



**ANNUAL FINANCIAL REPORT  
LAKE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2012**



**ANNUAL FINANCIAL REPORT**  
**LAKE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*COMPTROLLER OF THE TREASURY*  
*JUSTIN P. WILSON*

*DIVISION OF LOCAL GOVERNMENT AUDIT*  
*JAMES R. ARNETTE*  
*Director*

*JAN PAGE, CPA, CFE*  
*Audit Manager*

*HORACE B. WISEMAN, CGFM*  
*Auditor 4*

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

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

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***Audit Highlights***  
Annual Financial Report  
Lake County, Tennessee  
For the Year Ended June 30, 2012

***Scope***

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2012.

***Results***

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

Our audit resulted in nine findings and recommendations, which we have reviewed with Lake County management. Detailed findings and recommendations 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.
- ◆ Several funds' general ledger cash accounts were not reconciled with county trustee reports.
- ◆ Payroll liability accounts were not reconciled monthly.
- ◆ The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner.
- ◆ The office did not implement adequate controls to protect its information resources.

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**OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Expenditures exceeded appropriations.

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**OFFICE OF COUNTY CLERK**

- ◆ Employees shared usernames and passwords.
-

## **LAKE COUNTY**

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

### **OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; DIRECTOR OF SCHOOLS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; SHERIFF; AND AMBULANCE SERVICE**

- ◆ Duties were not segregated adequately.
- 

## **BEST PRACTICE**

Lake County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government 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.

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# INTRODUCTORY SECTION

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# Lake County Officials

## June 30, 2012

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### **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**

Joe Williams, Chairman  
Doug Gant  
Jimmy Leake

Alvin Parker  
Sammy Parker  
Ronald Snyder, Sr.

### **Board of Education**

Shane Hamilton, Chairman  
Carolyn Hayes  
Martha Hopper  
Tammy Hopper  
Cora Hughes  
Tony Hutcheson  
Michael Parker

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

November 30, 2012

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, 2012, 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 7.8 percent and 4.4 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, 2012, 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 November 30, 2012, 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.

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 57 through 62 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 prominent vertical stroke at the beginning.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Lake County, Tennessee  
Statement of Net Assets  
June 30, 2012

	Primary Governmental Activities	Component Units	
		Lake County School Department	Lake County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 380	\$ 0	\$ 475,981
Equity in Pooled Cash and Investments	3,235,305	2,173,641	0
Accounts Receivable	810,854	54,638	1,151
Allowance for Uncollectibles	(364,806)	0	0
Due from Other Governments	441,499	210,957	0
Property Taxes Receivable	918,855	865,816	0
Allowance for Uncollectible Property Taxes	(11,522)	(10,857)	0
Cash Shortage	33,245	0	0
Deferred Charges - Debt Issuance Costs	269,215	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,364,669	67,365	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,710,865	5,706,818	0
Infrastructure	1,824,628	0	0
Other Capital Assets	677,292	417,838	328,569
Total Assets	<u>\$ 11,910,479</u>	<u>\$ 9,486,216</u>	<u>\$ 805,701</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 15,224	\$ 56,281	\$ 1,378
Payroll Deductions Payable	9,402	0	0
Contracts Payable	36,075	0	0
Due to State of Tennessee	10,781	0	0
Accrued Interest Payable	87,640	0	0
Deferred Revenue - Current Property Taxes	869,430	819,244	0
Noncurrent Liabilities:			
Due Within One Year	354,980	1,762	0
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	11,475,267	648,240	0
Total Liabilities	<u>\$ 12,858,799</u>	<u>\$ 1,525,527</u>	<u>\$ 1,378</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 2,144,034	\$ 0	\$ 0
Invested in Capital Assets	0	6,192,021	328,569
Restricted for:			
Highway/Public Works	1,095,113	0	0
Debt Service	1,298,554	0	0
School Federal Projects	0	68,272	0
Other Purposes	20,892	0	0
Unrestricted	(5,506,913)	1,700,396	475,754
Total Net Assets (Deficit)	<u>\$ (948,320)</u>	<u>\$ 7,960,689</u>	<u>\$ 804,323</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, 2012

Functions/Programs	Program Revenues						Component Units		
	Expenses	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions	Primary Governmental Activities	Lake County School Department	Lake County Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 399,768	\$ 96,511	\$ 15,554	\$ 0	\$ 0	(287,703)	\$ 0	\$ 0	0
Finance	308,648	137,607	0	0	0	(171,041)	0	0	0
Administration of Justice	415,148	167,077	28,150	0	0	(219,921)	0	0	0
Public Safety	1,211,533	506,837	72,157	29,943	0	(602,596)	0	0	0
Public Health and Welfare	750,783	903,534	69,333	0	0	222,084	0	0	0
Social, Cultural, and Recreational Services	119,975	0	56,531	0	0	(63,444)	0	0	0
Agriculture and Natural Resources	27,093	0	5,620	0	0	(21,473)	0	0	0
Other Operations	342,769	0	0	233,241	0	(109,528)	0	0	0
Highways	1,344,275	0	1,546,554	0	0	202,279	0	0	0
Interest on Long-term Debt	554,509	0	125,000	0	0	(429,509)	0	0	0
Other Debt Service	1,147,738	0	476	0	0	(1,147,262)	0	0	0
<b>Total Primary Government</b>	<b>\$ 6,622,239</b>	<b>\$ 1,811,566</b>	<b>\$ 1,919,375</b>	<b>\$ 263,184</b>	<b>\$ 263,184</b>	<b>(2,628,114)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>
Component Units:									
Lake County School Department	\$ 8,849,077	\$ 77,822	\$ 1,837,725	\$ 0	\$ 0	0	\$ (6,933,530)	\$ 0	0
Lake County Emergency Communications District	140,610	40,482	158,194	0	0	0	0	0	58,066
<b>Total Component Units</b>	<b>\$ 8,989,687</b>	<b>\$ 118,304</b>	<b>\$ 1,995,919</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ (6,933,530)</b>	<b>\$ 58,066</b>	<b>0</b>

