
ANNUAL FINANCIAL REPORT LAKE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
JAMES R. ARNETTE
Director

JAN PAGE, CPA, CFE
Audit Manager

HORACE B. WISEMAN, CGFM
Auditor 4

SHAREE BREWER, CPA, CGFM, CFE
SHELBI TUCKER
ELISHA CROWELL, CFE
State Auditors

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, 2011

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2011.

Results

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

Our audit resulted in 14 findings and recommendations, which we have reviewed with Lake County management. Detailed findings, recommendations, and management's response 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:

OFFICE OF COUNTY MAYOR

- ◆ Material audit adjustments were required for proper financial statement presentation in the General Fund.
- ◆ The general ledger cash account in the General Fund was not accurately reconciled with county trustee reports.
- ◆ Insurance payroll liability accounts in the General Fund were not reconciled monthly.
- ◆ The office had deficiencies in budget operations.
- ◆ The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner.
- ◆ The office had deficiencies in computer system backup procedures.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The office had deficiencies in budget operations.
 - ◆ Insurance payroll liability accounts for the School Federal Projects Fund were not reconciled monthly.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ Rollback taxes were not calculated for changes in use or ownership of greenbelt property.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
 - ◆ The office had deficiencies in commissary operations resulting in a cash shortage of \$742 at June 30, 2011.
 - ◆ Profits from phone card sales were not remitted to the county.
-

OTHER FINDINGS

- ◆ Lake County has a material recurring audit finding.
 - ◆ 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, 2011

Officials

Macie Roberson, County Mayor
William Cantrell, Road Superintendent
Amy Floyd, Director of Schools
Tammie Hopper, Trustee
Joyce Barnes, 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
Bryan Avery, Sheriff

Board of County Commissioners

Macie Roberson, County Mayor, Chairman
Jason Allison
Tony Bargery
Shelby Barker
Rance Frye
Wayne Hatley
Nicky Hayes, Jr.

Denny Johnson
Steve Jones
Richard Perkins
Randall Pitts
Charles Stewart
Jimmy Yates

Highway Commission

Doug Gant, Chairman
Jimmy Leake
Alvin Parker

Sammy Parker
Ronald Snyder, Sr.
Joe Williams

Board of Education

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

FINANCIAL 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**

INDEPENDENT AUDITOR'S REPORT

September 22, 2011

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, 2011, 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 Lake County Emergency Communications District, which represent 5.4 percent and 2.1 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, 2011, 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 September 22, 2011, 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.B., Lake County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

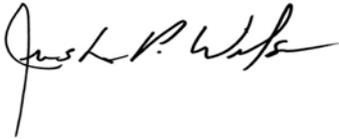
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 59 through 64 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government Governmental Activities	Component Units	
		Lake County School Department	Lake County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 50	\$ 0	\$ 357,927
Equity in Pooled Cash and Investments	3,278,551	1,945,937	0
Accounts Receivable	726,470	47,262	1,675
Allowance for Uncollectibles	(403,517)	0	0
Due from Other Governments	417,311	373,094	0
Property Taxes Receivable	928,024	874,457	0
Allowance for Uncollectible Property Taxes	(8,730)	(8,226)	0
Prepaid Items	0	0	980
Cash Shortage	53,345	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,364,669	67,365	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,850,253	6,014,844	0
Infrastructure	1,914,803	0	0
Other Capital Assets	334,402	317,086	190,621
Total Assets	<u>\$ 11,455,631</u>	<u>\$ 9,631,819</u>	<u>\$ 551,203</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 22,096	\$ 40,910	\$ 2,028
Payroll Deductions Payable	10,485	15,719	1,544
Accrued Interest Payable	52,300	0	0
Due to State of Tennessee	10,936	13	0
Deferred Revenue - Current Property Taxes	870,889	820,619	0
Noncurrent Liabilities:			
Due Within One Year	270,181	1,733	0
Due in More Than One Year	10,186,641	502,140	0
Total Liabilities	<u>\$ 11,423,528</u>	<u>\$ 1,381,134</u>	<u>\$ 3,572</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 2,292,619	\$ 0	\$ 0
Invested in Capital Assets	0	6,399,295	190,621
Restricted for:			
Highway/Public Works	829,292	0	0
Debt Service	1,546,700	0	0
Other Purposes	42,971	78,618	0
Unrestricted	(4,679,479)	1,772,772	357,010
Total Net Assets	<u>\$ 32,103</u>	<u>\$ 8,250,685</u>	<u>\$ 547,631</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, 2011

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	\$ 446,628	\$ 119,526	\$ 21,035	\$ 250,042	\$ (56,025)	\$ 0	\$ 0	\$ 0	0
Finance	309,332	138,967	0	0	(170,365)	0	0	0	0
Administration of Justice	410,033	149,309	9,300	0	(251,424)	0	0	0	0
Public Safety	1,184,344	357,304	157,927	1,900	(667,213)	0	0	0	0
Public Health and Welfare	764,186	783,395	49,958	0	69,167	0	0	0	0
Social, Cultural, and Recreational Services	131,673	0	51,918	0	(79,755)	0	0	0	0
Agriculture and Natural Resources	27,814	0	0	0	(27,814)	0	0	0	0
Other Operations	92,978	0	0	1,750	(91,228)	0	0	0	0
Highways	1,298,391	32,903	1,223,099	0	(42,389)	0	0	0	0
Interest on Long-term Debt	496,628	0	125,000	0	(371,628)	0	0	0	0
Other Debt Service	9,297	0	0	0	(9,297)	0	0	0	0
Total Primary Government	\$ 5,171,304	\$ 1,581,404	\$ 1,638,237	\$ 253,692	\$ (1,697,971)	\$ 0	\$ 0	\$ 0	0
Component Units:									
Lake County School Department	\$ 9,022,585	\$ 78,640	\$ 2,465,637	\$ 0	0	\$ (6,478,308)	\$ 0	\$ 0	0
Lake County Emergency Communications District	116,663	184,580	0	0	0	0	0	0	67,917
Total Component Units	\$ 9,139,248	\$ 263,220	\$ 2,465,637	\$ 0	\$ 0	\$ (6,478,308)	\$ 0	\$ 67,917	67,917

(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	Component Units		
				Expenses	Primary Governmental Activities	Lake County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 675,660	\$ 695,006	\$ 0
Property Taxes Levied for Debt Service				61,727	0	0
Local Option Sales Taxes				360,589	307,401	0
Hotel/Motel Tax				32,120	0	0
Wheel Tax				186,634	27,665	0
Other Local Taxes				62,272	6,496	0
Grants and Contributions Not Restricted to Specific Programs				189,255	5,117,543	0
Unrestricted Investment Income				40,060	0	727
Miscellaneous				26,546	9,854	0
Total General Revenues				\$ 1,634,863	\$ 6,163,965	\$ 727
Change in Net Assets				\$ (63,108)	\$ (314,343)	\$ 68,644
Net Assets (Deficit), July 1, 2010				(1,617,666)	8,565,028	478,987
Prior-period Adjustment				1,712,877	0	0
Net Assets, June 30, 2011				\$ 32,103	\$ 8,250,685	\$ 547,631

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

Exhibit C-1

Lake County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 50	\$ 50
Equity in Pooled Cash and Investments	1,059,681	643,493	1,535,953	39,424	3,278,551
Accounts Receivable	726,470	0	0	0	726,470
Allowance for Uncollectibles	(403,517)	0	0	0	(403,517)
Due from Other Governments	97,587	260,724	59,000	0	417,311
Due from Other Funds	50	0	0	0	50
Property Taxes Receivable	796,959	26,741	77,583	26,741	928,024
Allowance for Uncollectible Property Taxes	(7,497)	(252)	(729)	(252)	(8,730)
Cash Shortage	53,345	0	0	0	53,345
Total Assets	\$ 2,323,078	\$ 930,706	\$ 1,671,807	\$ 65,963	\$ 4,991,554
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 22,096	\$ 0	\$ 0	\$ 22,096
Payroll Deductions Payable	10,485	0	0	0	10,485
Due to Other Funds	0	0	0	50	50
Due to State of Tennessee	10,899	37	0	0	10,936
Deferred Revenue - Current Property Taxes	747,892	25,095	72,807	25,095	870,889
Deferred Revenue - Delinquent Property Taxes	41,570	1,394	4,047	1,394	48,405
Other Deferred Revenues	313,210	100,532	29,000	0	442,742
Total Liabilities	\$ 1,124,056	\$ 149,154	\$ 105,854	\$ 26,539	\$ 1,405,603
<u>Fund Balances</u>					
Restricted:					
Restricted for Finance	\$ 2,153	\$ 0	\$ 0	\$ 0	\$ 2,153
Restricted for Administration of Justice	0	0	0	958	958
Restricted for Public Safety	0	0	0	16,981	16,981
Restricted for Highways/Public Works	0	781,552	0	0	781,552
Restricted for Debt Service	0	0	1,411,463	0	1,411,463
Committed:					
Committed for Public Health and Welfare	0	0	0	21,485	21,485
Committed for Debt Service	0	0	154,490	0	154,490
Unassigned	1,196,869	0	0	0	1,196,869
Total Fund Balances	\$ 1,199,022	\$ 781,552	\$ 1,565,953	\$ 39,424	\$ 3,585,951
Total Liabilities and Fund Balances	\$ 2,323,078	\$ 930,706	\$ 1,671,807	\$ 65,963	\$ 4,991,554

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, 2011

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)		\$	3,585,951
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,364,669	
Add: buildings and improvements net of accumulated depreciation		1,850,253	
Add: infrastructure net of accumulated depreciation		1,914,803	
Add: other capital assets net of accumulated depreciation		<u>334,402</u>	6,464,127
(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	\$	(16,818)	
Less: bonds payable		(10,314,690)	
Less: accrued interest on notes and bonds		(52,300)	
Less: compensated absences payable		<u>(125,314)</u>	(10,509,122)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>491,147</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,103</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,024,870	\$ 25,055	\$ 457,594	\$ 32,908	\$ 1,540,427
Licenses and Permits	9,489	0	0	0	9,489
Fines, Forfeitures, and Penalties	47,583	0	0	6,250	53,833
Charges for Current Services	715,040	0	0	2,962	718,002
Other Local Revenues	91,474	5,432	68,305	3,808	169,019
Fees Received from County Officials	238,763	0	0	0	238,763
State of Tennessee	529,704	1,223,099	0	0	1,752,803
Federal Government	66,682	0	0	18,775	85,457
Other Governments and Citizens Groups	63,197	32,903	125,000	25,181	246,281
Total Revenues	\$ 2,786,802	\$ 1,286,489	\$ 650,899	\$ 89,884	\$ 4,814,074
<u>Expenditures</u>					
Current:					
General Government	\$ 445,235	\$ 0	\$ 0	\$ 440	\$ 445,675
Finance	304,187	0	0	1,489	305,676
Administration of Justice	395,010	0	0	1,681	396,691
Public Safety	1,087,445	0	0	10,126	1,097,571
Public Health and Welfare	620,535	0	0	78,081	698,616
Social, Cultural, and Recreational Services	131,673	0	0	0	131,673
Agriculture and Natural Resources	24,801	0	0	0	24,801
Other Operations	92,978	0	0	0	92,978
Highways	0	1,271,736	0	0	1,271,736
Debt Service:					
Principal on Debt	0	0	249,526	0	249,526
Interest on Debt	0	0	497,745	0	497,745
Other Debt Service	0	0	7,163	0	7,163
Total Expenditures	\$ 3,101,864	\$ 1,271,736	\$ 754,434	\$ 91,817	\$ 5,219,851
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (315,062)	\$ 14,753	\$ (103,535)	\$ (1,933)	\$ (405,777)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 14,964	\$ 60,664	\$ 0	\$ 0	\$ 75,628
Transfers In	0	0	0	21,500	21,500
Transfers Out	(21,500)	0	0	0	(21,500)
Total Other Financing Sources (Uses)	\$ (6,536)	\$ 60,664	\$ 0	\$ 21,500	\$ 75,628
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ (321,598)	\$ 75,417	\$ (103,535)	\$ 19,567	\$ (330,149)
	<u>1,520,620</u>	<u>706,135</u>	<u>1,669,488</u>	<u>19,857</u>	<u>3,916,100</u>
Fund Balance, June 30, 2011	\$ 1,199,022	\$ 781,552	\$ 1,565,953	\$ 39,424	\$ 3,585,951

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, 2011

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)		\$ (330,149)
(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 and donated in the current period	\$ 333,509	
Less: current year depreciation expense	<u>(336,051)</u>	(2,542)
(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, 2011	\$ 491,147	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(447,067)</u>	44,080
(3) The issuance of long-term debt (e.g., notes, bonds) 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.		
Add: principal payments on notes	\$ 7,892	
Add: principal payments on bonds	<u>239,500</u>	247,392
(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	\$ 1,117	
Change in compensated absences payable	<u>(23,006)</u>	<u>(21,889)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (63,108)</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 205,416
Equity in Pooled Cash and Investments	97,847
Investments	22,446
Due from Other Governments	143,276
Cash Shortage	<u>742</u>
Total Assets	<u>\$ 469,727</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 84,254
Due to Litigants, Heirs, and Others	<u>385,473</u>
Total Liabilities	<u>\$ 469,727</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, 2011

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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

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 special revenue 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.

