948	
Gasoline		12,942	
Lubricants		4,308	
Propane Gas		85	
Tires and Tubes		9,219	
Total Operation and Maintenance of Equipment			232,055

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	4,000	
Liability Insurance		17,661	
Premiums on Corporate Surety Bonds		1,600	
Trustee's Commission		12,475	
Vehicle and Equipment Insurance		22,814	
Workers' Compensation Insurance		41,097	
Other Charges		19,755	
Total Other Charges			\$ 119,402

Employee Benefits

Social Security	\$	37,168	
State Retirement		21,528	
Employee and Dependent Insurance		245,553	
Unemployment Compensation		462	
Total Employee Benefits			304,711

Capital Outlay

Communication Equipment	\$	1,012	
Office Equipment		707	
Other Capital Outlay		1,300	
Total Capital Outlay			3,019

Total Highway/Public Works Fund \$ 1,835,542

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	23,381	
Principal on Notes		19,815	
Principal on Capital Leases		13,523	
Total General Government			\$ 56,719

Education

Principal on Bonds	\$	160,000	
Total Education			160,000

Interest on Debt

General Government

Interest on Bonds	\$	224,329	
Interest on Notes		856	

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>General Government (Cont.)</u>		
Interest on Capital Leases	\$ 798	
Total General Government		\$ 225,983
<u>Education</u>		
Interest on Bonds	\$ 279,470	
Total Education		279,470
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 5,457	
Total General Government		5,457
<u>Education</u>		
Other Charges	\$ 1,511	
Total Education		<u>1,511</u>
Total General Debt Service Fund		<u>\$ 729,140</u>
Total Governmental Funds - Primary Government		<u>\$ 5,563,921</u>

Exhibit J-9

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,214,169	
Career Ladder Program	25,398	
Career Ladder Extended Contracts	34,436	
Homebound Teachers	1,395	
Educational Assistants	63,630	
Certified Substitute Teachers	21,501	
Non-certified Substitute Teachers	34,114	
Social Security	134,061	
State Retirement	139,905	
Life Insurance	3,756	
Medical Insurance	297,644	
Unemployment Compensation	1,892	
Employer Medicare	32,562	
Other Contracted Services	13,906	
Instructional Supplies and Materials	178,387	
Textbooks	59,068	
Regular Instruction Equipment	53,146	
Total Regular Instruction Program		\$ 3,308,970

Special Education Program

Teachers	\$ 299,998	
Career Ladder Program	2,000	
Educational Assistants	26,035	
Certified Substitute Teachers	982	
Non-certified Substitute Teachers	1,272	
Social Security	19,974	
State Retirement	20,539	
Medical Insurance	37,392	
Unemployment Compensation	256	
Employer Medicare	4,671	
Contracts with Private Agencies	8,761	
Instructional Supplies and Materials	5,231	
Total Special Education Program		427,111

Vocational Education Program

Teachers	\$ 163,272	
Career Ladder Program	4,000	
Non-certified Substitute Teachers	498	
Social Security	10,237	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

State Retirement	\$	10,739	
Medical Insurance		18,118	
Unemployment Compensation		113	
Employer Medicare		2,394	
Instructional Supplies and Materials		2,227	
Total Vocational Education Program			\$ 211,598

Support Services

Attendance

Supervisor/Director	\$	30,388	
Social Security		1,752	
State Retirement		1,951	
Medical Insurance		5,277	
Unemployment Compensation		12	
Employer Medicare		410	
Travel		960	
Total Attendance			40,750

Health Services

Medical Personnel	\$	22,614	
Social Security		1,356	
State Retirement		1,452	
Medical Insurance		7	
Unemployment Compensation		26	
Employer Medicare		317	
Travel		54	
Drugs and Medical Supplies		1,758	
Total Health Services			27,584

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		86,490	
School Resource Officer		25,666	
Other Salaries and Wages		30,388	
Social Security		8,505	
State Retirement		9,215	
Medical Insurance		13,402	
Unemployment Compensation		79	
Employer Medicare		1,989	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$ 3,495	
Other Contracted Services	1,149	
Total Other Student Support	181,378	\$ 181,378

Regular Instruction Program

Supervisor/Director	\$ 30,079	
Career Ladder Program	5,600	
Librarians	120,660	
Instructional Computer Personnel	26,182	
Social Security	8,477	
State Retirement	9,555	
Medical Insurance	26,589	
Unemployment Compensation	104	
Employer Medicare	2,334	
Travel	17,093	
Library Books/Media	14,125	
In Service/Staff Development	420	
Total Regular Instruction Program	261,218	261,218