(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		
				Primary Governmental Activities	Lake County School Department	Lake County Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				791,460	803,978	0
Property Taxes Levied for Debt Service				61,512	0	0
Local Option Sales Taxes				346,383	309,758	0
Hotel/Motel Tax				31,369	0	0
Wheel Tax				185,290	43,136	0
Litigation Tax				33,936	0	0
Business Tax				29,518	3,087	0
Other Local Taxes				10,848	435	0
Grants and Contributions Not Restricted to Specific Programs				65,081	5,465,616	197,766
Unrestricted Investment Income				41,711	0	860
Miscellaneous				50,583	17,524	0
Total General Revenues				<u>1,647,691</u>	<u>6,643,534</u>	<u>198,626</u>
Change in Net Assets				(980,423)	(289,996)	256,692
Net Assets, July 1, 2011				32,103	8,250,685	547,631
Net Assets (Deficit), June 30, 2012				<u>(948,320)</u>	<u>7,960,689</u>	<u>804,323</u>

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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 380	\$ 380
Equity in Pooled Cash and Investments	901,587	964,053	1,342,117	27,548	3,235,305
Accounts Receivable	810,681	0	0	173	810,854
Allowance for Uncollectibles	(364,806)	0	0	0	(364,806)
Due from Other Governments	179,205	200,942	61,352	0	441,499
Due from Other Funds	553	0	0	0	553
Property Taxes Receivable	789,084	26,477	76,817	26,477	918,855
Allowance for Uncollectible Property Taxes	(9,894)	(332)	(964)	(332)	(11,522)
Cash Shortage	33,245	0	0	0	33,245
<b>Total Assets</b>	<b>\$ 2,339,655</b>	<b>\$ 1,191,140</b>	<b>\$ 1,479,322</b>	<b>\$ 54,246</b>	<b>\$ 5,064,363</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 15,224	\$ 0	\$ 0	\$ 15,224
Payroll Deductions Payable	9,402	0	0	0	9,402
Contracts Payable	36,075	0	0	0	36,075
Due to Other Funds	0	0	0	553	553
Due to State of Tennessee	10,757	24	0	0	10,781
Deferred Revenue - Current Property Taxes	746,639	25,053	72,685	25,053	869,430
Deferred Revenue - Delinquent Property Taxes	32,551	1,092	3,168	1,092	37,903
Other Deferred Revenues	464,965	100,471	30,000	0	595,436
<b>Total Liabilities</b>	<b>\$ 1,300,389</b>	<b>\$ 141,864</b>	<b>\$ 105,853</b>	<b>\$ 26,698</b>	<b>\$ 1,574,804</b>
<u>Fund Balances</u>					
Restricted:					
Restricted for Finance	\$ 2,573	\$ 0	\$ 0	\$ 0	\$ 2,573
Restricted for Administration of Justice	0	0	0	878	878
Restricted for Public Safety	1,492	0	0	14,857	16,349
Restricted for Highways/Public Works	0	1,049,276	0	0	1,049,276
Restricted for Debt Service	0	0	1,103,486	0	1,103,486
Committed:					
Committed for Public Health and Welfare	0	0	0	11,813	11,813
Committed for Debt Service	0	0	269,983	0	269,983
Unassigned	1,035,201	0	0	0	1,035,201
<b>Total Fund Balances</b>	<b>\$ 1,039,266</b>	<b>\$ 1,049,276</b>	<b>\$ 1,373,469</b>	<b>\$ 27,548</b>	<b>\$ 3,489,559</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,339,655</b>	<b>\$ 1,191,140</b>	<b>\$ 1,479,322</b>	<b>\$ 54,246</b>	<b>\$ 5,064,363</b>

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, 2012

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)		\$ 3,489,559
(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	1,710,865	
Add: infrastructure net of accumulated depreciation	1,824,628	
Add: other capital assets net of accumulated depreciation	<u>677,292</u>	6,577,454
(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	\$ (238,589)	
Less: bonds payable	(11,640,000)	
Add: deferred amount on refunding	247,662	
Add: deferred charges - debt issuance costs	269,215	
Less: compensated absences payable	(147,815)	
Less: accrued interest on notes and bonds	(87,640)	
Less: other deferred revenue - premium on debt	<u>(51,505)</u>	(11,648,672)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>633,339</u>
Net assets (deficit) of governmental activities (Exhibit A)		<u>\$ (948,320)</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,000,456	\$ 24,796	\$ 454,702	\$ 35,076	\$ 1,515,030
Licenses and Permits	12,904	0	0	0	12,904
Fines, Forfeitures, and Penalties	38,203	0	0	14,131	52,334
Charges for Current Services	790,275	0	0	5,088	795,363
Other Local Revenues	132,151	991	40,633	300	174,075
Fees Received from County Officials	247,071	0	0	0	247,071
State of Tennessee	561,802	1,210,576	0	0	1,772,378
Federal Government	357,511	336,039	0	0	693,550
Other Governments and Citizens Groups	83,375	0	125,000	28,068	236,443
<b>Total Revenues</b>	<b>\$ 3,223,748</b>	<b>\$ 1,572,402</b>	<b>\$ 620,335</b>	<b>\$ 82,663</b>	<b>\$ 5,499,148</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 383,851	\$ 0	\$ 0	\$ 0	\$ 383,851
Finance	301,131	0	0	3,861	304,992
Administration of Justice	397,583	0	0	4,223	401,806
Public Safety	1,120,373	0	0	16,655	1,137,028
Public Health and Welfare	673,973	0	0	89,800	763,773
Social, Cultural, and Recreational Services	119,975	0	0	0	119,975
Agriculture and Natural Resources	24,080	0	0	0	24,080
Other Operations	342,769	0	0	0	342,769
Highways	0	1,532,775	0	0	1,532,775
Debt Service:					
Principal on Debt	0	0	288,678	0	288,678
Interest on Debt	0	1,903	517,266	0	519,169
Other Debt Service	0	0	1,395,599	0	1,395,599
<b>Total Expenditures</b>	<b>\$ 3,363,735</b>	<b>\$ 1,534,678</b>	<b>\$ 2,201,543</b>	<b>\$ 114,539</b>	<b>\$ 7,214,495</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (139,987)	\$ 37,724	\$ (1,581,208)	\$ (31,876)	\$ (1,715,347)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 230,000	\$ 0	\$ 0	\$ 230,000
Refunding Debt Issued	0	0	8,795,000	0	8,795,000
Premiums on Debt Issued	0	0	51,981	0	51,981
Insurance Recovery	231	0	0	0	231
Transfers In	0	0	0	20,000	20,000
Transfers Out	(20,000)	0	0	0	(20,000)
Payments to Refunded Debt Escrow Agent	0	0	(7,458,257)	0	(7,458,257)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (19,769)</b>	<b>\$ 230,000</b>	<b>\$ 1,388,724</b>	<b>\$ 20,000</b>	<b>\$ 1,618,955</b>
Net Change in Fund Balances	\$ (159,756)	\$ 267,724	\$ (192,484)	\$ (11,876)	\$ (96,392)
Fund Balance, July 1, 2011	1,199,022	781,552	1,565,953	39,424	3,585,951
Fund Balance, June 30, 2012	\$ 1,039,266	\$ 1,049,276	\$ 1,373,469	\$ 27,548	\$ 3,489,559