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

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 .5 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, 2011, Lake County had \$6,160,000 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or

laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted or committed (excluding stabilization arrangements). The county’s Budget Committee and the Board of Education are authorized bodies to make assignments.

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

7. Prior-period Adjustment

Capital assets were restated \$1,712,877 from the prior year because land acquired by the county had been omitted.

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 change 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 Shortages

The audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office involving checks issued to a payee named Purchase Power. Purchase Power is a payment mechanism provided by the Pitney Bowes Company enabling its customers to pay for postage and other office related expenses. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper, Kim Keeling, issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The county's insurance company paid the county \$149,000 on October 12, 2010, leaving a balance due the county of \$53,344.63. Ms. Keeling pled guilty to theft over \$60,000 on January 24, 2011, and was sentenced to ten years with the Tennessee Department of Correction with probation after serving one year in the Lake County jail. In addition, Ms. Keeling was ordered to pay the county restitution of \$53,344.63.

The Office of Sheriff had a cash shortage of \$742 as of June 30, 2011, which was subsequently liquidated. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Civil Defense	\$ 9,919
Transfers Out	21,500
General Debt Service:	
Other Debt Service - General Government	1,010
General Purpose School:	
Early Childhood Education	790

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

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, 2011.

Investment Balances. As of June 30, 2011, 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.

Investment	Maturities	Fair Value
U.S. Savings Bonds - Series I	On Demand	\$ 22,446

B. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Restated Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 2,114,627	\$ 250,042	\$ 0	\$ 2,364,669
Total Capital Assets Not Depreciated	<u>\$ 2,114,627</u>	<u>\$ 250,042</u>	<u>\$ 0</u>	<u>\$ 2,364,669</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,773,682	\$ 0	\$ 0	\$ 3,773,682
Infrastructure	2,265,357	0	0	2,265,357
Other Capital Assets	3,489,247	83,467	(220,100)	3,352,614
Total Capital Assets Depreciated	<u>\$ 9,528,286</u>	<u>\$ 83,467</u>	<u>\$ (220,100)</u>	<u>\$ 9,391,653</u>

Governmental Activities (Cont.):

	Restated			Balance
	Balance	Increases	Decreases	6-30-11
	7-1-10			
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 1,784,041	\$ 139,388	\$ 0	\$ 1,923,429
Infrastructure	260,379	90,175	0	350,554
Other Capital Assets	3,131,824	106,488	(220,100)	3,018,212
Total Accumulated				
Depreciation	\$ 5,176,244	\$ 336,051	\$ (220,100)	\$ 5,292,195
Total Capital Assets				
Depreciated, Net	\$ 4,352,042	\$ (252,584)	\$ 0	\$ 4,099,458
Governmental Activities				
Capital Assets, Net	\$ 6,466,669	\$ (2,542)	\$ 0	\$ 6,464,127

See footnote I.D.7. for prior-period adjustment.

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

Governmental Activities:

General Government	\$ 15,917
Finance	3,656
Administration of Justice	13,342
Public Safety	86,424
Public Health and Welfare	65,570
Agriculture and Natural Resources	3,013
Highway/Public Works	<u>148,129</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 336,051</u>

Discretely Presented Lake County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
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	1,375,504	74,828	1,450,332
Total Capital Assets Depreciated	<u>\$ 11,561,149</u>	<u>\$ 74,828</u>	<u>\$ 11,635,977</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 3,862,775	\$ 308,026	\$ 4,170,801
Other Capital Assets	1,032,301	100,945	1,133,246
Total Accumulated Depreciation	<u>\$ 4,895,076</u>	<u>\$ 408,971</u>	<u>\$ 5,304,047</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,666,073</u>	<u>\$ (334,143)</u>	<u>\$ 6,331,930</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,733,438</u>	<u>\$ (334,143)</u>	<u>\$ 6,399,295</u>

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

Governmental Activities:

Instruction	\$ 273,364
Support Services	130,901
Operation of Non-Instructional Services	<u>4,706</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 408,971</u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 50

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, 2011, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund
General Fund	\$ 21,500

Discretely Presented Lake County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
School Federal Projects Fund	\$ 7,451

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, 2011, will be retired from the General Debt Service Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	3.5 to 5.5 %	\$ 11,550,000	\$ 10,314,690
Capital Outlay Note	4.25	24,710	16,818

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 8,242	\$ 714	\$ 8,956
2013	8,576	380	8,956
Total	\$ 16,818	\$ 1,094	\$ 17,912

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	1,918,461	1,976,513	3,894,974
2022-2026	2,570,472	1,477,233	4,047,705
2027-2031	2,889,871	784,913	3,674,784
2032-2036	1,249,926	269,512	1,519,438
2037-2039	259,704	25,551	285,255
Total	<u>\$ 10,314,690</u>	<u>\$ 6,853,707</u>	<u>\$ 17,168,397</u>

There is \$1,565,953 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,317, based on the 2010 federal census. Debt per capita, including bonds and notes totaled \$1,319 based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2010	\$ 10,554,190	\$ 24,710
Deductions	(239,500)	(7,892)
Balance, June 30, 2011	<u>\$ 10,314,690</u>	<u>\$ 16,818</u>
Balance Due Within One Year	<u>\$ 255,673</u>	<u>\$ 8,242</u>

	<u>Compensated Absences</u>
Balance, July 1, 2010	\$ 102,308
Additions	83,313
Deductions	<u>(60,307)</u>
Balance, June 30, 2011	<u>\$ 125,314</u>
Balance Due Within One Year	<u>\$ 6,266</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2011	\$ 10,456,822
Less: Due Within One Year	<u>(270,181)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,186,641</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, 2011, was as follows:

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2010	\$ 30,908	\$ 352,926
Additions	28,475	185,838
Deductions	<u>(24,732)</u>	<u>(69,542)</u>
Balance, June 30, 2011	<u>\$ 34,651</u>	<u>\$ 469,222</u>
Balance Due Within One Year	<u>\$ 1,733</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 503,873
Less: Due Within One Year	<u>(1,733)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 502,140</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

Primary Government

The State of Tennessee pays health insurance premiums for some retired employees on-behalf of Lake County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$1,776. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were \$32,827 and \$10,302, 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. Accounting Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted,

committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Lake County and the Lake County School Department have implemented provisions of this statement in the financial statements of this report for its governmental funds.

C. Subsequent Event

On August 31, 2011, Lake County issued a \$230,000 capital outlay note to purchase highway equipment.

D. 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 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.F., 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. In November 2009, Obion County made a payment equal to 25 percent of the \$2.2 million loan with the understanding that they would be released from the debt.

The attorney representing Lake County for matters associated with development of the Northwest Tennessee Regional Port Authority has advised that the port authority is not involved in any litigation.

E. Changes in Administration

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.

F. 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.D. 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 that began April 2009. The Northwest Tennessee Regional Port Authority has yet to begin operations; therefore, there is no financial activity to report.

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.

G. 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 to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 5.89 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county's annual pension cost of \$155,190 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 ten-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, 2009, was 20 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
6-30-11	\$155,190	100%	\$0
6-30-10	117,710	100	0
6-30-09	118,353	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 81 percent funded. The actuarial accrued liability for benefits was \$6 million, and the actuarial value of assets was \$5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3 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 SETHEPP. 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 salary 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, 2011, was 9.05 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, 2011, 2010, and 2009 were \$368,078, 253,447, and \$258,044, respectively, equal to the required contributions for each year.

H. 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. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The 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, 2011, the Lake County School Department contributed \$69,542 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 185,000
Interest on the NPO	15,881
Adjustment to the ARC	(15,043)
Annual OPEB cost	<hr/> \$ 185,838
Less: Amount of contribution	(69,542)
Increase/decrease in NPO	<hr/> \$ 116,296
Net OPEB obligation, 7-1-10	<hr/> 352,926
Net OPEB obligation, 6-30-11	<hr/> <hr/> \$ 469,222

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 188,147	34%	\$ 246,201
6-30-10	"	182,585	42	352,926
6-30-11	"	185,838	37	469,222

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 1,676,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,676,000
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, 2010, actuarial valuation for the Local Education Group Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes 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, 2008.

I. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the district are operational funding from the Tennessee Emergency Communications Board and miscellaneous carriers. Operating expenses include operation expenses, maintenance expenses, payroll and related expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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. As of June 20, 2011, investments consisted of certificates of deposit only.

Accounts Receivable

Accounts receivable are recorded for amounts due from telephone companies.

Capital Assets

Capital assets are stated at cost. At this time, capital 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

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	\$ 47,648
Accrual adjustments	2,953
Capitalized expenditures	17,063
Prepaid expense	<u>980</u>
Net income - GAAP basis	<u><u>\$ 68,644</u></u>

For the year ended June 30, 2011, there were six line-items whose budgetary-basis expenditures exceeded the legally adopted budget by a total of \$7,621.

C. Detailed Notes on Accounts

1. Deposits and Investments

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, 2011, all bank deposits were fully collateralized or insured.

2. Capital Assets

Capital assets activity during the year was as follows:

Descriptions	Balance 7-1-10	Additions	Balance 6-30-11
Capital Assets, Being Depreciated:			
Communications			
Equipment	\$ 347,226	\$ 16,340	\$ 363,566
Office Equipment	13,734	723	14,457
Total Capital Assets Being Depreciated	\$ 360,960	\$ 17,063	\$ 378,023
Less Accumulated Depreciation:			
Communications			
Equipment	\$ 145,360	\$ 35,430	\$ 180,790
Office Equipment	4,697	1,915	6,612
Total Accumulated Depreciation	\$ 150,057	\$ 37,345	\$ 187,402
Total Capital Assets, Net	\$ 210,903	\$ (20,282)	\$ 190,621

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,024,870	\$ 991,269	\$ 991,269	\$ 33,601
Licenses and Permits	9,489	10,825	10,825	(1,336)
Fines, Forfeitures, and Penalties	47,583	43,065	43,065	4,518
Charges for Current Services	715,040	936,600	936,600	(221,560)
Other Local Revenues	91,474	116,789	116,789	(25,315)
Fees Received from County Officials	238,763	235,000	235,000	3,763
State of Tennessee	529,704	583,977	585,753	(56,049)
Federal Government	66,682	360,800	360,800	(294,118)
Other Governments and Citizens Groups	63,197	52,600	52,600	10,597
Total Revenues	\$ 2,786,802	\$ 3,330,925	\$ 3,332,701	\$ (545,899)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 27,532	\$ 30,930	\$ 30,930	\$ 3,398
County Mayor/Executive	121,283	123,727	127,390	6,107
County Attorney	33,390	16,022	34,022	632
Election Commission	88,308	92,293	92,293	3,985
Register of Deeds	74,168	75,949	75,949	1,781
Development	34,875	10,000	38,500	3,625
County Buildings	65,679	83,775	83,775	18,096
<u>Finance</u>				
Property Assessor's Office	103,519	107,870	107,870	4,351
Reappraisal Program	2,940	4,894	4,894	1,954
County Trustee's Office	96,539	98,977	98,977	2,438
County Clerk's Office	101,189	103,353	103,353	2,164
<u>Administration of Justice</u>				
Circuit Court	166,136	170,618	170,618	4,482
General Sessions Court	104,942	105,937	105,937	995
Chancery Court	73,943	77,712	77,849	3,906
Juvenile Court	47,111	45,990	47,190	79
Other Administration of Justice	2,878	1,700	2,900	22
<u>Public Safety</u>				
Sheriff's Department	527,631	458,658	547,116	19,485
Jail	528,071	472,712	541,887	13,816
Civil Defense	31,743	14,000	21,824	(9,919)
<u>Public Health and Welfare</u>				
Local Health Center	51,846	82,925	82,925	31,079
Ambulance/Emergency Medical Services	541,547	581,178	583,778	42,231
Maternal and Child Health Services	0	500	500	500
Sanitation Management	27,142	32,000	32,000	4,858
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	85,589	97,821	97,821	12,232
Libraries	14,250	19,000	19,000	4,750