Special Education Program

Supervisor/Director	\$ 27,540	
Clerical Personnel	8,753	
Social Security	2,174	
State Retirement	2,155	
Medical Insurance	5,519	
Unemployment Compensation	27	
Employer Medicare	509	
Total Special Education Program	46,677	46,677

Other Programs

On-Behalf Payments to OPEB	\$ 29,243	
Total Other Programs	29,243	29,243

Board of Education

Board and Committee Members Fees	\$ 2,675	
Social Security	166	
State Retirement	79	
Employer Medicare	39	
Audit Services	3,100	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)
Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	2,832	
Legal Services		14,840	
Travel		8,813	
Other Contracted Services		80	
Other Supplies and Materials		16	
Liability Insurance		13,857	
Trustee's Commission		35,925	
Workers' Compensation Insurance		30,631	
Other Charges		1,871	
Total Board of Education			\$ 114,924

Director of Schools

County Official/Administrative Officer	\$	73,500	
Career Ladder Program		1,000	
Secretary(ies)		17,703	
Social Security		6,014	
State Retirement		5,643	
Medical Insurance		21,745	
Unemployment Compensation		46	
Employer Medicare		1,407	
Other Fringe Benefits		4,800	
Communication		2,852	
Dues and Memberships		195	
Postal Charges		2,881	
Travel		5,274	
Office Supplies		1,186	
Administration Equipment		356	
Total Director of Schools			144,602

Office of the Principal

Principals	\$	180,325	
Career Ladder Program		3,100	
Accountants/Bookkeepers		35,885	
Assistant Principals		98,743	
Secretary(ies)		32,501	
Social Security		20,878	
State Retirement		21,619	
Medical Insurance		37,179	
Unemployment Compensation		310	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Employer Medicare	\$	4,883	
Communication		12,509	
Maintenance and Repair Services - Equipment		1,583	
Travel		5,529	
Office Supplies		2,482	
Administration Equipment		3,479	
Total Office of the Principal			\$ 461,005

Fiscal Services

Accountants/Bookkeepers	\$	41,893	
Clerical Personnel		8,399	
Social Security		2,938	
State Retirement		2,080	
Medical Insurance		2,574	
Unemployment Compensation		43	
Employer Medicare		687	
Data Processing Services		5,368	
Travel		129	
Data Processing Supplies		1,765	
Total Fiscal Services			65,876

Operation of Plant

Supervisor/Director	\$	31,402	
Custodial Personnel		122,879	
Social Security		9,453	
State Retirement		7,435	
Medical Insurance		2,307	
Unemployment Compensation		194	
Employer Medicare		2,211	
Travel		870	
Other Contracted Services		2,315	
Custodial Supplies		29,923	
Electricity		221,041	
Natural Gas		165,194	
Water and Sewer		24,109	
Building and Contents Insurance		36,000	
Plant Operation Equipment		4,802	
Total Operation of Plant			660,135

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	32,034	
Other Salaries and Wages		32,034	
Social Security		3,959	
State Retirement		2,832	
Unemployment Compensation		52	
Employer Medicare		926	
Maintenance and Repair Services - Buildings		10,871	
Maintenance and Repair Services - Equipment		29,907	
Other Contracted Services		37	
Other Supplies and Materials		7,960	
Maintenance Equipment		17,275	
Total Maintenance of Plant			\$ 137,887

Transportation

Supervisor/Director	\$	31,324	
Bus Drivers		78,231	
Social Security		6,635	
State Retirement		5,614	
Life Insurance		21	
Medical Insurance		2,307	
Unemployment Compensation		151	
Employer Medicare		1,575	
Maintenance and Repair Services - Vehicles		14,548	
Travel		825	
Diesel Fuel		36,466	
Gasoline		3,774	
Tires and Tubes		4,664	
Other Supplies and Materials		5,865	
Vehicle and Equipment Insurance		7,000	
Transportation Equipment		76,734	
Total Transportation			275,734

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	53,929	
Social Security		2,958	
State Retirement		3,462	
Medical Insurance		9,094	
Unemployment Compensation		26	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$	692	
Payments to Schools - Breakfast		108,520	
Payments to Schools - Lunch		283,060	
Payments to Schools - Other		13,452	
Travel		1,242	
Other Contracted Services		2,500	
Other Supplies and Materials		577	
Other Equipment		22,500	
Total Food Service			\$ 502,012