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, 2012

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)		\$	(96,392)
(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	\$	464,773	
Less: current-year depreciation expense		<u>(351,446)</u>	113,327
(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, 2012	\$	633,339	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(491,147)</u>	142,192
(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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of those differences in the treatment of long-term debt and related items:			
Less: note proceeds	\$	(230,000)	
Less: bond proceeds		(1,165,000)	
Less: refunding bond proceeds		(7,630,000)	
Less: change in premium on debt issuance		(51,505)	
Add: change in deferred debt issuance costs		269,215	
Add: principal payments on notes		8,229	
Add: principal payments on bonds		259,095	
Add: payment to refunding agent		<u>7,458,257</u>	(1,081,709)
(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	\$	(35,340)	
Change in compensated absences payable		<u>(22,501)</u>	<u>(57,841)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (980,423)</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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 295,592
Equity in Pooled Cash and Investments	53,298
Investments	23,760
Due from Other Governments	<u>73,005</u>
Total Assets	<u>\$ 445,655</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 56,437
Due to Litigants, Heirs, and Others	<u>389,218</u>
Total Liabilities	<u>\$ 445,655</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, 2012**

**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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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 endowments received by the School Department. Income generated from the corpus of the endowments 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.

**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 Fund. 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 .7 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, 2012, Lake County had \$6,294,000 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.

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.

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 nor committed (excluding stabilization arrangements). The County Commission has authorized the county’s Budget Committee to make assignments for the general government. The Board of Education is authorized to make assignments for the School Department.

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

**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 with 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 with 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 Shortage – Prior Year**

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. During the 2011-12 fiscal year, Regions Bank paid Lake County \$17,500 to settle a civil lawsuit concerning these falsified checks. Restitution of \$2,600 was also received from Kim Keeling during the year. As of June 30, 2012, the cash shortage totaled \$33,244.63.

**C. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Transportation and Food Service major appropriation categories (the legal level of control) of the discretely presented General Purpose School Fund by \$74,633 and \$18,710, respectively. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

**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, 2012.

**Investment Balances.** As of June 30, 2012, Lake County had the following nonpooled investments carried at fair value. This investment is in the Constitutional Officers - Agency Fund and does not expose the county to any risk; therefore, further disclosure is not required.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Savings Bonds - Series I	On Demand	\$ 23,760

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Not Depreciated:				
Land	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
Total Capital Assets				
Not Depreciated	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
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	3,352,614	464,773	(54,085)	3,763,302
Total Capital Assets				
Depreciated	\$ 9,391,653	\$ 464,773	\$ (54,085)	\$ 9,802,341
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 1,923,429	\$ 139,388	\$ 0	\$ 2,062,817
Infrastructure	350,554	90,175	0	440,729
Other Capital Assets	3,018,212	121,883	(54,085)	3,086,010
Total Accumulated				
Depreciation	\$ 5,292,195	\$ 351,446	\$ (54,085)	\$ 5,589,556
Total Capital Assets				
Depreciated, Net	\$ 4,099,458	\$ 113,327	\$ 0	\$ 4,212,785
Governmental Activities				
Capital Assets, Net	\$ 6,464,127	\$ 113,327	\$ 0	\$ 6,577,454

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	86,241
Public Health and Welfare	57,129
Agriculture and Natural Resources	3,013
Highway/Public Works	<u>172,148</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 351,446</u></u>

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

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets				
Not Depreciated:				
Land	\$ 67,365	\$ 0	\$ 0	\$ 67,365
Total Capital Assets Not Depreciated	<u>\$ 67,365</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 10,185,645	\$ 0	\$ 0	\$ 10,185,645
Other Capital Assets	1,450,332	161,120	(49,975)	1,561,477
Total Capital Assets Depreciated	<u>\$ 11,635,977</u>	<u>\$ 161,120</u>	<u>\$ (49,975)</u>	<u>\$ 11,747,122</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,170,801	\$ 308,026	\$ 0	\$ 4,478,827
Other Capital Assets	1,133,246	60,368	(49,975)	1,143,639
Total Accumulated Depreciation	<u>\$ 5,304,047</u>	<u>\$ 368,394</u>	<u>\$ (49,975)</u>	<u>\$ 5,622,466</u>
 Total Capital Assets Depreciated, Net	 <u>\$ 6,331,930</u>	 <u>\$ (207,274)</u>	 <u>\$ 0</u>	 <u>\$ 6,124,656</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 6,399,295</u>	 <u>\$ (207,274)</u>	 <u>\$ 0</u>	 <u>\$ 6,192,021</u>