(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	\$ 31,834	\$ 10,000	\$ 33,391	\$ 1,557
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	24,801	25,554	25,554	753
<u>Other Operations</u>				
Tourism	35,650	35,000	35,650	0
Other Economic and Community Development	25,000	452,000	477,000	452,000
Other Charges	27,609	32,000	32,000	4,391
Contributions to Other Agencies	2,943	8,300	8,300	5,357
Miscellaneous	1,776	0	1,776	0
Total Expenditures	<u>\$ 3,101,864</u>	<u>\$ 3,471,395</u>	<u>\$ 3,742,969</u>	<u>\$ 641,105</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (315,062)</u>	<u>\$ (140,470)</u>	<u>\$ (410,268)</u>	<u>\$ 95,206</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 14,964	\$ 150,000	\$ 1,000	\$ 13,964
Transfers Out	(21,500)	(7,000)	0	(21,500)
Total Other Financing Sources (Uses)	<u>\$ (6,536)</u>	<u>\$ 143,000</u>	<u>\$ 1,000</u>	<u>\$ (7,536)</u>
Net Change in Fund Balance	\$ (321,598)	2,530	(409,268)	87,670
Fund Balance, July 1, 2010	<u>1,520,620</u>	<u>1,371,531</u>	<u>1,371,531</u>	<u>149,089</u>
Fund Balance, June 30, 2011	<u>\$ 1,199,022</u>	<u>\$ 1,374,061</u>	<u>\$ 962,263</u>	<u>\$ 236,759</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 25,055	\$ 24,538	\$ 24,538	\$ 517
Other Local Revenues	5,432	28,000	28,000	(22,568)
State of Tennessee	1,223,099	1,575,290	1,575,290	(352,191)
Federal Government	0	60,000	60,000	(60,000)
Other Governments and Citizens Groups	32,903	15,000	15,000	17,903
Total Revenues	<u>\$ 1,286,489</u>	<u>\$ 1,702,828</u>	<u>\$ 1,702,828</u>	<u>\$ (416,339)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 173,537	\$ 201,008	\$ 201,008	\$ 27,471
Highway and Bridge Maintenance	360,453	862,000	862,000	501,547
Operation and Maintenance of Equipment	273,777	371,300	313,833	40,056
Other Charges	106,293	132,300	132,300	26,007
Employee Benefits	300,209	377,000	377,000	76,791
Capital Outlay	57,467	213,000	270,467	213,000
Total Expenditures	<u>\$ 1,271,736</u>	<u>\$ 2,156,608</u>	<u>\$ 2,156,608</u>	<u>\$ 884,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 14,753</u>	<u>\$ (453,780)</u>	<u>\$ (453,780)</u>	<u>\$ 468,533</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 60,664	\$ 3,000	\$ 3,000	\$ 57,664
Total Other Financing Sources (Uses)	<u>\$ 60,664</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 57,664</u>
Net Change in Fund Balance	\$ 75,417	\$ (450,780)	\$ (450,780)	\$ 526,197
Fund Balance, July 1, 2010	706,135	610,437	610,437	95,698
Fund Balance, June 30, 2011	<u>\$ 781,552</u>	<u>\$ 159,657</u>	<u>\$ 159,657</u>	<u>\$ 621,895</u>

Exhibit E-3

Lake County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Lake County School Department
June 30, 2011

(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, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	4,767	35
"	7-1-10	0	1,676	1,676	0	4,753	35

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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 audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office involving checks issued to a payee named Purchase Power. Purchase Power is a payment mechanism provided by the Pitney Bowes Company enabling its customers to pay for postage and other office related expenses. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper, Kim Keeling, issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The county's insurance company paid the county \$149,000 on October 12, 2010, leaving a balance due the county of \$53,344.63. Ms. Keeling pled guilty to theft over \$60,000 on January 24, 2011, and was sentenced to ten years with the Tennessee Department of Correction with probation after serving one year in the Lake County jail. In addition, Ms. Keeling was ordered to pay the county restitution of \$53,344.63.

C. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Civil Defense and Transfers Out major appropriation categories (the legal level of control) of the General Fund by \$9,919 and \$21,500 respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit F-1

Lake County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	50 \$	50
	958	21,485	16,981	0	39,424
	0	26,741	0	0	26,741
	0	(252)	0	0	(252)
\$	958 \$	47,974 \$	16,981 \$	50 \$	65,963

ASSETS

Cash					50
Equity in Pooled Cash and Investments					39,424
Property Taxes Receivable					26,741
Allowance for Uncollectible Property Taxes					(252)
Total Assets					65,963

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds				50 \$	50
Deferred Revenue - Current Property Taxes				0	25,095
Deferred Revenue - Delinquent Property Taxes				0	1,394
Total Liabilities				50 \$	26,539
<u>Fund Balances</u>					
Restricted:					
Restricted for Administration of Justice				0 \$	958
Restricted for Public Safety				0	16,981
Committed:					
Committed for Public Health and Welfare				0	21,485
Total Fund Balances				0 \$	39,424
Total Liabilities and Fund Balances				50 \$	65,963

Lake County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 1,175	\$ 31,733	\$ 0	\$ 0	\$ 0	\$ 32,908
Fines, Forfeitures, and Penalties	0	0	6,250	0	0	6,250
Charges for Current Services	0	0	0	2,962	0	2,962
Other Local Revenues	0	0	3,808	0	0	3,808
Federal Government	0	18,775	0	0	0	18,775
Other Governments and Citizens Groups	0	25,181	0	0	0	25,181
Total Revenues	\$ 1,175	\$ 75,689	\$ 10,058	\$ 2,962	\$ 0	\$ 89,884
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 440	\$ 0	\$ 440
Finance	0	0	0	1,489	0	1,489
Administration of Justice	648	0	0	1,033	0	1,681
Public Safety	0	0	10,126	0	0	10,126
Public Health and Welfare	0	78,081	0	0	0	78,081
Total Expenditures	\$ 648	\$ 78,081	\$ 10,126	\$ 2,962	\$ 0	\$ 91,817
Excess (Deficiency) of Revenues Over Expenditures	\$ 527	\$ (2,392)	\$ (68)	\$ 0	\$ 0	\$ (1,933)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 21,500	\$ 0	\$ 0	\$ 0	\$ 21,500
Total Other Financing Sources (Uses)	\$ 0	\$ 21,500	\$ 0	\$ 0	\$ 0	\$ 21,500
Net Change in Fund Balances	\$ 527	\$ 19,108	\$ (68)	\$ 0	\$ 0	\$ 19,567
Fund Balance, July 1, 2010	431	2,377	17,049	0	0	19,857
Fund Balance, June 30, 2011	\$ 958	\$ 21,485	\$ 16,981	\$ 0	\$ 0	\$ 39,424

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,175	\$ 1,200	\$ 1,200	\$ (25)
Total Revenues	\$ 1,175	\$ 1,200	\$ 1,200	\$ (25)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 648	\$ 1,200	\$ 1,200	\$ 552
Total Expenditures	\$ 648	\$ 1,200	\$ 1,200	\$ 552
Excess (Deficiency) of Revenues Over Expenditures	\$ 527	\$ 0	\$ 0	\$ 527
Net Change in Fund Balance	\$ 527	\$ 0	\$ 0	\$ 527
Fund Balance, July 1, 2010	431	454	454	(23)
Fund Balance, June 30, 2011	\$ 958	\$ 454	\$ 454	\$ 504

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 31,733	\$ 32,387	\$ 32,387	\$ (654)
Other Local Revenues	0	1,100	1,100	(1,100)
Federal Government	18,775	0	0	18,775
Other Governments and Citizens Groups	25,181	40,000	40,000	(14,819)
Total Revenues	<u>\$ 75,689</u>	<u>\$ 73,487</u>	<u>\$ 73,487</u>	<u>\$ 2,202</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 45,298	\$ 36,256	\$ 45,863	\$ 565
Other Waste Disposal	32,783	36,000	36,000	3,217
Total Expenditures	<u>\$ 78,081</u>	<u>\$ 72,256</u>	<u>\$ 81,863</u>	<u>\$ 3,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,392)</u>	<u>\$ 1,231</u>	<u>\$ (8,376)</u>	<u>\$ 5,984</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 21,500	0	0	\$ 21,500
Total Other Financing Sources (Uses)	<u>\$ 21,500</u>	<u>0</u>	<u>0</u>	<u>\$ 21,500</u>
Net Change in Fund Balance	\$ 19,108	\$ 1,231	\$ (8,376)	\$ 27,484
Fund Balance, July 1, 2010	<u>2,377</u>	<u>5,069</u>	<u>8,376</u>	<u>(5,999)</u>
Fund Balance, June 30, 2011	<u>\$ 21,485</u>	<u>\$ 6,300</u>	<u>\$ 0</u>	<u>\$ 21,485</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 6,250	\$ 860	\$ 6,457	\$ (207)
Other Local Revenues	3,808	0	3,800	8
Total Revenues	<u>\$ 10,058</u>	<u>\$ 860</u>	<u>\$ 10,257</u>	<u>\$ (199)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 10,126	\$ 2,005	\$ 10,265	\$ 139
Total Expenditures	<u>\$ 10,126</u>	<u>\$ 2,005</u>	<u>\$ 10,265</u>	<u>\$ 139</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (68)</u>	<u>\$ (1,145)</u>	<u>\$ (8)</u>	<u>\$ (60)</u>
Net Change in Fund Balance	\$ (68)	\$ (1,145)	\$ (8)	\$ (60)
Fund Balance, July 1, 2010	<u>17,049</u>	<u>15,297</u>	<u>15,297</u>	<u>1,752</u>
Fund Balance, June 30, 2011	<u>\$ 16,981</u>	<u>\$ 14,152</u>	<u>\$ 15,289</u>	<u>\$ 1,692</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit 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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 457,594	\$ 450,300	\$ 450,300	\$ 7,294
Other Local Revenues	68,305	5,200	5,200	63,105
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 650,899</u>	<u>\$ 580,500</u>	<u>\$ 580,500</u>	<u>\$ 70,399</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 79,526	\$ 92,325	\$ 92,325	\$ 12,799
Education	170,000	170,000	170,000	0
<u>Interest on Debt</u>				
General Government	224,275	225,635	250,735	26,460
Education	273,470	273,470	273,470	0
<u>Other Debt Service</u>				
General Government	6,680	5,600	5,600	(1,080)
Education	483	2,035	2,035	1,552
Total Expenditures	<u>\$ 754,434</u>	<u>\$ 769,065</u>	<u>\$ 794,165</u>	<u>\$ 39,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (103,535)</u>	<u>\$ (188,565)</u>	<u>\$ (213,665)</u>	<u>\$ 110,130</u>
Net Change in Fund Balance	\$ (103,535)	\$ (188,565)	\$ (213,665)	\$ 110,130
Fund Balance, July 1, 2010	1,669,488	1,735,401	1,735,401	(65,913)
Fund Balance, June 30, 2011	<u>\$ 1,565,953</u>	<u>\$ 1,546,836</u>	<u>\$ 1,521,736</u>	<u>\$ 44,217</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, 2011

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	
Cash	\$ 0	\$ 0	\$ 0	\$ 205,416	\$ 0	\$ 205,416
Equity in Pooled Cash and Investments	0	54,254	37,921	0	5,672	97,847
Investments	0	0	0	22,446	0	22,446
Due from Other Governments	30,000	0	113,276	0	0	143,276
Cash Shortage	0	0	0	742	0	742
Total Assets	\$ 30,000	\$ 54,254	\$ 151,197	\$ 228,604	\$ 5,672	\$ 469,727
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 30,000	\$ 54,254	\$ 0	\$ 0	\$ 0	\$ 84,254
Due to Litigants, Heirs, and Others	0	0	151,197	228,604	5,672	385,473
Total Liabilities	\$ 30,000	\$ 54,254	\$ 151,197	\$ 228,604	\$ 5,672	\$ 469,727

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 141,689	\$ 141,689	\$ 0
Due from Other Governments	29,634	30,000	29,634	30,000
Total Assets	\$ 29,634	\$ 171,689	\$ 171,323	\$ 30,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 29,634	\$ 171,689	\$ 171,323	\$ 30,000
Total Liabilities	\$ 29,634	\$ 171,689	\$ 171,323	\$ 30,000
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 26,391	\$ 37,252	\$ 9,389	\$ 54,254
Total Assets	\$ 26,391	\$ 37,252	\$ 9,389	\$ 54,254
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 26,391	\$ 37,252	\$ 9,389	\$ 54,254
Total Liabilities	\$ 26,391	\$ 37,252	\$ 9,389	\$ 54,254
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 53,544	\$ 446,710	\$ 462,333	\$ 37,921
Due from Other Governments	43,290	113,276	43,290	113,276
Total Assets	\$ 96,834	\$ 559,986	\$ 505,623	\$ 151,197
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 96,834	\$ 559,986	\$ 505,623	\$ 151,197
Total Liabilities	\$ 96,834	\$ 559,986	\$ 505,623	\$ 151,197
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 294,937	\$ 1,040,214	\$ 1,129,735	\$ 205,416
Investments	21,729	717	0	22,446
Cash Shortage	0	742	0	742
Total Assets	\$ 316,666	\$ 1,041,673	\$ 1,129,735	\$ 228,604