Early Childhood Education

County Official/Administrative Officer	\$	27,540	
Teachers		113,090	
Career Ladder Program		3,000	
Educational Assistants		61,228	
Non-certified Substitute Teachers		360	
Social Security		11,292	
State Retirement		11,625	
Medical Insurance		36,680	
Unemployment Compensation		218	
Employer Medicare		2,641	
Travel		4,794	
Food Supplies		3,302	
Instructional Supplies and Materials		21,525	
Other Equipment		7,383	
Total Early Childhood Education			304,678

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	15,965	
Other Capital Outlay		1,000	
Total Regular Capital Outlay			16,965

Other Debt Service

Education

Contributions	\$	125,000	
Total Education			125,000

Total General Purpose School Fund \$ 7,343,347

(Continued)

Exhibit J-9

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	274,654	
Educational Assistants		26,879	
Non-certified Substitute Teachers		2,931	
Social Security		16,658	
State Retirement		17,746	
Medical Insurance		52,073	
Unemployment Compensation		271	
Employer Medicare		4,139	
Instructional Supplies and Materials		23,063	
Regular Instruction Equipment		34,566	
Total Regular Instruction Program			\$ 452,980

Special Education Program

Teachers	\$	41,136	
Educational Assistants		172,668	
Non-certified Substitute Teachers		4,700	
Social Security		13,268	
State Retirement		10,460	
Medical Insurance		5,570	
Unemployment Compensation		389	
Employer Medicare		3,103	
Contracts with Private Agencies		14,284	
Instructional Supplies and Materials		28,218	
Special Education Equipment		8,186	
Total Special Education Program			301,982

Vocational Education Program

Instructional Supplies and Materials	\$	14,081	
Vocational Instruction Equipment		5,568	
Total Vocational Education Program			19,649

Support Services

Other Student Support

Travel	\$	1,331	
In Service/Staff Development		1,066	
Other Charges		1,869	
Total Other Student Support			4,266

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)
Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	30,079	
Secretary(ies)		12,726	
Educational Assistants		24,200	
Other Salaries and Wages		57,750	
Non-certified Substitute Teachers		1,991	
Social Security		4,282	
State Retirement		3,595	
Medical Insurance		507	
Unemployment Compensation		114	
Employer Medicare		1,001	
Maintenance and Repair Services - Equipment		6,784	
Postal Charges		1,000	
Travel		19,458	
Other Supplies and Materials		910	
In Service/Staff Development		40,146	
Other Charges		305	
Total Regular Instruction Program			\$ 204,848

Special Education Program

Travel	\$	18,316	
Total Special Education Program			18,316

Vocational Education Program

Travel	\$	1,131	
Total Vocational Education Program			1,131

Total School Federal Projects Fund \$ 1,003,172

Total Governmental Funds - Lake County School Department \$ 8,346,519

Exhibit J-10

Lake County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	<u>Cities- Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 166,926
Total Cash Receipts	<u>\$ 166,926</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 165,257
Trustee's Commission	<u>1,669</u>
Total Cash Disbursements	<u>\$ 166,926</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

October 18, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Lake County's basic financial statements and have issued our report thereon dated October 18, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Lake County Emergency Communications District, a discretely presented component unit, as described in our report on Lake County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lake County'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 was not designed to identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, and 10.08.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.05 and 10.09.

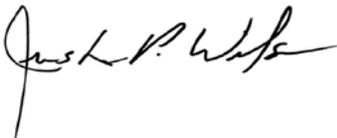
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.03, 10.04, 10.06, and 10.07.

Lake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lake County's responses and, accordingly, we express no opinion on the responses.

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

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

October 18, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Lake County 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 its major federal programs for the year ended June 30, 2010. Lake County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lake County's management. Our responsibility is to express an opinion on Lake County's compliance based on our audit.

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

In our opinion, Lake County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Lake County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lake County'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.05 and 10.10. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

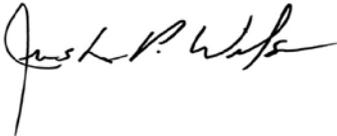
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County as of and for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Lake County'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.

Lake County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lake County's responses and, accordingly, we express no opinion on the responses.