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

**Governmental Activities:**

Instruction	\$ 273,364
Support Services	90,324
Operation of Non-Instructional Services	<u>4,706</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 368,394</u></u>

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

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 553

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, 2012, consisted of the following amounts:

**Primary Government**

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund
General Fund	\$ 20,000

**Discretely Presented Lake County School Department**

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	\$ 3,179

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. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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 29 years for bonds and five 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, 2012, will be retired from the Highway/Public Works and General Debt Service funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	2 to 5.5	%	6-1-36	\$ 11,065,000	\$ 4,010,000
General Obligation Refunding Bonds	.4 to 4		6-1-37	7,630,000	7,630,000
Capital Outlay Notes	4.25		8-1-16	254,710	238,589

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 295,000	\$ 701,277	\$ 996,277
2014	335,000	406,359	741,359
2015	360,000	397,706	757,706
2016	370,000	388,376	758,376
2017	395,000	378,846	773,846
2018-2022	2,170,000	1,723,394	3,893,394
2023-2027	2,540,000	1,338,969	3,878,969
2028-2032	2,860,000	845,172	3,705,172
2033-2037	2,315,000	260,267	2,575,267
Total	\$ 11,640,000	\$ 6,440,366	\$ 18,080,366

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 52,589	\$ 4,457	\$ 57,046
2014	45,000	3,205	48,205
2015	46,000	2,313	48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	\$ 238,589	\$ 11,846	\$ 250,435

There is \$1,373,469 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,486, based on the 2010 federal census. Debt per capita, including bonds and notes totaled \$1,517, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2011	\$ 10,314,690	\$ 16,818
Additions	8,795,000	230,000
Reductions	<u>(7,469,690)</u>	<u>(8,229)</u>
Balance, June 30, 2012	<u>\$ 11,640,000</u>	<u>\$ 238,589</u>
Balance Due Within One Year	<u>\$ 295,000</u>	<u>\$ 52,589</u>
		<u>Compensated Absences</u>
Balance, July 1, 2011		\$ 125,314
Additions		51,354
Reductions		<u>(28,853)</u>
Balance, June 30, 2012		<u>\$ 147,815</u>
Balance Due Within One Year		<u>\$ 7,391</u>
Total Noncurrent Liabilities, June 30, 2012		\$ 12,026,404
Less: Due Within One Year		(354,980)
Add: Unamortized Premium on Debt		51,505
Less: Deferred Amount on Refunding		<u>(247,662)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A		<u>\$ 11,475,267</u>

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

Current and Advance Refunding

On April 12, 2012, Lake County issued \$7,630,000 of general obligation refunding bonds to currently refund \$1,420,595 of jail construction/renovation bonds. In addition, the refunding bond issue also advance refunded a portion (\$5,790,000) of the School Bond, Series 2003 issue by purchasing U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the current and advance refunding, total debt service payments over the next 26 years will be reduced by \$125,354, and an economic gain (difference between the

present value of the debt service payments of the refunded and refunding bonds) of \$435,209 was obtained.

**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, 2012, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 34,651	\$ 469,222
Additions	28,477	193,846
Reductions	(27,887)	(48,307)
Balance, June 30, 2012	<u>\$ 35,241</u>	<u>\$ 614,761</u>
Balance Due Within One Year	<u>\$ 1,762</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 650,002
Less: Due Within One Year	<u>(1,762)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 648,240</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 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, 2012, were \$390. 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, 2012, were \$20,775 and \$11,065, 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 (LWCF), 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 LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF 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. Subsequent Event**

On August 31, 2012, Amy Floyd left the Office of Director of Schools, and Howard Todd was appointed as interim director. On November 1, 2012, Corwin Robinson became director of schools.

**C. 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.D., below, Lake County is a participant with Obion and Dyer counties in a joint venture known as the Northwest Tennessee Regional Port Authority. The port authority borrowed \$2.2 million in March 2007 and an additional \$410,000 in April 2007. The county commissions of the participating counties have approved making payments on these debt issuances (Lake County - 50 percent, Dyer County - 25 percent, and Obion County - 25 percent) until such time as the port authority has revenue to make payments. 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. In January 2012, Lake County issued \$1,165,000 of general obligation bonds and used the net proceeds to place in escrow an amount equal to 50 percent of the \$2.2 million loan plus interest to terminate its contingent liability relating to this debt.

**D. 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.C. 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 concluded 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. Their administrative office can be contacted at P.O. Box 267, Dyersburg, TN 38205.

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.

## **E. Retirement Commitments**

### **Plan Description**

Employees of Lake County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

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

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

### **Funding Policy**

Lake County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 5.89 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lake County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2012, Lake County's annual pension cost of \$155,749 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 three percent annual rate of inflation, (c) 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 (d) 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, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$155,749	100%	\$0
6-30-11	117,710	100	0
6-30-10	155,190	100	0

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.29 percent funded. The actuarial accrued liability for benefits was \$6.67 million, and the actuarial value of assets was \$5.82 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.85 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.53 million, and the ratio of the UAAL to the covered payroll was 33.52 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.

**SCHOOL TEACHERS**

**Plan Description**

The Lake County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no

service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010, were \$376,700, \$368,078, and \$253,447, respectively, equal to the required contributions for each year.

## **F. 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 local education employees. Prior to reaching the age of 65, all members 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, 2012, the Lake County School Department contributed \$48,307 for postemployment benefits.

### Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 195,000
Interest on the NPO	18,769
Adjustment to the ARC	<u>(19,923)</u>
Annual OPEB cost	\$ 193,846
Less: Amount of contribution	<u>(48,307)</u>
Increase/decrease in NPO	\$ 145,539
Net OPEB obligation, 7-1-11	<u>469,222</u>
 Net OPEB obligation, 6-30-12	 <u><u>\$ 614,761</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 182,585	42%	\$ 352,926
6-30-11	"	185,838	37	469,222
6-30-12	"	193,846	25	614,761

#### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,539,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,539,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,808,059
UAAL as a % of covered payroll	32%

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 the 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, 2011, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**G. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which 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 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**

#### Cash and Cash Equivalents

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.