(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	\$ 316,666	\$ 1,041,673	\$ 1,129,735	\$ 228,604
Total Liabilities	<u>\$ 316,666</u>	<u>\$ 1,041,673</u>	<u>\$ 1,129,735</u>	<u>\$ 228,604</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 195,938	\$ 25,000	\$ 215,266	\$ 5,672
Total Assets	<u>\$ 195,938</u>	<u>\$ 25,000</u>	<u>\$ 215,266</u>	<u>\$ 5,672</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 195,938	\$ 25,000	\$ 215,266	\$ 5,672
Total Liabilities	<u>\$ 195,938</u>	<u>\$ 25,000</u>	<u>\$ 215,266</u>	<u>\$ 5,672</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 294,937	\$ 1,040,214	\$ 1,129,735	\$ 205,416
Equity in Pooled Cash and Investments	275,873	650,651	828,677	97,847
Investments	21,729	717	0	22,446
Due from Other Governments	72,924	143,276	72,924	143,276
Cash Shortage	0	742	0	742
Total Assets	<u>\$ 665,463</u>	<u>\$ 1,835,600</u>	<u>\$ 2,031,336</u>	<u>\$ 469,727</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 56,025	\$ 208,941	\$ 180,712	\$ 84,254
Due to Litigants, Heirs, and Others	609,438	1,626,659	1,850,624	385,473
Total Liabilities	<u>\$ 665,463</u>	<u>\$ 1,835,600</u>	<u>\$ 2,031,336</u>	<u>\$ 469,727</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, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,351,589	\$ 0	\$ 1,407,426	\$ (3,944,163)
Support Services	2,730,264	0	322,009	(2,408,255)
Operation of Non-Instructional Services	815,732	78,640	736,202	(890)
Other Debt Service	125,000	0	0	(125,000)
Total Governmental Activities	\$ 9,022,585	\$ 78,640	\$ 2,465,637	\$ (6,478,308)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 695,006
Local Option Sales Taxes				307,401
Wheel Tax				27,665
Other Local Taxes				6,496
Grants and Contributions Not Restricted for Specific Programs				5,117,543
Miscellaneous				9,854
Total General Revenues				\$ 6,163,965
Change in Net Assets				\$ (314,343)
Net Assets, July 1, 2010				8,565,028
Net Assets, June 30, 2011				\$ 8,250,685

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2011

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,899,021	\$ 46,916	\$ 1,945,937
Accounts Receivable	0	47,262	47,262
Due from Other Governments	373,094	0	373,094
Property Taxes Receivable	874,457	0	874,457
Allowance for Uncollectible Property Taxes	(8,226)	0	(8,226)
Total Assets	\$ 3,138,346	\$ 94,178	\$ 3,232,524
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 25,350	\$ 15,560	\$ 40,910
Payroll Deductions Payable	15,719	0	15,719
Due to State of Tennessee	13	0	13
Deferred Revenue - Current Property Taxes	820,619	0	820,619
Deferred Revenue - Delinquent Property Taxes	45,612	0	45,612
Other Deferred Revenues	25,000	0	25,000
Total Liabilities	\$ 932,313	\$ 15,560	\$ 947,873
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 78,618	\$ 78,618
Unassigned	2,206,033	0	2,206,033
Total Fund Balances	\$ 2,206,033	\$ 78,618	\$ 2,284,651
Total Liabilities and Fund Balances	\$ 3,138,346	\$ 94,178	\$ 3,232,524

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, 2011

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)		\$	2,284,651
(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		6,014,844	
Add: other capital assets net of accumulated depreciation		<u>317,086</u>	6,399,295
(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	\$	(34,651)	
Less: other postemployment benefits liability		<u>(469,222)</u>	(503,873)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>70,612</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>8,250,685</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, 2011

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,161,108	\$ 0	\$ 1,161,108
Licenses and Permits	551	0	551
Charges for Current Services	78,640	0	78,640
Other Local Revenues	9,854	0	9,854
State of Tennessee	5,565,958	0	5,565,958
Federal Government	631,212	1,267,402	1,898,614
Total Revenues	<u>\$ 7,447,323</u>	<u>\$ 1,267,402</u>	<u>\$ 8,714,725</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,894,453	\$ 1,039,347	\$ 4,933,800
Support Services	2,502,955	167,551	2,670,506
Operation of Non-Instructional Services	800,125	0	800,125
Capital Outlay	38,972	0	38,972
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,361,505</u>	<u>\$ 1,206,898</u>	<u>\$ 8,568,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 85,818</u>	<u>\$ 60,504</u>	<u>\$ 146,322</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 7,451	\$ 0	\$ 7,451
Transfers Out	0	(7,451)	(7,451)
Total Other Financing Sources (Uses)	<u>\$ 7,451</u>	<u>\$ (7,451)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 93,269	\$ 53,053	\$ 146,322
Fund Balance, July 1, 2010	<u>2,112,764</u>	<u>25,565</u>	<u>2,138,329</u>
Fund Balance, June 30, 2011	<u>\$ 2,206,033</u>	<u>\$ 78,618</u>	<u>\$ 2,284,651</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, 2011

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)		\$	146,322
(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	\$	74,828	
Less: current-year depreciation expense		<u>(408,971)</u>	(334,143)
(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, 2011	\$	70,612	
Less: deferred delinquent property taxes and other deferred June 30, 2010		<u>(77,095)</u>	(6,483)
(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	\$	(3,743)	
Change in other postemployment benefits liability		<u>(116,296)</u>	<u>(120,039)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (314,343)</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,161,108	\$ 1,121,542	\$ 1,123,202	\$ 37,906
Licenses and Permits	551	1,000	1,000	(449)
Charges for Current Services	78,640	81,000	81,000	(2,360)
Other Local Revenues	9,854	14,000	14,000	(4,146)
State of Tennessee	5,565,958	5,476,376	5,544,985	20,973
Federal Government	631,212	678,520	711,709	(80,497)
Total Revenues	\$ 7,447,323	\$ 7,372,438	\$ 7,475,896	\$ (28,573)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,253,304	\$ 3,433,608	\$ 3,433,608	\$ 180,304
Special Education Program	422,281	430,131	431,420	9,139
Vocational Education Program	218,868	222,306	224,358	5,490
<u>Support Services</u>				
Attendance	40,142	45,951	45,951	5,809
Health Services	24,084	29,662	29,662	5,578
Other Student Support	189,479	197,965	198,170	8,691
Regular Instruction Program	263,037	277,967	277,967	14,930
Special Education Program	45,495	49,091	49,091	3,596
Other Programs	43,129	0	43,129	0
Board of Education	115,529	130,351	130,351	14,822
Director of Schools	152,444	158,219	158,219	5,775
Office of the Principal	454,763	483,509	484,123	29,360
Fiscal Services	82,900	80,005	83,005	105
Operation of Plant	686,619	676,297	689,697	3,078
Maintenance of Plant	127,267	140,835	140,835	13,568
Transportation	278,067	299,906	299,906	21,839
<u>Operation of Non-Instructional Services</u>				
Food Service	488,079	455,550	488,739	660
Early Childhood Education	312,046	304,676	311,256	(790)
<u>Capital Outlay</u>				
Regular Capital Outlay	38,972	200,000	75,000	36,028
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,361,505	\$ 7,616,029	\$ 7,719,487	\$ 357,982
Excess (Deficiency) of Revenues Over Expenditures	\$ 85,818	\$ (243,591)	\$ (243,591)	\$ 329,409
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 7,451	\$ 10,000	\$ 10,000	\$ (2,549)
Total Other Financing Sources (Uses)	\$ 7,451	\$ 10,000	\$ 10,000	\$ (2,549)

(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	
Net Change in Fund Balance	\$ 93,269	\$ (233,591)	\$ (233,591)	\$ 326,860
Fund Balance, July 1, 2010	2,112,764	1,929,914	1,929,914	182,850
Fund Balance, June 30, 2011	\$ 2,206,033	\$ 1,696,323	\$ 1,696,323	\$ 509,710

Exhibit I-7

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Lake County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Revenues						
Federal Government	\$ 1,267,402 \$	0 \$	1,267,402 \$	1,496,553 \$	1,496,553 \$	(229,151)
Total Revenues	\$ 1,267,402 \$	0 \$	1,267,402 \$	1,496,553 \$	1,496,553 \$	(229,151)
Expenditures						
<u>Instruction</u>						
Regular Instruction Program	\$ 665,613 \$	21,588 \$	687,201 \$	812,835 \$	814,665 \$	127,464
Special Education Program	356,442	0	356,442	429,930	429,930	73,488
Vocational Education Program	17,292	0	17,292	17,294	17,294	2
<u>Support Services</u>						
Other Student Support	2,915	0	2,915	2,915	2,915	0
Regular Instruction Program	146,421	0	146,421	221,505	221,505	75,084
Special Education Program	10,471	0	10,471	17,500	17,500	7,029
Vocational Education Program	828	0	828	875	875	47
Office of the Principal	6,916	0	6,916	8,000	8,000	1,084
Transportation	0	0	0	999	999	999
Total Expenditures	\$ 1,206,898 \$	21,588 \$	1,228,486 \$	1,511,853 \$	1,513,683 \$	285,197
Excess (Deficiency) of Revenues Over Expenditures	\$ 60,504 \$	(21,588) \$	38,916 \$	(15,300) \$	(17,130) \$	56,046
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (7,451) \$	0 \$	(7,451) \$	(12,317) \$	(10,487) \$	3,036
Total Other Financing Sources (Uses)	\$ (7,451) \$	0 \$	(7,451) \$	(12,317) \$	(10,487) \$	3,036
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 53,053 \$	(21,588) \$	31,465 \$	(27,617) \$	(27,617) \$	59,082
	25,565	0	25,565	27,617	27,617	(2,052)
Fund Balance, June 30, 2011	\$ 78,618 \$	(21,588) \$	57,030 \$	0 \$	0 \$	57,030

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2011

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 337,919</u>
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Lake County Students	<u>\$ 337,919</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, 2011

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 2,057
Total Additions	<u>\$ 2,057</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 2,753
Total Deductions	<u>\$ 2,753</u>
Change in Net Assets	\$ (696)
Net Assets, July 1, 2010	<u>338,615</u>
Net Assets, June 30, 2011	<u><u>\$ 337,919</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Paid and/or Matured During Period	Outstanding 6-30-11
NOTES PAYABLE							
<u>Payable through General Debt Service Fund</u>							
Sheriff Department Vehicles	\$ 24,710	4.25 %	3-24-10	3-24-13	24,710 \$	7,892 \$	16,818
Total Notes Payable					\$ 24,710 \$	7,892 \$	16,818
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	1,474,190 \$	24,500 \$	1,449,690
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-30	6,330,000	170,000	6,160,000
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	2,750,000	45,000	2,705,000
Total Bonds Payable					\$ 10,554,190 \$	239,500 \$	10,314,690

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 8,242	\$ 714	\$ 8,956
2013	8,576	380	8,956
Total	\$ 16,818	\$ 1,094	\$ 17,912

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 10,314,690	\$ 6,853,707	\$ 17,168,397

Exhibit J-3

Lake County, Tennessee
Schedule of Investments
June 30, 2011

<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>\$ 22,446</u>
Total Investments	<u>\$ 22,446</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, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 21,500
Total Transfers Primary Government			<u>\$ 21,500</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 7,451
Total Transfers Discretely Presented Lake County School Department			<u>\$ 7,451</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 62,150 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, TCA	58,077	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, TCA	52,251	359,302	"
Assessor of Property:				
Regina Moore (7-1-10 through 8-31-10)	Section 8-24-102, TCA	8,709	10,000	"
Joyce Barnes (9-1-10 through 6-30-11)	Section 8-24-102, TCA	43,542	10,000	"
County Clerk	Section 8-24-102, TCA	52,251	25,000	"
Circuit Court Clerk	Section 8-24-102, TCA	52,251	25,000	"
Clerk and Master	Section 8-24-102, TCA	52,251	50,000	RLI Insurance Company
Register	Section 8-24-102, TCA	52,251	15,000	Traveler's Casualty and Surety Company of America
Sheriff:				
Greg Story (7-1-10 through 8-31-10)	Section 8-24-102, TCA	9,579 (3)	25,000	"
Bryan Avery (9-1-10 through 6-30-11)	Section 8-24-102, TCA	47,898	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; \$3,811 in disability insurance premiums; \$2,140 in life insurance premiums; or \$14,347 in 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, 2011