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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Lake County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 112,316
National School Lunch Program	10.555	N/A	288,617 (3)
Child Nutrition Discretionary Grants, Limited Availability	10.579	N/A	22,500
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	38,310 (3)
Passed-through State Department of Economic and Community Development:			
Community Facilities Loans and Grants	10.766	(2)	3,200
Total U.S. Department of Agriculture			\$ 464,943
U.S. Department of Interior:			
Direct Programs:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 10,751
Total U.S. Department of Interior			\$ 10,751
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(2)	\$ 3,554
Total U.S. Department of Labor			\$ 3,554
U. S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 415,023
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	124,715
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	218,412
Special Education - Preschool Grants	84.173	N/A	10,718
Special Education - Grants to States, Recovery Act	84.391	N/A	104,840
Special Education - Preschool Grants, Recovery Act	84.392	N/A	447
Career and Technical Education - Basic Grants to States	84.048	N/A	23,176
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	4,996
Even Start - State Educational Agencies	84.213	N/A	123,683
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	(2)	1,030
Education Technology State Grants, Recovery Act	84.386	N/A	2,125
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-08-21821-00	152,999
Rural Education	84.358	N/A	30,163
Improving Teacher Quality State Grants	84.367	N/A	162,504
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	167,900
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	175,081
Total U. S. Department of Education			\$ 1,717,812

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
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)	\$ 55,761
Total U.S. Department of Health and Human Services			<u>\$ 55,761</u>
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 903
Homeland Security Grant Program	97.067	GG-07-20973-01	7,641 (4)
Homeland Security Grant Program	97.067	GG-011609	18,620 (4)
Total U.S. Department of Homeland Security			<u>\$ 27,164</u>
Total Federal Awards			<u>\$ 2,288,985</u>
<u>Contract</u>			
<u>Number</u>			
State Grants:			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 1,902
Local Health Services - State Department of Health	N/A	(2)	21,380
Litter Program - State Department of Transportation	N/A	(2)	32,460
Early Childhood Education - State Department of Education	N/A	(2)	<u>304,677</u>
Total State Grants			<u>\$ 360,419</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.
(3) Total for CFDA No. 10.555 is \$326,927.
(4) Total for CFDA No. 97.067 is \$26,261.

Lake County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, for the year ended June 30, 2009, which have not been corrected.

LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	160	Lake County and the Lake County School Department do not have the resources to produce financial statements and notes to the financial statements
09.02	161	Material audit adjustments were required for proper financial statement presentation

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	161	The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.06	163	The office had accounting deficiencies

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.08	164 & 165	Duties were not segregated adequately in the Offices of County Mayor; Road Superintendent; Director of Schools; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; Sheriff; and in the Ambulance Service

LAKE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Lake County is unqualified.
2. The audit of the financial statements of Lake County disclosed significant deficiencies in internal control. Three of these conditions were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Lake County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is 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 Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Fund (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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 did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of schools provided written responses on all of the School Department's findings, which are paraphrased in this report.

LAKE COUNTY AND LAKE COUNTY SCHOOL DEPARTMENT

FINDING 10.01 LAKE COUNTY AND THE LAKE COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Lake County's and the Lake County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Lake County and the Lake County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree that we are not capable of producing year-end financial statements at this time, which would comply with generally accepted accounting principles. We will have an employee in this office receive training should training become available.

AUDITOR'S COMMENT

It is the responsibility of local officials to hire qualified staff with the necessary expertise to maintain the accounting records in compliance with generally accepted accounting principles.

OFFICE OF COUNTY MAYOR

FINDING 10.02 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Lake County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

FINDING 10.03 **A CASH SHORTAGE TOTALING \$202,344.63 EXISTED ON JULY 26, 2010, RESULTING FROM THE BOOKKEEPER ISSUING COUNTY CHECKS FOR PERSONAL USE**
(Material Noncompliance Under Government Auditing Standards)

On September 9, 2010, our office issued a special investigative report on the Office of County Mayor for the period October 18, 2005, through July 26, 2010. This report disclosed that a cash shortage of \$202,344.63 existed in the County Mayor's Office. This cash shortage resulted from the bookkeeper issuing 191 county checks for her personal use. This report is available at www.tn.gov/comptroller.