#### 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 which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that revenues 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	\$ 254,818
Accrual adjustments	<u>1,874</u>
Net income - GAAP basis	<u>\$ 256,692</u>

For the year ended June 30, 2012, there were eight line-items whose budgetary-basis expenditures exceeded the legally adopted budget by a total of \$3,354.

**C. Detailed Notes on Accounts**

**1. Deposits and Investments**

State statutes 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 loan 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, 2012, investments consisted of certificates of deposit only.

Custodial credit risk is the risk that in the event of bank failure the district's deposits may not be returned to it. 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, 2012, all bank deposits were fully collateralized or insured.

**2. Capital Assets**

Capital assets activity during the year was as follows:

Descriptions	Balance 7-1-11	Additions	Disposals	Balance 6-30-12
Capital Assets, Being Depreciated:				
Communications				
Equipment	\$ 363,566	\$ 184,544	\$ 10,950	\$ 537,160
Office Equipment	14,457	0	0	14,457
Total Capital Assets Being Depreciated	\$ 378,023	\$ 184,544	\$ 10,950	\$ 551,617
Less Accumulated Depreciation:				
Communications				
Equipment	\$ 180,790	\$ 37,686	\$ 4,015	\$ 214,461
Office Equipment	6,612	1,975	0	8,587
Total Accumulated Depreciation	\$ 187,402	\$ 39,661	\$ 4,015	\$ 223,048
Total Capital Assets, Net	\$ 190,621	\$ 144,883	\$ 6,935	\$ 328,569

**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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,000,456	\$ 1,148,990	\$ 1,148,990	\$ (148,534)
Licenses and Permits	12,904	9,502	9,502	3,402
Fines, Forfeitures, and Penalties	38,203	45,060	45,060	(6,857)
Charges for Current Services	790,275	788,325	788,325	1,950
Other Local Revenues	132,151	78,950	78,950	53,201
Fees Received from County Officials	247,071	230,450	230,450	16,621
State of Tennessee	561,802	531,568	531,958	29,844
Federal Government	357,511	291,900	291,900	65,611
Other Governments and Citizens Groups	83,375	56,425	56,425	26,950
<b>Total Revenues</b>	<b>\$ 3,223,748</b>	<b>\$ 3,181,170</b>	<b>\$ 3,181,560</b>	<b>\$ 42,188</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,756	\$ 30,930	\$ 30,930	\$ 5,174
County Mayor/Executive	116,192	121,135	123,671	7,479
County Attorney	25,170	26,015	26,015	845
Election Commission	80,325	86,553	86,683	6,358
Register of Deeds	72,652	74,510	74,510	1,858
Development	13,539	15,000	15,000	1,461
County Buildings	50,217	53,600	58,100	7,883
<u>Finance</u>				
Property Assessor's Office	102,761	104,726	104,726	1,965
Reappraisal Program	39	4,894	4,894	4,855
County Trustee's Office	97,435	96,689	97,577	142
County Clerk's Office	100,896	101,088	101,088	192
<u>Administration of Justice</u>				
Circuit Court	159,695	165,139	165,139	5,444
General Sessions Court	107,184	106,745	107,430	246
Chancery Court	80,183	78,370	80,276	93
Juvenile Court	49,807	46,895	50,836	1,029
Other Administration of Justice	714	2,900	2,900	2,186
<u>Public Safety</u>				
Sheriff's Department	553,834	461,273	558,823	4,989
Jail	524,191	463,290	525,213	1,022
Civil Defense	42,348	20,000	42,352	4
<u>Public Health and Welfare</u>				
Local Health Center	58,994	59,517	64,257	5,263
Ambulance/Emergency Medical Services	589,112	565,848	634,201	45,089
Maternal and Child Health Services	0	500	500	500
Sanitation Management	25,867	36,000	36,040	10,173
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	90,984	94,357	94,357	3,373
Libraries	19,000	19,000	19,000	0