	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	\$ 579,619	\$ 0	\$ 19,420	\$ 0	\$ 0	\$ 19,422	\$ 56,424	\$ 674,885	
Trustee's Collections - Prior Year	39,216	0	1,316	0	0	1,314	3,824	45,670	
Trustee's Collections - Bankruptcy	11,560	0	387	0	0	387	1,125	13,459	
Circuit/Clerk & Master Collections - Prior Years	1,388	0	49	0	0	49	207	1,693	
Interest and Penalty	8,256	0	278	0	0	278	811	9,623	
Payments in-Lieu-of Taxes - Local Utilities	107,583	0	3,605	0	0	3,605	10,474	125,267	
Payments in-Lieu-of Taxes - Other	25,444	0	0	0	0	0	0	25,444	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	55,954	0	0	0	0	0	304,435	360,389	
Hotel/Motel Tax	32,120	0	0	0	0	0	0	32,120	
Wheel Tax	105,780	0	6,678	0	0	0	74,176	186,634	
Litigation Tax - General	12,827	0	0	0	0	0	0	12,827	
Litigation Tax - Special Purpose	814	1,175	0	0	0	0	0	1,989	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	4,583	4,583	
Litigation Tax - Courtroom Security	4,736	0	0	0	0	0	0	4,736	
Business Tax	26,088	0	0	0	0	0	1,535	27,623	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	2,971	0	0	0	0	0	0	2,971	
Wholesale Beer Tax	10,401	0	0	0	0	0	0	10,401	
Interstate Telecommunications Tax	113	0	0	0	0	0	0	113	
Total Local Taxes	\$ 1,024,870	\$ 1,175	\$ 31,733	\$ 0	\$ 0	\$ 25,055	\$ 457,594	\$ 1,540,427	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 287	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 287	
Cable TV Franchise	8,159	0	0	0	0	0	0	8,159	
<u>Permits</u>									
Building Permits	875	0	0	0	0	0	0	875	
Other Permits	168	0	0	0	0	0	0	168	
Total Licenses and Permits	\$ 9,489	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,489	

(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>									
Officers Costs	2,824	0	0	0	0	0	0	0	2,824
Drug Control Fines	3,346	0	0	437	0	0	0	0	3,783
Drug Court Fees	276	0	0	0	0	0	0	0	276
Jail Fees	139	0	0	0	0	0	0	0	139
Data Entry Fee - Circuit Court	96	0	0	0	0	0	0	0	96
<u>Criminal Court</u>									
Drug Control Fines	475	0	0	0	0	0	0	0	475
Courtroom Security Fee	43	0	0	0	0	0	0	0	43
<u>General Sessions Court</u>									
Fines	7,836	0	0	0	0	0	0	0	7,836
Officers Costs	9,693	0	0	0	0	0	0	0	9,693
Drug Control Fines	996	0	0	1,915	0	0	0	0	2,911
Drug Court Fees	986	0	0	0	0	0	0	0	986
Jail Fees	14,601	0	0	0	0	0	0	0	14,601
District Attorney General Fees	602	0	0	0	0	0	0	0	602
DUI Treatment Fines	1,934	0	0	0	0	0	0	0	1,934
Data Entry Fee - General Sessions Court	736	0	0	0	0	0	0	0	736
Courtroom Security Fee	63	0	0	0	0	0	0	0	63
<u>Juvenile Court</u>									
Fines	990	0	0	0	0	0	0	0	990
Officers Costs	96	0	0	0	0	0	0	0	96
Data Entry Fee - Juvenile Court	16	0	0	0	0	0	0	0	16
<u>Chancery Court</u>									
Officers Costs	958	0	0	0	0	0	0	0	958
Data Entry Fee - Chancery Court	182	0	0	0	0	0	0	0	182
Courtroom Security Fee	45	0	0	0	0	0	0	0	45
<u>Judicial District Drug Program</u>									
Courtroom Security Fee	71	0	0	0	0	0	0	0	71
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	579	0	0	3,898	0	0	0	0	4,477
Total Fines, Forfeitures, and Penalties	47,583	0	0	6,250	0	0	0	0	53,833

(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>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 706,104	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 706,104
Fees								
Copy Fees	311	0	0	0	0	0	0	311
Archives and Records Management Fee - County Clerk	2,870	0	0	0	0	0	0	2,870
Telephone Commissions	3,371	0	0	0	0	0	0	3,371
Constitutional Officers' Fees and Commissions	0	0	0	0	2,962	0	0	2,962
Data Processing Fee - Register	1,468	0	0	0	0	0	0	1,468
Data Processing Fee - Sheriff	378	0	0	0	0	0	0	378
Sexual Offender Registration Fees - Sheriff	500	0	0	0	0	0	0	500
Data Processing Fee - County Clerk	38	0	0	0	0	0	0	38
Total Charges for Current Services	\$ 715,040	\$ 0	\$ 0	\$ 0	\$ 2,962	\$ 0	\$ 0	\$ 718,002
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 39,195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 865	\$ 40,060
Lease/Rentals	26,600	0	0	0	0	0	67,440	94,040
Commissary Sales	1,701	0	0	0	0	0	0	1,701
Miscellaneous Refunds	11,721	0	0	3,808	0	5,432	0	20,961
<u>Nonrecurring Items</u>								
Sale of Property	5,575	0	0	0	0	0	0	5,575
Damages Recovered from Individuals	10	0	0	0	0	0	0	10
<u>Other Local Revenues</u>								
Total Other Local Revenues	\$ 6,672	\$ 0	\$ 0	\$ 3,808	\$ 0	\$ 5,432	\$ 0	\$ 6,672
Total Other Local Revenues	\$ 91,474	\$ 0	\$ 0	\$ 3,808	\$ 0	\$ 5,432	\$ 68,305	\$ 169,019
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 50,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,102
Circuit Court Clerk	28,012	0	0	0	0	0	0	28,012
General Sessions Court Clerk	28,831	0	0	0	0	0	0	28,831

(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>									
Clerk and Master	\$ 22,787	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,787
Juvenile Court Clerk	8,141	0	0	0	0	0	0	0	8,141
Register	14,233	0	0	0	0	0	0	0	14,233
Sheriff	2,189	0	0	0	0	0	0	0	2,189
Trustee	84,468	0	0	0	0	0	0	0	84,468
Total Fees Received from County Officials	\$ 238,763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 238,763
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,300
Aging Programs	51,918	0	0	0	0	0	0	0	51,918
On-Behalf Contributions for OPEB	1,776	0	0	0	0	0	0	0	1,776
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	4,800	0	0	0	0	0	0	0	4,800
<u>Health and Welfare Grants</u>									
Health Department Programs	31,559	0	0	0	0	0	0	0	31,559
<u>Public Works Grants</u>									
Litter Program	18,399	0	0	0	0	0	0	0	18,399
<u>Other State Revenues</u>									
Income Tax	728	0	0	0	0	0	0	0	728
Beer Tax	18,724	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	16,121	0	0	0	0	0	0	0	16,121
Emergency Hospital - Prisoners	69,162	0	0	0	0	0	0	0	69,162
Board of Jurors	3,758	0	0	0	0	0	0	0	3,758
Contracted Prisoner Boarding	284,200	0	0	0	0	0	0	0	284,200
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,216,711	0	0	1,216,711
Petroleum Special Tax	0	0	0	0	0	6,388	0	0	6,388
Registrar's Salary Supplement	19,259	0	0	0	0	0	0	0	19,259
Total State of Tennessee	\$ 529,704	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,223,099	\$ 0	\$ 0	\$ 1,752,803

(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>								
Community Development	\$ 1,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,750
Civil Defense Reimbursement	26,267	0	0	0	0	0	0	26,267
Disaster Relief	10,785	0	18,775	0	0	0	0	29,560
Homeland Security Grants	1,900	0	0	0	0	0	0	1,900
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	25,980	0	0	0	0	0	0	25,980
Total Federal Government	\$ 66,682	\$ 0	\$ 18,775	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,457
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,903	\$ 0	\$ 32,903
Contributions	0	0	25,181	0	0	0	125,000	150,181
Contracted Services	63,197	0	0	0	0	0	0	63,197
Total Other Governments and Citizens Groups	\$ 63,197	\$ 0	\$ 25,181	\$ 0	\$ 0	\$ 32,903	\$ 125,000	\$ 246,281
Total	\$ 2,786,802	\$ 1,175	\$ 75,689	\$ 10,058	\$ 2,962	\$ 1,286,489	\$ 650,899	\$ 4,814,074

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, 2011

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 636,049	\$ 0	\$ 636,049
Trustee's Collections - Prior Year	43,034	0	43,034
Trustee's Collections - Bankruptcy	12,685	0	12,685
Circuit/Clerk & Master Collections - Prior Years	1,595	0	1,595
Interest and Penalty	9,126	0	9,126
Payments in-Lieu-of Taxes - Local Utilities	118,057	0	118,057
<u>County Local Option Taxes</u>			
Local Option Sales Tax	306,401	0	306,401
Wheel Tax	27,665	0	27,665
Business Tax	5,733	0	5,733
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	763	0	763
Total Local Taxes	\$ 1,161,108	\$ 0	\$ 1,161,108
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 460	\$ 0	\$ 460
<u>Permits</u>			
Other Permits	91	0	91
Total Licenses and Permits	\$ 551	\$ 0	\$ 551
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 78,640	\$ 0	\$ 78,640
Total Charges for Current Services	\$ 78,640	\$ 0	\$ 78,640
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Refund of Telecommunication & Internet Fees (E-Rate)	\$ 6,972	\$ 0	\$ 6,972
Miscellaneous Refunds	2,872	0	2,872
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	10	0	10
Total Other Local Revenues	\$ 9,854	\$ 0	\$ 9,854
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 43,129	\$ 0	\$ 43,129
<u>State Education Funds</u>			
Basic Education Program	4,239,104	0	4,239,104
Basic Education Program - ARRA	519,896	0	519,896
Early Childhood Education	311,256	0	311,256
School Food Service	5,673	0	5,673
Other State Education Funds	46,826	0	46,826
Coordinated School Health - ARRA	97,500	0	97,500
Internet Connectivity - ARRA	2,688	0	2,688
Family Resource Centers - ARRA	33,300	0	33,300
Statewide Student Management System (SSMS) - ARRA	2,367	0	2,367
Career Ladder Program	47,077	0	47,077

(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>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	\$ 211,242	\$ 0	\$ 211,242
Safe Schools - ARRA	5,900	0	5,900
Total State of Tennessee	<u>\$ 5,565,958</u>	<u>\$ 0</u>	<u>\$ 5,565,958</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 268,387	\$ 0	\$ 268,387
USDA - Commodities	33,189	0	33,189
Breakfast	107,373	0	107,373
Vocational Education - Basic Grants to States	0	21,084	21,084
Title I Grants to Local Education Agencies	0	548,589	548,589
Special Education - Grants to States	0	367,714	367,714
Special Education Preschool Grants	0	14,035	14,035
Rural Education	0	28,264	28,264
Eisenhower Professional Development State Grants	3,646	70,905	74,551
Disaster Relief	15,941	0	15,941
Race to the Top - ARRA	0	73,103	73,103
Other Federal through State	202,676	143,708	346,384
Total Federal Government	<u>\$ 631,212</u>	<u>\$ 1,267,402</u>	<u>\$ 1,898,614</u>
Total	<u>\$ 7,447,323</u>	<u>\$ 1,267,402</u>	<u>\$ 8,714,725</u>

Exhibit J-8

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

County Official/Administrative Officer	\$ 1,800	
Other Per Diem and Fees	22,050	
Social Security	1,824	
State Retirement	475	
Unemployment Compensation	143	
Audit Services	1,240	
Total County Commission		\$ 27,532

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Secretary(ies)	18,185	
Longevity Pay	24	
Other Salaries and Wages	9,376	
Social Security	10,390	
State Retirement	4,306	
Unemployment Compensation	369	
Communication	1,059	
Data Processing Services	7,128	
Postal Charges	1,441	
Printing, Stationery, and Forms	1,660	
Travel	1,143	
Electricity	870	
Natural Gas	256	
Office Supplies	3,156	
Water and Sewer	179	
Building and Contents Insurance	996	
Premiums on Corporate Surety Bonds	325	
Workers' Compensation Insurance	70	
Total County Mayor/Executive		121,283

County Attorney

County Official/Administrative Officer	\$ 4,770	
Social Security	365	
State Retirement	281	
Unemployment Compensation	105	
Legal Services	27,869	
Total County Attorney		33,390

Election Commission

County Official/Administrative Officer	\$ 47,026	
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(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.)