FINDING 10.04 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, General Fund monies were used to purchase auto repairs/maintenance (\$1,750) from Stewart's Garage, a business owned by Charles Stewart, a member of the 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." Purchases from Stewart's Garage now total \$14,831 for 2008-10 because management failed to correct this finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.05 THE SCHOOL DEPARTMENT DID NOT ACCOUNT FOR AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS SEPARATELY FROM OTHER COUNTY FUNDS
(Internal Control – Significant Deficiency Under Government Auditing Standards and U.S. Office of Management and Budget Circular A-133)

The School Department comingled ARRA expenditures with other local, state, and federal funds. U.S. Office of Management and Budget's (OMB) Compliance Supplement requires grantees to agree to maintain records that identify adequately the application (i.e. expenditure) of ARRA awards. In addition, grant agreements contain terms and conditions that require compliance with the Tennessee Office of Recovery Act Management (TRAM) Directives. TRAM Directive No. 2 requires governments to account for ARRA grant awards and expenditures separately from the government's other revenues and expenditures in the government's financial accounting system. This comingling of funds violates OMB's compliance requirements and the grant agreement and increases the risks of preparing inaccurate reports required by ARRA. When ARRA grant requirements are not followed, the OMB can terminate the grants; suspend or debar the government from receiving grants; or, in serious cases, may apply civil or criminal penalties. The director of schools stated that she did not understand the requirement.

RECOMMENDATION

The School Department should separate the application (expenditure) of ARRA grant funds on the accounting records.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

Although ARRA funds in the General Purpose School Fund were not cost-centered, we were able to provide documentation that enabled all funds to be tracked. The majority of the funds were cost centered appropriately.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 10.06 THE STATE DIVISION OF PROPERTY ASSESSMENTS NOTED DEFICIENCIES IN THE MAINTENANCE OF VARIOUS RECORDS BY THE ASSESSOR OF PROPERTY
(Noncompliance Under Government Auditing Standards)

The monitoring reports prepared by the State Division of Property Assessments disclosed the following deficiencies in the maintenance of records by the assessor of property:

- A. Rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property. Changes in use or ownership of greenbelt property could result in the assessment of rollback taxes as required by Section 67-5-1008(d)(1), Tennessee Code Annotated (TCA).
- B. New owners of greenbelt properties were not required to file a new application for a greenbelt exemption.
- C. An adequate program of real property sales verification in accordance with procedures and rules established by the state board of equalization was not maintained as required by Section 67-5-1601(a)(4), TCA.
- D. Visual inspection monitoring performed by the office was unacceptable due to incorrect measurements and the failure to assess improvements.

RECOMMENDATION

Rollback taxes should be calculated for all greenbelt property that had a change of use or ownership as required by state statute. New owners of greenbelt properties should be required to file new applications. A program of real property sales verification in accordance with procedures and rules established by the state board of equalization should be maintained. Visual inspection monitoring should be performed accurately, and all improvements should be assessed.

OFFICE OF SHERIFF

**FINDING 10.07 COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS
(Noncompliance Under Government Auditing Standards)**

Collections were not deposited to the office bank account within three days of receipt. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds within three days of receipt. Deposits were made two or three times per month. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. The failure to deposit funds currently increases the risk of fraud and abuse.

RECOMMENDATION

All collections should be deposited to the office bank account within three days of receipt as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 10.08 LAKE COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS
(Internal Control – Material Weakness Under Government Auditing Standards)**

Lake County has material audit findings that have been reported in their annual financial reports for three or more consecutive years. These recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Lake County and the Lake County School Department do not have the resources to produce financial statements and notes to the financial statements
10.02, 09.02, 08.02	The General Fund required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material

weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Lake County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Lake County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

This has been a finding for the last three years. We do not have anyone in our office capable of producing the financial statements that are needed at the end of the year. I understand that this is a finding for all county offices. If the county establishes an Audit Committee, Lake County Schools will fully participate with the Audit Committee and will comply with recommendations to the extent possible.

FINDING 10.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; DIRECTOR OF SCHOOLS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; SHERIFF; AND IN THE AMBULANCE SERVICE**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

RECOMMENDATION

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

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Lake County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Lake County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The legislative body of Lake County has not established a central system for accounting, budgeting, and purchasing. This is not within the School Department's power to establish. The School Department strives to effectively make decisions based on sound accounting principles. Should the county legislative body decide to establish a central accounting system, the School Department will work with them to ensure its success.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization Fund - Government Services, Recovery Act	10.10	84.397	<u>Circular A-133</u>	Significant deficiency in Internal Control - See Finding 10.05 - Lake County did not account for American Recovery and Reinvestment Act grants separately from other county funds.	\$ 0

LAKE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010

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

Director of Schools – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.05 and 10.10

Contact person:	Amy Floyd, Director of Schools
Corrective action planned:	All ARRA funds will be cost centered in the 2010-2011 budget.
Anticipated completion date:	2010-11 fiscal year