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services (Cont.)</u>				
Other Social, Cultural, and Recreational	\$ 9,991	\$ 15,000	\$ 15,000	\$ 5,009
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	24,080	25,254	25,254	1,174
<u>Other Operations</u>				
Tourism	33,479	26,000	33,479	0
Other Economic and Community Development	236,094	250,000	250,000	13,906
Other Charges	27,394	28,000	28,000	606
Contributions to Other Agencies	4,875	8,300	8,300	3,425
Employee Benefits	2,096	0	2,096	0
Miscellaneous	38,831	0	38,831	0
Total Expenditures	<u>\$ 3,363,735</u>	<u>\$ 3,187,528</u>	<u>\$ 3,505,478</u>	<u>\$ 141,743</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (139,987)</u>	<u>\$ (6,358)</u>	<u>\$ (323,918)</u>	<u>\$ 183,931</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 231	\$ 15,000	\$ 15,000	\$ (14,769)
Transfers Out	(20,000)	0	(20,000)	0
Total Other Financing Sources (Uses)	<u>\$ (19,769)</u>	<u>\$ 15,000</u>	<u>\$ (5,000)</u>	<u>\$ (14,769)</u>
Net Change in Fund Balance	<u>\$ (159,756)</u>	<u>\$ 8,642</u>	<u>\$ (328,918)</u>	<u>\$ 169,162</u>
Fund Balance, July 1, 2011	<u>1,199,022</u>	<u>1,017,531</u>	<u>1,017,531</u>	<u>181,491</u>
Fund Balance, June 30, 2012	<u><u>\$ 1,039,266</u></u>	<u><u>\$ 1,026,173</u></u>	<u><u>\$ 688,613</u></u>	<u><u>\$ 350,653</u></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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 24,796	\$ 28,088	\$ 28,088	\$ (3,292)
Other Local Revenues	991	28,000	28,000	(27,009)
State of Tennessee	1,210,576	1,645,102	1,645,102	(434,526)
Federal Government	336,039	60,000	60,000	276,039
Other Governments and Citizens Groups	0	15,000	15,000	(15,000)
Total Revenues	<u>\$ 1,572,402</u>	<u>\$ 1,776,190</u>	<u>\$ 1,776,190</u>	<u>\$ (203,788)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 173,417	\$ 201,308	\$ 201,308	\$ 27,891
Highway and Bridge Maintenance	320,872	738,000	738,000	417,128
Operation and Maintenance of Equipment	263,973	371,300	371,300	107,327
Other Charges	111,106	132,300	132,300	21,194
Employee Benefits	301,964	377,000	377,000	75,036
Capital Outlay	361,443	463,000	463,000	101,557
<u>Interest on Debt</u>				
Highways and Streets	1,903	2,200	2,200	297
Total Expenditures	<u>\$ 1,534,678</u>	<u>\$ 2,285,108</u>	<u>\$ 2,285,108</u>	<u>\$ 750,430</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 37,724</u>	<u>\$ (508,918)</u>	<u>\$ (508,918)</u>	<u>\$ 546,642</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 230,000	\$ 0	\$ 230,000	\$ 0
Other Loans Issued	0	230,000	0	0
Insurance Recovery	0	40,000	40,000	(40,000)
Total Other Financing Sources (Uses)	<u>\$ 230,000</u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>	<u>\$ (40,000)</u>
Net Change in Fund Balance	\$ 267,724	\$ (238,918)	\$ (238,918)	\$ 506,642
Fund Balance, July 1, 2011	<u>781,552</u>	<u>581,215</u>	<u>581,215</u>	<u>200,337</u>
Fund Balance, June 30, 2012	<u>\$ 1,049,276</u>	<u>\$ 342,297</u>	<u>\$ 342,297</u>	<u>\$ 706,979</u>

Exhibit E-3

Lake County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Lake County School Department  
June 30, 2012

(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)
6-30-11	\$ 5,824	\$ 6,672	\$ 848	87.29 %	\$ 2,529	33.52 %
6-30-09	4,931	6,087	1,157	81	2,692	42.96
6-30-07	4,815	4,815	0	100	2,284	0

Exhibit E-4

Lake County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Lake County School Department  
June 30, 2012

(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	7-1-09	\$ 0	\$ 1,649	\$ 1,649	0 %	\$ 4,767	35 %
"	7-1-10	0	1,676	1,676	0	4,753	35
"	7-1-11	0	1,539	1,539	0	4,808	32

**LAKE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**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 – PRIOR YEAR**

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. During the 2011-12 fiscal year, Regions Bank paid Lake County \$17,500 to settle a civil lawsuit concerning these falsified checks. Restitution of \$2,600 was also received from Kim Keeling during the year. As of June 30, 2012, the cash shortage totaled \$33,244.63.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for 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.

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

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

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

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

Lake County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	380 \$	380
Equity in Pooled Cash and Investments	878	11,813	14,857	0	27,548
Accounts Receivable	0	0	0	173	173
Property Taxes Receivable	0	26,477	0	0	26,477
Allowance for Uncollectible Property Taxes	0	(332)	0	0	(332)
Total Assets	878 \$	37,958 \$	14,857 \$	553 \$	54,246

ASSETS

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

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0 \$	0 \$	0 \$	553 \$	553
Deferred Revenue - Current Property Taxes	0	25,053	0	0	25,053
Deferred Revenue - Delinquent Property Taxes	0	1,092	0	0	1,092
Total Liabilities	0 \$	26,145 \$	0 \$	553 \$	26,698
<u>Fund Balances</u>					
Restricted:					
Restricted for Administration of Justice	878 \$	0 \$	0 \$	0 \$	878
Restricted for Public Safety	0	0	14,857	0	14,857
Committed:					
Committed for Public Health and Welfare	0	11,813	0	0	11,813
Total Fund Balances	878 \$	11,813 \$	14,857 \$	0 \$	27,548
Total Liabilities and Fund Balances	878 \$	37,958 \$	14,857 \$	553 \$	54,246

Lake County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Solid Waste/ Sanitation	Drug Control	Constitu- tional Officers - Fees		
<u>Revenues</u>						
Local Taxes	\$ 2,916	\$ 32,160	\$ 0	\$ 0	\$ 0	\$ 35,076
Fines, Forfeitures, and Penalties Charges for Current Services	0	0	14,131	0	0	14,131
Other Local Revenues	0	0	0	5,088	0	5,088
Other Governments and Citizens Groups	0	27,968	300	0	0	300
Total Revenues	\$ 2,916	\$ 60,128	\$ 14,531	\$ 5,088	\$ 0	\$ 82,663
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 3,861	\$ 0	\$ 3,861
Administration of Justice	2,996	0	0	1,227	0	4,223
Public Safety	0	0	16,655	0	0	16,655
Public Health and Welfare	0	89,800	0	0	0	89,800
Total Expenditures	\$ 2,996	\$ 89,800	\$ 16,655	\$ 5,088	\$ 0	\$ 114,539
Excess (Deficiency) of Revenues Over Expenditures	\$ (80)	\$ (29,672)	\$ (2,124)	\$ 0	\$ 0	\$ (31,876)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 20,000
Total Other Financing Sources (Uses)	\$ 0	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 20,000
Net Change in Fund Balances	\$ (80)	\$ (9,672)	\$ (2,124)	\$ 0	\$ 0	\$ (11,876)
Fund Balance, July 1, 2011	958	21,485	16,981	0	0	39,424
Fund Balance, June 30, 2012	\$ 878	\$ 11,813	\$ 14,857	\$ 0	\$ 0	\$ 27,548