Other Salaries and Wages	\$	3,645	
Election Commission		3,100	
Election Workers		5,950	
Social Security		3,597	
State Retirement		2,770	
Communication		1,144	
Data Processing Services		7,185	
Maintenance and Repair Services - Equipment		1,975	
Postal Charges		1,224	
Printing, Stationery, and Forms		7,076	
Travel		304	
Electricity		726	
Natural Gas		507	
Office Supplies		856	
Water and Sewer		263	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 88,308

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		7,104	
Longevity Pay		72	
Social Security		4,546	
State Retirement		3,078	
Unemployment Compensation		158	
Communication		1,199	
Data Processing Services		1,342	
Postal Charges		366	
Printing, Stationery, and Forms		461	
Rentals		980	
Electricity		656	
Natural Gas		258	
Office Supplies		595	
Water and Sewer		53	
Building and Contents Insurance		699	
Premiums on Corporate Surety Bonds		325	
Workers' Compensation Insurance		25	
Total Register of Deeds			74,168

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Development

Other Contracted Services	\$ 34,875	
Total Development		\$ 34,875

County Buildings

Maintenance and Repair Services - Buildings	\$ 20,678	
Maintenance and Repair Services - Equipment	4,049	
Pest Control	2,870	
Custodial Supplies	3,087	
Electricity	7,791	
Natural Gas	3,870	
Water and Sewer	2,087	
Building and Contents Insurance	10,875	
Workers' Compensation Insurance	5,126	
Heating and Air Conditioning Equipment	5,246	
Total County Buildings		65,679

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 52,251	
Secretary(ies)	19,128	
Other Salaries and Wages	9,563	
Board and Committee Members Fees	520	
Social Security	6,182	
State Retirement	4,016	
Unemployment Compensation	550	
Communication	475	
Postal Charges	788	
Printing, Stationery, and Forms	180	
Rentals	359	
Travel	696	
Other Contracted Services	5,333	
Electricity	516	
Natural Gas	186	
Office Supplies	1,793	
Water and Sewer	38	
Building and Contents Insurance	690	
Premiums on Corporate Surety Bonds	175	
Workers' Compensation Insurance	80	
Total Property Assessor's Office		103,519

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Other Salaries and Wages	\$ 2,940	
Total Reappraisal Program		\$ 2,940

County Trustee's Office

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	19,127	
Longevity Pay	288	
Social Security	5,397	
State Retirement	3,658	
Unemployment Compensation	210	
Communication	900	
Data Processing Services	5,338	
Postal Charges	1,530	
Printing, Stationery, and Forms	391	
Rentals	1,651	
Electricity	539	
Natural Gas	198	
Office Supplies	2,850	
Water and Sewer	40	
Building and Contents Insurance	966	
Premiums on Corporate Surety Bonds	1,145	
Workers' Compensation Insurance	60	
Total County Trustee's Office		96,539

County Clerk's Office

County Official/Administrative Officer	\$ 52,251
Deputy(ies)	19,128
Part-time Personnel	9,292
Longevity Pay	384
Other Salaries and Wages	40
Social Security	6,204
State Retirement	4,229
Unemployment Compensation	358
Communication	644
Postal Charges	1,442
Printing, Stationery, and Forms	80
Other Contracted Services	717
Electricity	1,881
Natural Gas	548
Office Supplies	2,210

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Water and Sewer	\$ 672	
Other Supplies and Materials	194	
Building and Contents Insurance	500	
Premiums on Corporate Surety Bonds	325	
Workers' Compensation Insurance	90	
Total County Clerk's Office		\$ 101,189

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	56,573	
Longevity Pay	1,032	
Other Salaries and Wages	220	
Jury and Witness Expense	3,977	
Social Security	8,394	
State Retirement	4,652	
Unemployment Compensation	725	
Communication	1,184	
Data Processing Services	12,400	
Postal Charges	1,149	
Printing, Stationery, and Forms	1,045	
Rentals	2,503	
Electricity	4,046	
Natural Gas	2,213	
Office Supplies	5,938	
Water and Sewer	429	
Building and Contents Insurance	6,900	
Premiums on Corporate Surety Bonds	325	
Workers' Compensation Insurance	180	
Total Circuit Court		166,136

General Sessions Court

Judge(s)	\$ 84,149	
Other Salaries and Wages	1,600	
Social Security	6,400	
State Retirement	4,956	
Communication	905	
Postal Charges	435	
Travel	1,743	
Other Contracted Services	3,182	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Electricity	\$	565	
Natural Gas		129	
Office Supplies		282	
Water and Sewer		26	
Building and Contents Insurance		425	
Workers' Compensation Insurance		145	
Total General Sessions Court			\$ 104,942

Chancery Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		9,563	
Longevity Pay		312	
Social Security		4,753	
State Retirement		3,078	
Unemployment Compensation		154	
Communication		369	
Postal Charges		531	
Printing, Stationery, and Forms		144	
Electricity		612	
Natural Gas		236	
Office Supplies		977	
Water and Sewer		48	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			73,943

Juvenile Court

County Official/Administrative Officer	\$	27,435	
Social Security		2,099	
State Retirement		1,616	
Unemployment Compensation		154	
Communication		814	
Data Processing Services		1,950	
Postal Charges		348	
Travel		812	
Other Contracted Services		9,685	
Electricity		473	
Natural Gas		163	
Office Supplies		743	
Water and Sewer		33	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Other Supplies and Materials	\$ 174	
Building and Contents Insurance	552	
Workers' Compensation Insurance	60	
Total Juvenile Court		\$ 47,111

Other Administration of Justice

Library Books/Media	\$ 2,878	
Total Other Administration of Justice		2,878

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 57,477	
Deputy(ies)	227,420	
Medical Personnel	6,456	
Secretary(ies)	17,965	
Other Salaries and Wages	13,188	
In-Service Training	12,550	
Social Security	24,469	
State Retirement	15,484	
Unemployment Compensation	2,582	
Communication	9,520	
Data Processing Services	4,323	
Maintenance and Repair Services - Vehicles	13,806	
Postal Charges	662	
Printing, Stationery, and Forms	1,209	
Rentals	2,881	
Travel	3,640	
Electricity	8,880	
Gasoline	32,204	
Natural Gas	1,869	
Office Supplies	5,266	
Uniforms	8,802	
Water and Sewer	2,847	
Other Supplies and Materials	4,492	
Building and Contents Insurance	18,886	
Premiums on Corporate Surety Bonds	325	
Workers' Compensation Insurance	4,428	
Motor Vehicles	26,000	
Total Sheriff's Department		527,631

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Deputy(ies)	\$	1,773	
Medical Personnel		3,134	
Dispatchers/Radio Operators		111,807	
Guards		106,667	
Part-time Personnel		24,838	
Social Security		18,936	
State Retirement		8,013	
Unemployment Compensation		2,854	
Maintenance and Repair Services - Buildings		9,832	
Maintenance and Repair Services - Equipment		6,856	
Medical and Dental Services		103,721	
Custodial Supplies		15,053	
Electricity		18,893	
Food Supplies		64,644	
Natural Gas		10,447	
Uniforms		514	
Water and Sewer		4,643	
Other Supplies and Materials		1,846	
Building and Contents Insurance		8,600	
Workers' Compensation Insurance		5,000	
Total Jail			\$ 528,071

Civil Defense

Social Security	\$	765	
Unemployment Compensation		37	
Other Contracted Services		10,000	
Other Charges		20,941	
Total Civil Defense			31,743

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	22,140	
Social Security		1,694	
Unemployment Compensation		154	
Communication		1,167	
Contracts with Government Agencies		3,327	
Maintenance and Repair Services - Buildings		3,100	
Postal Charges		110	
Other Contracted Services		6,593	
Custodial Supplies		223	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Drugs and Medical Supplies	\$	675	
Electricity		5,184	
Natural Gas		1,808	
Office Supplies		479	
Water and Sewer		1,392	
Building and Contents Insurance		3,000	
Workers' Compensation Insurance		800	
Total Local Health Center			\$ 51,846

Ambulance/Emergency Medical Services

Supervisor/Director	\$	30,766	
Deputy(ies)		541	
Medical Personnel		298,812	
Secretary(ies)		20,230	
Social Security		26,802	
State Retirement		6,843	
Unemployment Compensation		3,555	
Ambulance Services		1,950	
Communication		6,217	
Maintenance and Repair Services - Vehicles		30,460	
Postal Charges		1,172	
Travel		1,321	
Other Contracted Services		3,215	
Drugs and Medical Supplies		18,859	
Electricity		5,756	
Gasoline		25,754	
Natural Gas		1,698	
Office Supplies		3,933	
Water and Sewer		878	
Other Supplies and Materials		11,875	
Building and Contents Insurance		12,798	
Workers' Compensation Insurance		28,036	
Other Charges		76	
Total Ambulance/Emergency Medical Services			541,547

Sanitation Management

Deputy(ies)	\$	17,530	
Education Media Personnel		2,650	
Social Security		1,341	
Unemployment Compensation		313	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Maintenance and Repair Services - Vehicles	\$ 873	
Gasoline	4,037	
Other Charges	398	
Total Sanitation Management		\$ 27,142

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$ 21,732	
Supervisor/Director	16,069	
Social Security	3,886	
State Retirement	2,227	
Unemployment Compensation	461	
Communication	2,853	
Contributions	2,535	
Maintenance and Repair Services - Buildings	256	
Travel	5,208	
Other Contracted Services	20,201	
Electricity	3,538	
Natural Gas	1,799	
Office Supplies	717	
Water and Sewer	525	
Other Supplies and Materials	3,582	
Total Senior Citizens Assistance		85,589

Libraries

Contributions	\$ 14,250	
Total Libraries		14,250

Other Social, Cultural, and Recreational

Other Charges	\$ 31,834	
Total Other Social, Cultural, and Recreational		31,834

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 15,729	
Secretary(ies)	7,288	
Communication	1,255	
Office Supplies	529	
Total Agriculture Extension Service		24,801

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 35,650	
Total Tourism		\$ 35,650

Other Economic and Community Development

Legal Services	\$ 25,000	
Total Other Economic and Community Development		25,000

Other Charges

Trustee's Commission	\$ 27,609	
Total Other Charges		27,609

Contributions to Other Agencies

Contributions	\$ 2,943	
Total Contributions to Other Agencies		2,943

Miscellaneous

On-Behalf Payments to OPEB	\$ 1,776	
Total Miscellaneous		<u>1,776</u>

Total General Fund		\$ 3,101,864
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Law Library Fund

Administration of Justice

Other Administration of Justice

Electricity	\$ 240	
Library Books/Media	235	
Natural Gas	133	
Water and Sewer	27	
Trustee's Commission	13	
Total Other Administration of Justice		<u>\$ 648</u>

Total Law Library Fund		648
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 21,427	
Social Security	4,940	
Unemployment Compensation	154	
Communication	320	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Incinerator (Cont.)

Maintenance and Repair Services - Buildings	\$ 451	
Maintenance and Repair Services - Equipment	4,147	
Diesel Fuel	9,034	
Electricity	2,982	
Trustee's Commission	582	
Solid Waste Equipment	1,261	
Total Waste Incinerator		\$ 45,298

Other Waste Disposal

Disposal Fees	\$ 32,783	
Total Other Waste Disposal		32,783

Total Solid Waste/Sanitation Fund \$ 78,081

Drug Control Fund

Public Safety

Drug Enforcement

Law Enforcement Supplies	\$ 1,317	
Other Supplies and Materials	8,746	
Trustee's Commission	63	
Total Drug Enforcement		\$ 10,126

Total Drug Control Fund 10,126

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 440	
Total Register of Deeds		\$ 440

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 1,062	
Total County Trustee's Office		1,062

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 427	
Total County Clerk's Office		427

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$ 153	
Total Circuit Court		\$ 153

Chancery Court

Constitutional Officers' Operating Expenses	\$ 488	
Total Chancery Court		488

Juvenile Court Clerk

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

Total Constitutional Officers - Fees Fund		\$ 2,962
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 58,077	
Accountants/Bookkeepers	34,487	
Secretary(ies)	32,743	
Board and Committee Members Fees	13,800	
Advertising	876	
Communication	5,201	
Data Processing Services	5,149	
Dues and Memberships	2,829	
Legal Services	5,300	
Postal Charges	220	
Printing, Stationery, and Forms	72	
Travel	1,815	
Drugs and Medical Supplies	235	
Electricity	6,611	
Natural Gas	4,445	
Office Supplies	453	
Water and Sewer	<u>1,224</u>	
Total Administration		\$ 173,537

Highway and Bridge Maintenance

Equipment Operators	\$ 271,481
Other Contracted Services	500
Asphalt - Cold Mix	2,822
Asphalt - Hot Mix	12,867

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Liquid	\$ 7,668	
Crushed Stone	46,312	
Pipe - Metal	6,941	
Road Signs	467	
Chemicals	11,395	
Total Highway and Bridge Maintenance		\$ 360,453

Operation and Maintenance of Equipment

Foremen	\$ 36,629	
Mechanic(s)	69,292	
Laundry Service	7,415	
Diesel Fuel	53,516	
Equipment and Machinery Parts	71,150	
Garage Supplies	8,589	
Gasoline	13,987	
Lubricants	1,562	
Propane Gas	1,049	
Tires and Tubes	9,569	
Other Supplies and Materials	1,019	
Total Operation and Maintenance of Equipment		273,777

Other Charges

Building and Contents Insurance	\$ 4,000	
Liability Insurance	17,661	
Premiums on Corporate Surety Bonds	287	
Trustee's Commission	12,881	
Vehicle and Equipment Insurance	22,814	
Workers' Compensation Insurance	41,641	
Other Charges	7,009	
Total Other Charges		106,293

Employee Benefits

Social Security	\$ 39,165	
State Retirement	30,287	
Employee and Dependent Insurance	230,379	
Unemployment Compensation	378	
Total Employee Benefits		300,209

Capital Outlay

Highway Equipment	\$ 57,467	
Total Capital Outlay		<u>57,467</u>

Total Highway/Public Works Fund \$ 1,271,736

(Continued)

Exhibit J-8

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 69,500	
Principal on Notes	10,026	
Total General Government	<u> </u>	\$ 79,526

Education

Principal on Bonds	<u>\$ 170,000</u>	
Total Education		170,000

Interest on Debt

General Government

Interest on Bonds	\$ 223,210	
Interest on Notes	1,065	
Total General Government	<u> </u>	224,275

Education

Interest on Bonds	<u>\$ 273,470</u>	
Total Education		273,470

Other Debt Service

General Government

Trustee's Commission	\$ 6,145	
Other Charges	535	
Total General Government	<u> </u>	6,680

Education

Other Charges	<u>\$ 483</u>	
Total Education		<u>483</u>

Total General Debt Service Fund \$ 754,434

Total Governmental Funds - Primary Government \$ 5,219,851

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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,123,317	
Career Ladder Program	28,505	
Career Ladder Extended Contracts	26,310	
Homebound Teachers	512	
Educational Assistants	52,355	
Certified Substitute Teachers	21,044	
Non-certified Substitute Teachers	41,560	
Social Security	134,496	
State Retirement	197,422	
Life Insurance	3,253	
Medical Insurance	284,139	
Unemployment Compensation	7,730	
Employer Medicare	31,704	
Other Contracted Services	15,511	
Instructional Supplies and Materials	190,734	
Textbooks	31,776	
Regular Instruction Equipment	62,936	
Total Regular Instruction Program		\$ 3,253,304

Special Education Program

Teachers	\$ 304,032	
Career Ladder Program	2,000	
Educational Assistants	16,652	
Non-certified Substitute Teachers	2,433	
Social Security	19,391	
State Retirement	27,874	
Medical Insurance	30,991	
Unemployment Compensation	210	
Employer Medicare	4,562	
Contracts with Private Agencies	10,258	
Maintenance and Repair Services - Equipment	85	
Instructional Supplies and Materials	3,621	
Special Education Equipment	172	
Total Special Education Program		422,281

Vocational Education Program

Teachers	\$ 165,708
Career Ladder Program	4,000
Non-certified Substitute Teachers	1,355

(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.)

Social Security	\$	10,390	
State Retirement		15,358	
Medical Insurance		18,525	
Unemployment Compensation		120	
Employer Medicare		2,430	
Instructional Supplies and Materials		982	
Total Vocational Education Program			\$ 218,868

Support Services

Attendance

Supervisor/Director	\$	30,161	
Social Security		1,729	
State Retirement		2,664	
Medical Insurance		4,746	
Unemployment Compensation		26	
Employer Medicare		404	
Travel		412	
Total Attendance			40,142

Health Services

Medical Personnel	\$	18,647	
Social Security		1,108	
State Retirement		1,688	
Unemployment Compensation		26	
Employer Medicare		259	
Travel		69	
Drugs and Medical Supplies		2,287	
Total Health Services			24,084

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		87,883	
School Resource Officer		26,185	
Other Salaries and Wages		30,141	
Social Security		8,646	
State Retirement		13,076	
Medical Insurance		11,930	
Unemployment Compensation		105	
Employer Medicare		2,022	

(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.)

Evaluation and Testing	\$ 2,318	
Travel	4,294	
Other Contracted Services	648	
Other Supplies and Materials	1,231	
Total Other Student Support		\$ 189,479

Regular Instruction Program

Supervisor/Director	\$ 30,149	
Career Ladder Program	6,000	
Librarians	120,898	
Instructional Computer Personnel	26,272	
Social Security	9,047	
State Retirement	14,147	
Medical Insurance	24,894	
Unemployment Compensation	130	
Employer Medicare	2,475	
Travel	12,763	
Library Books/Media	15,457	
In Service/Staff Development	805	
Total Regular Instruction Program		263,037

Special Education Program

Supervisor/Director	\$ 27,575	
Career Ladder Program	500	
Clerical Personnel	6,802	
Social Security	2,054	
State Retirement	2,873	
Medical Insurance	5,104	
Unemployment Compensation	55	
Employer Medicare	480	
Travel	52	
Total Special Education Program		45,495

Other Programs

On-Behalf Payments to OPEB	\$ 43,129	
Total Other Programs		43,129

Board of Education

Board and Committee Members Fees	\$ 2,700	
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(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.)

Social Security	\$	176	
State Retirement		180	
Unemployment Compensation		35	
Employer Medicare		39	
Audit Services		3,162	
Dues and Memberships		3,460	
Legal Services		10,824	
Travel		3,390	
Other Contracted Services		2,100	
Liability Insurance		14,550	
Premiums on Corporate Surety Bonds		2,000	
Trustee's Commission		36,491	
Workers' Compensation Insurance		32,401	
Other Charges		4,021	
Total Board of Education			\$ 115,529

Director of Schools

County Official/Administrative Officer	\$	73,500	
Career Ladder Program		1,000	
Secretary(ies)		18,246	
Social Security		6,170	
State Retirement		7,634	
Medical Insurance		20,298	
Unemployment Compensation		55	
Employer Medicare		1,414	
Other Fringe Benefits		4,800	
Communication		2,535	
Dues and Memberships		1,304	
Postal Charges		4,670	
Travel		3,571	
Office Supplies		3,369	
Administration Equipment		3,878	
Total Director of Schools			152,444

Office of the Principal

Principals	\$	180,639	
Career Ladder Program		3,200	
Accountants/Bookkeepers		37,147	
Assistant Principals		95,076	

(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.)

Secretary(ies)	\$	33,543	
Social Security		20,233	
State Retirement		28,969	
Medical Insurance		32,355	
Unemployment Compensation		290	
Employer Medicare		4,732	
Communication		10,302	
Maintenance and Repair Services - Equipment		613	
Travel		3,344	
Office Supplies		644	
Administration Equipment		3,676	
Total Office of the Principal			\$ 454,763

Fiscal Services

Accountants/Bookkeepers	\$	39,811	
Clerical Personnel		10,853	
Social Security		2,922	
State Retirement		2,924	
Medical Insurance		791	
Unemployment Compensation		55	
Employer Medicare		967	
Data Processing Services		5,411	
Other Contracted Services		19,166	
Total Fiscal Services			82,900

Operation of Plant

Supervisor/Director	\$	31,466	
Custodial Personnel		133,239	
Social Security		10,104	
State Retirement		10,444	
Medical Insurance		2,207	
Unemployment Compensation		209	
Employer Medicare		2,363	
Maintenance and Repair Services - Buildings		800	
Travel		604	
Other Contracted Services		3,119	
Custodial Supplies		31,927	
Electricity		243,656	
Natural Gas		147,070	

(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.)

Operation of Plant (Cont.)

Water and Sewer	\$	29,611	
Boiler Insurance		2,000	
Building and Contents Insurance		37,800	
Total Operation of Plant			\$ 686,619

Maintenance of Plant

Supervisor/Director	\$	32,995	
Other Salaries and Wages		32,995	
Social Security		4,077	
State Retirement		3,808	
Unemployment Compensation		55	
Employer Medicare		954	
Maintenance and Repair Services - Buildings		18,463	
Maintenance and Repair Services - Equipment		16,168	
Other Supplies and Materials		11,019	
Maintenance Equipment		6,733	
Total Maintenance of Plant			127,267

Transportation

Supervisor/Director	\$	31,519	
Bus Drivers		70,831	
Social Security		6,185	
State Retirement		7,359	
Life Insurance		21	
Medical Insurance		2,210	
Unemployment Compensation		201	
Employer Medicare		1,448	
Maintenance and Repair Services - Vehicles		27,292	
Travel		412	
Diesel Fuel		43,536	
Gasoline		3,511	
Lubricants		739	
Tires and Tubes		3,830	
Other Supplies and Materials		4,115	
Transportation Equipment		74,858	
Total Transportation			278,067

(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

Food Service

Supervisor/Director	\$	54,049	
Social Security		3,087	
State Retirement		4,773	
Medical Insurance		7,945	
Unemployment Compensation		30	
Employer Medicare		722	
Payments to Schools - Breakfast		108,624	
Payments to Schools - Lunch		267,136	
Payments to Schools - Other		5,920	
Travel		917	
Other Contracted Services		1,647	
USDA - Commodities		33,189	
Other Supplies and Materials		40	
Total Food Service			\$ 488,079

Early Childhood Education

County Official/Administrative Officer	\$	27,585	
Teachers		118,711	
Career Ladder Program		2,500	
Educational Assistants		61,624	
Other Salaries and Wages		7,060	
Non-certified Substitute Teachers		4,369	
Social Security		12,571	
State Retirement		17,393	
Medical Insurance		29,583	
Unemployment Compensation		130	
Employer Medicare		2,949	
Contracts with Private Agencies		1,210	
Travel		487	
Food Supplies		3,211	
Instructional Supplies and Materials		22,663	
Total Early Childhood Education			312,046

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	33,392	
Other Capital Outlay		5,580	
Total Regular Capital Outlay			38,972

(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.)

Other Debt Service

Education

Contributions	\$ 125,000	
Total Education		\$ 125,000

Total General Purpose School Fund \$ 7,361,505

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 422,346	
Educational Assistants	25,263	
Non-certified Substitute Teachers	442	
Social Security	23,567	
State Retirement	35,765	
Medical Insurance	41,477	
Unemployment Compensation	160	
Employer Medicare	5,755	
Maintenance and Repair Services - Equipment	408	
Instructional Supplies and Materials	62,496	
Other Charges	1,830	
Regular Instruction Equipment	46,104	
Total Regular Instruction Program		\$ 665,613

Special Education Program

Teachers	\$ 50,359	
Educational Assistants	182,559	
Non-certified Substitute Teachers	9,172	
Social Security	14,530	
State Retirement	15,201	
Medical Insurance	14,998	
Unemployment Compensation	648	
Employer Medicare	3,398	
Contracts with Private Agencies	17,863	
Instructional Supplies and Materials	23,637	
Other Supplies and Materials	2,415	
Special Education Equipment	21,662	
Total Special Education Program		356,442

Vocational Education Program

Instructional Supplies and Materials	\$ 16,094	
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(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.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Vocational Instruction Equipment	\$ 1,198	
Total Vocational Education Program		\$ 17,292

Support Services

Other Student Support

Travel	\$ 2,915	
Total Other Student Support		2,915

Regular Instruction Program

Supervisor/Director	\$ 30,149	
Secretary(ies)	13,108	
Educational Assistants	4,500	
Other Salaries and Wages	16,581	
Social Security	3,400	
State Retirement	4,224	
Medical Insurance	519	
Unemployment Compensation	65	
Employer Medicare	795	
Maintenance and Repair Services - Equipment	616	
Travel	34,557	
Other Supplies and Materials	935	
In Service/Staff Development	36,686	
Other Charges	286	
Total Regular Instruction Program		146,421

Special Education Program

Travel	\$ 10,471	
Total Special Education Program		10,471

Vocational Education Program

Travel	\$ 828	
Total Vocational Education Program		828

Office of the Principal

Administration Equipment	\$ 6,916	
Total Office of the Principal		6,916

Total School Federal Projects Fund		\$ 1,206,898
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Total Governmental Funds - Lake County School Department		<u>\$ 8,568,403</u>
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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, 2011

	<u>Cities- Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 171,689
Total Cash Receipts	<u>\$ 171,689</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 169,972
Trustee's Commission	1,717
Total Cash Disbursements	<u>\$ 171,689</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<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

September 22, 2011

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, 2011, which collectively comprise Lake County's basic financial statements and have issued our report thereon dated September 22, 2011. 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: 11.01 and 11.13.

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: 11.03, 11.08, 11.10(B,C), and 11.14.

Compliance and Other Matters

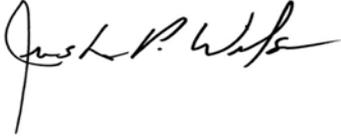
As part of obtaining reasonable assurance about whether Lake County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 11.02, 11.04, 11.05, 11.06, 11.07, 11.09, 11.10(A), 11.11, and 11.12.