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,916	\$ 1,200	\$ 2,900	\$ 16
Total Revenues	\$ 2,916	\$ 1,200	\$ 2,900	\$ 16
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 2,996	\$ 1,200	\$ 3,400	\$ 404
Total Expenditures	\$ 2,996	\$ 1,200	\$ 3,400	\$ 404
Excess (Deficiency) of Revenues Over Expenditures	\$ (80)	\$ 0	\$ (500)	\$ 420
Net Change in Fund Balance	\$ (80)	\$ 0	\$ (500)	\$ 420
Fund Balance, July 1, 2011	958	900	900	58
Fund Balance, June 30, 2012	\$ 878	\$ 900	\$ 400	\$ 478

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 32,160	\$ 32,553	\$ 32,553	\$ (393)
Other Local Revenues	0	1,100	1,100	(1,100)
Other Governments and Citizens Groups	27,968	27,968	27,968	0
Total Revenues	<u>\$ 60,128</u>	<u>\$ 61,621</u>	<u>\$ 61,621</u>	<u>\$ (1,493)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 49,491	\$ 41,493	\$ 52,783	\$ 3,292
Other Waste Disposal	40,309	33,000	40,310	1
Total Expenditures	<u>\$ 89,800</u>	<u>\$ 74,493</u>	<u>\$ 93,093</u>	<u>\$ 3,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (29,672)</u>	<u>\$ (12,872)</u>	<u>\$ (31,472)</u>	<u>\$ 1,800</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (9,672)	\$ 7,128	\$ (11,472)	\$ 1,800
Fund Balance, July 1, 2011	<u>21,485</u>	<u>22,454</u>	<u>22,454</u>	<u>(969)</u>
Fund Balance, June 30, 2012	<u>\$ 11,813</u>	<u>\$ 29,582</u>	<u>\$ 10,982</u>	<u>\$ 831</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,131	\$ 2,950	\$ 2,950	\$ 11,181
Other Local Revenues	300	0	0	300
Other Governments and Citizens Groups	100	0	0	100
Total Revenues	<u>\$ 14,531</u>	<u>\$ 2,950</u>	<u>\$ 2,950</u>	<u>\$ 11,581</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 16,655	\$ 2,950	\$ 16,655	\$ 0
Total Expenditures	<u>\$ 16,655</u>	<u>\$ 2,950</u>	<u>\$ 16,655</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,124)</u>	<u>\$ 0</u>	<u>\$ (13,705)</u>	<u>\$ 11,581</u>
Net Change in Fund Balance	\$ (2,124)	\$ 0	\$ (13,705)	\$ 11,581
Fund Balance, July 1, 2011	16,981	13,705	13,705	3,276
Fund Balance, June 30, 2012	<u>\$ 14,857</u>	<u>\$ 13,705</u>	<u>\$ 0</u>	<u>\$ 14,857</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 454,702	\$ 452,975	\$ 452,975	\$ 1,727
Other Local Revenues	40,633	5,200	5,200	35,433
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 620,335</u>	<u>\$ 583,175</u>	<u>\$ 583,175</u>	<u>\$ 37,160</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 108,678	\$ 303,456	\$ 108,678	\$ 0
Education	180,000	180,000	180,000	0
<u>Interest on Debt</u>				
General Government	250,171	714	250,171	0
Education	267,095	267,095	267,095	0
<u>Other Debt Service</u>				
General Government	1,395,117	5,600	1,395,117	0
Education	482	2,035	2,517	2,035
Total Expenditures	<u>\$ 2,201,543</u>	<u>\$ 758,900</u>	<u>\$ 2,203,578</u>	<u>\$ 2,035</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,581,208)</u>	<u>\$ (175,725)</u>	<u>\$ (1,620,403)</u>	<u>\$ 39,195</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 8,795,000	\$ 0	\$ 8,795,000	\$ 0
Premiums on Debt Issued	51,981	0	51,981	0
Payments to Refunded Debt Escrow Agent	(7,458,257)	0	(7,458,257)	0
Total Other Financing Sources (Uses)	<u>\$ 1,388,724</u>	<u>\$ 0</u>	<u>\$ 1,388,724</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (192,484)	\$ (175,725)	\$ (231,679)	\$ 39,195
Fund Balance, July 1, 2011	<u>1,565,953</u>	<u>1,546,836</u>	<u>1,546,836</u>	<u>19,117</u>
Fund Balance, June 30, 2012	<u>\$ 1,373,469</u>	<u>\$ 1,371,111</u>	<u>\$ 1,315,157</u>	<u>\$ 58,312</u>

# Fiduciary Funds

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

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

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

Joint Venture Fund – The Joint Venture Fund is used to account for funds received from the Tennessee Department of Transportation for use by the Hickman River City Development Corporation for the maintenance of a railroad system that runs through portions of Kentucky and Tennessee.

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

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

Exhibit H-1

Lake County, Tennessee  
 Combining Statement of Fiduciary Assets and Liabilities  
 Fiduciary Funds  
 June 30, 2012

	Agency Funds						Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency		
Cash	\$ 0	\$ 0	\$ 0	\$ 295,592	\$ 0	\$ 0	\$ 295,592
Equity in Pooled Cash and Investments	0	22,437	29,460	0	1,401	0	53,298
Investments	0	0	0	23,760	0	0	23,760
Due from Other Governments	34,000	0	39,005	0	0	0	73,005
Total Assets	\$ 34,000	\$ 22,437	\$ 68,465	\$ 319,352	\$ 1,401	\$ 1,401	\$ 445,655
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 34,000	\$ 22,437	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,437
Due to Litigants, Heirs, and Others	0	0	68,465	319,352	1,401	1,401	389,218
Total Liabilities	\$ 34,000	\$ 22,437	\$ 68,465	\$ 319,352	\$ 1,401	\$ 1,401	\$ 445,655