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

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

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 22, 2011

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

Schedule of Expenditures of Federal Awards

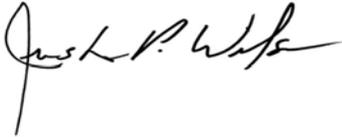
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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 the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Lake County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

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	\$ 107,373
National School Lunch Program	10.555	N/A	268,387 (3)
Supplemental Nutrition Assistance Program, Outreach/Participation Program	10.580	N/A	13,211
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	33,189 (3)
Community Facilities Loans and Grants, Recovery Act	10.780	(2)	24,380
Total U.S. Department of Agriculture			<u>\$ 446,540</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	\$ 1,750
Total U.S. Department of Housing and Urban Development			<u>\$ 1,750</u>
U.S. Department of Interior:			
Direct Programs:			
Payments in-lieu-of Taxes	15.226	N/A	\$ 25,444
Total U.S. Department of Interior			<u>\$ 25,444</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,300
Total U.S. Department of Justice			<u>\$ 9,300</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(2)	\$ 20,799
Total U.S. Department of Labor			<u>\$ 20,799</u>
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	\$ 391,704
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	123,751
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	267,076
Special Education - Preschool Grants	84.173	N/A	9,182
Special Education - Grants to States, Recovery Act	84.391	N/A	94,471
Special Education - Preschool Grants, Recovery Act	84.392	N/A	3,628
Career and Technical Education - Basic Grants to States	84.048	N/A	21,034
Even Start - State Educational Agencies	84.213	(2)	95,000
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	(2)	3,526
Education Technology State Grants, Recovery Act	84.386	N/A	7,692
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GG-08-21821-00	119,999
Rural Education	84.358	N/A	28,189
Improving Teacher Quality State Grants	84.367	N/A	71,526
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	519,896
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	141,755
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	72,501
Education Jobs Fund	84.410	N/A	123,715
Total U. S. Department of Education			<u>\$ 2,094,645</u>

(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)	\$ 51,918
Total U.S. Department of Health and Human Services			<u>\$ 51,918</u>
U. S. Department of Homeland Security: Passed-through State Department of Military: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 45,501
Emergency Management Performance Grants	97.042	(2)	26,267
Homeland Security Grant Program	97.067	GG-07-20973-01	1,900
Total U.S. Department of Homeland Security			<u>\$ 73,668</u>
Total Federal Awards			<u>\$ 2,724,064</u>
<u>State Grants:</u>		<u>Contract Number</u>	
Local Health Services - State Department of Health	N/A	(2)	\$ 31,559
Litter Program - State Department of Transportation	N/A	(2)	18,399
Early Childhood Education - State Department of Education	N/A	(2)	<u>311,256</u>
Total State Grants			<u>\$ 361,214</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 \$301,576.

Lake County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.02	137	Material audit adjustments were required for proper financial statement presentation
10.04	138	The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner

OFFICE OF ASSESSOR OF PROPERTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.06(A)	139	The State Division of Property Assessments noted deficiencies in the maintenance of various records by the assessor of property

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	140	Collections were not deposited within three days

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.08	140	Lake County has a material recurring audit finding
10.09	141	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, 2011

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. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Lake County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The 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) – Government 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 assessor of property provided a written response, which is paraphrased in this report. Other members of management did not provide written responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 11.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, 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 11.02 **THE GENERAL LEDGER CASH ACCOUNT WAS NOT RECONCILED WITH COUNTY TRUSTEE REPORTS**
(Noncompliance Under *Government Auditing Standards*)

Our audit revealed that the general ledger cash account in the General Fund did not reconcile with county trustee reports by \$1,390 at June 30, 2011. Employees attempted to reconcile the cash account; however, due to numerous errors, this account did not reconcile. Errors noted included outstanding warrants that were not accurately reconciled monthly. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the records of the county trustee monthly. This deficiency resulted from a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The office should reconcile the fund cash account with county trustee reports monthly as required by state statute, and any errors discovered should be corrected promptly.

FINDING 11.03 INSURANCE PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts for the General Fund were not reconciled on a monthly basis with payroll records and payments. As a result, unidentified balances accumulated in the liability accounts for social security, income tax, insurance, garnishments, other payroll deductions, other deferred compensation, and annuities. Sound business practices dictate that these reconciliations be performed monthly. This deficiency resulted from a lack of management oversight. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

Payroll liability accounts should be reconciled monthly with payroll reports and payments, and any errors discovered should be corrected promptly.

FINDING 11.04 THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS
(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in budget operations:

- A. In several instances, salaries exceeded line-item appropriations in the General Fund by amounts ranging from \$24 to \$541.
- B. Expenditures exceeded appropriations approved by the County Commission in the Civil Defense and Transfers Out major appropriation categories (the legal level of control) of the General Fund by \$9,919 and \$21,500, respectively.
- C. Expenditures exceeded appropriations approved by the County Commission in the Other Debt Service – General Government major appropriation category (the legal level of control) of the General Debt Service Fund by \$1,080.

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

5-9-401, *Tennessee Code Annotated*, states, “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 11.05 **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 (\$3,675) 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 \$18,506 for 2008-11 because management failed to correct this finding noted in the prior-year audit reports.

RECOMMENDATION

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

FINDING 11.06 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES** (Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management’s failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be

destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

RECOMMENDATION

Backups should be rotated off-site on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.07 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS (Noncompliance Under *Government Auditing Standards*)**

Our audit revealed the following deficiencies in budget operations:

- A. In several instances, salaries exceeded line-item appropriations in the General Purpose School and School Federal Projects funds by amounts ranging from \$355 to \$8,537.
- B. Expenditures exceeded appropriations approved by the County Commission in the Early Childhood Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$790.

The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission. Section 5-9-401, *Tennessee Code Annotated*, states, "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies." These deficiencies exist because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 11.08 INSURANCE PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts for employee insurance deductions in the School Federal Projects Fund were not reconciled monthly with invoices and payments. Sound business practices dictate that these reconciliations be performed monthly. This deficiency resulted from a lack of management oversight. The failure to regularly reconcile insurance payroll liability accounts with insurance payments and invoices allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

Insurance payroll liability accounts should be reconciled monthly with invoices and payments, and any errors discovered should be corrected promptly.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 11.09 ROLLBACK TAXES WERE NOT CALCULATED
(Noncompliance Under *Government Auditing Standards*)

Monitoring reports prepared by the state Division of Property Assessments disclosed that rollback taxes were not calculated by the assessor for changes in use or ownership of greenbelt property, which might result in the assessment of rollback taxes as required by Section 67-5-1008(d)(1), *Tennessee Code Annotated*. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Rollback taxes should be calculated for all greenbelt property that had a change of use or ownership as required by state statute.

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

The finding refers to rollback taxes not completed by the previous administration. Our records indicate that this office received the same finding for these rollback taxes in the previous fiscal year. Since this administration took office September 1, 2010, this was through no fault of the current administration. The rollback taxes in question have been completed.

OFFICE OF SHERIFF

FINDING 11.10 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(A. – Noncompliance Under *Government Auditing Standards*; B. and C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following accounting deficiencies were noted during our examination of the accounting records. These deficiencies can be attributed to a lack of understanding of internal controls, generally accepting accounting principles, state statutes, and sound business practices.

- A. Official prenumbered receipts were not issued for collections. Section 9-2-103, *Tennessee Code Annotated (TCA)*, requires that official prenumbered receipts should be issued for all collections. We were advised that receipts had been issued during July and August 2010; however, management could not locate these receipt books. Subsequent to August 31, 2010, receipts were not issued. Since receipts were not issued at the time of collection, we were unable to determine if the office had complied with Section 5-8-207, *TCA*. This statute requires officials to deposit all collections within three days of receipt. The failure to issue receipts at the time of collection and the failure to deposit funds promptly increases the risks of fraud and abuse.

- B. Accounting records were not properly maintained. A cash journal had not been maintained to record financial transactions of the office since August 31, 2010. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of the office. Also, subsidiary account ledgers were not maintained in some instances. Separate bank accounts were used by the office for the prisoner commissary, sale of prisoner prepaid phone cards, and drug control/other miscellaneous transactions of the office. Vendors provided software to maintain subsidiary ledgers for the commissary and phone card accounts; however, records had not been maintained for the remaining checking account since August 31, 2010. Balances for the commissary (\$4,525), phone card (\$3,202), and drug control/miscellaneous (\$569) accounts have been determined from available bank statements, subsidiary account ledgers, and cash counts and are included in the financial statements of this report. However, unidentified funds, which are included in the above-noted balances, totaling \$1,320 remained on hand at June 30, 2011.

- C. Bank statements had not been reconciled since July 31, 2010. The commissary and phone card accounts were not reconciled with their subsidiary ledger balances, and there were no records available to reconcile the drug/miscellaneous checking account. Also, a list of outstanding checks had not been prepared for the drug/miscellaneous account. The reconciliation of bank statements and the monthly preparation of accurate lists of outstanding checks are necessary procedures to ensure that all cash

collections and disbursements are recorded accurately on the accounting records.

RECOMMENDATION

Receipts should be issued at the time of collection, and all collections should be deposited within three days of receipt as required by state statutes. An official cash journal and the appropriate subsidiary ledgers should be maintained, which accurately reflect all financial operations of the Sheriff's Department. Officials should take steps to identify the source and purpose of the unidentified funds of \$1,320. Bank statements should be reconciled monthly with cash journal accounts, and accurate lists of outstanding checks should be prepared.

FINDING 11.11 **THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY RESULTING IN A CASH SHORTAGE OF \$742 AT JUNE 30, 2011**
(Noncompliance Under *Government Auditing Standards*)

The following deficiencies were noted in the operation of the commissary, which contributed to a cash shortage of \$742 at June 30, 2011. These deficiencies can be attributed to a lack of understanding of internal controls, generally accepting accounting principles, state statutes, and sound business practices.

- A. The office had a cash shortage of \$742 in the commissary operation at June 30, 2011. The commissary account ledger reflected a bank balance of \$4,525 at June 30, 2011. However, the commissary bank account balance was \$3,783, which resulted in a cash shortage of \$742. This cash shortage resulted from a combination of internal control deficiencies, the failure to properly maintain and reconcile accounting records as noted in Finding 11.10, the purchase of supplies from the commissary account, which could have exceeded profits earned by \$3,610 as noted in Part C below, and receipts totaling \$202 that were posted to the accounting records that were not deposited to the bank as noted in Part D below. Due to these deficiencies, there could be other collections that have not been accounted for properly and have not yet been detected. Because of the lack of reliable accounting records, we were unable to determine the exact make-up of the cash shortage. On August 19, 2011, we informed the sheriff of the \$742 cash shortage. On August 29, 2011, the sheriff deposited a refund check from the county General Fund totaling \$3,610 to reimburse the commissary for the supplies purchased and \$202 from his personal funds for the missing bank deposit; therefore, we consider these steps as having liquidated the cash shortage. This cash shortage has been discussed with the district attorney general.
- B. Profits from commissary operations were not remitted to the county trustee monthly. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, *Tennessee Code*

Annotated (TCA), provides that all funds earned by the Sheriff's Department should be reported to the county monthly.

- C. During the year examined, the office purchased supplies totaling \$3,610 directly from the commissary account instead of through the General Fund, thereby, circumventing the county's purchasing and budgetary processes. As noted in Item A., these purchases were purportedly purchased from profits generated from commissary operations. However, due to numerous deficiencies in the operation of the commissary account, we were unable to determine what profits had been generated by the operation of the commissary. As noted in Item B., the state attorney general opined that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 5-9-401, *TCA*, states that "all funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."
- D. Commissary records reflected receipts totaling \$202 that were not deposited to the official bank account. Section 5-8-201, *TCA*, provides that all receipts be deposited to the office bank account within three days of collection.

RECOMMENDATION

Accounting records of the commissary should be maintained properly. Profits generated from the operation of the jail commissary should be remitted to the county monthly. All operating expenses of the office should be appropriated by the County Commission and paid by the General Fund through the county's budgetary process. All receipts should be deposited to the official bank account within three days of collection.

FINDING 11.12 **PROFITS FROM PHONE CARD SALES WERE NOT REMITTED TO THE COUNTY**

(Noncompliance Under *Government Auditing Standards*)

Profits from the sale of prepaid phone cards to prisoners (\$3,202) were not remitted to the county trustee. Section 8-24-103, *Tennessee Code Annotated*, provides that all funds earned by the Sheriff's Department should be reported to the county trustee monthly. This deficiency exists because management failed to recognize the need to remit phone card profits to the trustee.

RECOMMENDATION

The sheriff should remit profits earned on the phone card operations to the county trustee monthly.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 11.13 **LAKE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Lake County has a material audit finding that has been reported in its annual financial report for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
11.01, 10.02, 09.02	The General Fund required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. 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*.

FINDING 11.14

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

LAKE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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.

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

There were no findings and questioned costs for federal awards.

LAKE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011

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

Director of Schools – Summary Schedule of Prior-Year's Findings

FINDINGS 10.05 and 10.10

All American Recovery and Reinvestment Act funds were cost centered in the 2010-11 budget for the Lake County School Department.