Exhibit H-2

Lake County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 179,671	\$ 179,671	\$ 0
Due from Other Governments	30,000	34,000	30,000	34,000
Total Assets	\$ 30,000	\$ 213,671	\$ 209,671	\$ 34,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 30,000	\$ 213,671	\$ 209,671	\$ 34,000
Total Liabilities	\$ 30,000	\$ 213,671	\$ 209,671	\$ 34,000
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 54,254	\$ 5,234	\$ 37,051	\$ 22,437
Total Assets	\$ 54,254	\$ 5,234	\$ 37,051	\$ 22,437
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 54,254	\$ 5,234	\$ 37,051	\$ 22,437
Total Liabilities	\$ 54,254	\$ 5,234	\$ 37,051	\$ 22,437
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 37,921	\$ 531,568	\$ 540,029	\$ 29,460
Due from Other Governments	113,276	39,005	113,276	39,005
Total Assets	\$ 151,197	\$ 570,573	\$ 653,305	\$ 68,465
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 151,197	\$ 570,573	\$ 653,305	\$ 68,465
Total Liabilities	\$ 151,197	\$ 570,573	\$ 653,305	\$ 68,465

(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</u>				
<u>Assets</u>				
Cash	\$ 205,416	\$ 1,378,599	\$ 1,288,423	\$ 295,592
Investments	22,446	1,314	0	23,760
Cash Shortage	742	0	742	0
Total Assets	<u>\$ 228,604</u>	<u>\$ 1,379,913</u>	<u>\$ 1,289,165</u>	<u>\$ 319,352</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 228,604</u>	<u>\$ 1,379,913</u>	<u>\$ 1,289,165</u>	<u>\$ 319,352</u>
Total Liabilities	<u>\$ 228,604</u>	<u>\$ 1,379,913</u>	<u>\$ 1,289,165</u>	<u>\$ 319,352</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	<u>\$ 5,672</u>	<u>\$ 1,116,612</u>	<u>\$ 1,120,883</u>	<u>\$ 1,401</u>
Total Assets	<u>\$ 5,672</u>	<u>\$ 1,116,612</u>	<u>\$ 1,120,883</u>	<u>\$ 1,401</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 5,672</u>	<u>\$ 1,116,612</u>	<u>\$ 1,120,883</u>	<u>\$ 1,401</u>
Total Liabilities	<u>\$ 5,672</u>	<u>\$ 1,116,612</u>	<u>\$ 1,120,883</u>	<u>\$ 1,401</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 205,416	\$ 1,378,599	\$ 1,288,423	\$ 295,592
Equity in Pooled Cash and Investments	97,847	1,833,085	1,877,634	53,298
Investments	22,446	1,314	0	23,760
Due from Other Governments	143,276	73,005	143,276	73,005
Cash Shortage	742	0	742	0
Total Assets	<u>\$ 469,727</u>	<u>\$ 3,286,003</u>	<u>\$ 3,310,075</u>	<u>\$ 445,655</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 84,254	\$ 218,905	\$ 246,722	\$ 56,437
Due to Litigants, Heirs, and Others	385,473	3,067,098	3,063,353	389,218
Total Liabilities	<u>\$ 469,727</u>	<u>\$ 3,286,003</u>	<u>\$ 3,310,075</u>	<u>\$ 445,655</u>

# Lake County School Department

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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.

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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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,209,067	\$ 0	\$ 732,737	\$ (4,476,330)
Support Services	2,664,586	0	327,608	(2,336,978)
Operation of Non-Instructional Services	850,424	77,822	777,380	4,778
Other Debt Service	125,000	0	0	(125,000)
Total Governmental Activities	\$ 8,849,077	\$ 77,822	\$ 1,837,725	\$ (6,933,530)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 803,978
Local Option Sales Taxes				309,758
Wheel Tax				43,136
Business Tax				3,087
Other Local Taxes				435
Grants and Contributions Not Restricted for Specific Programs				5,465,616
Miscellaneous				17,524
Total General Revenues				\$ 6,643,534
Change in Net Assets				\$ (289,996)
Net Assets, July 1, 2011				8,250,685
Net Assets, June 30, 2012				\$ 7,960,689

Exhibit I-2

Lake County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Lake County School Department  
June 30, 2012

	<u>Major Funds</u>		Total Govern- mental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,153,603	\$ 20,038	\$ 2,173,641
Accounts Receivable	0	54,638	54,638
Due from Other Governments	210,957	0	210,957
Property Taxes Receivable	865,816	0	865,816
Allowance for Uncollectible Property Taxes	(10,857)	0	(10,857)
Total Assets	<u>\$ 3,219,519</u>	<u>\$ 74,676</u>	<u>\$ 3,294,195</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 49,877	\$ 6,404	\$ 56,281
Deferred Revenue - Current Property Taxes	819,244	0	819,244
Deferred Revenue - Delinquent Property Taxes	35,715	0	35,715
Other Deferred Revenues	30,000	0	30,000
Total Liabilities	<u>\$ 934,836</u>	<u>\$ 6,404</u>	<u>\$ 941,240</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 68,272	\$ 68,272
Unassigned	2,284,683	0	2,284,683
Total Fund Balances	<u>\$ 2,284,683</u>	<u>\$ 68,272</u>	<u>\$ 2,352,955</u>
Total Liabilities and Fund Balances	<u>\$ 3,219,519</u>	<u>\$ 74,676</u>	<u>\$ 3,294,195</u>

Exhibit I-3

Lake County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Lake County School Department  
June 30, 2012

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)		\$ 2,352,955
(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	5,706,818	
Add: other capital assets net of accumulated depreciation	<u>417,838</u>	6,192,021
(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	\$ (35,241)	
Less: other postemployment benefits liability	<u>(614,761)</u>	(650,002)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>65,715</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,960,689</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, 2012

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,165,291	\$ 0	\$ 1,165,291
Licenses and Permits	530	0	530
Charges for Current Services	77,822	0	77,822
Other Local Revenues	17,524	0	17,524
State of Tennessee	5,693,891	0	5,693,891
Federal Government	533,143	1,075,777	1,608,920
Total Revenues	<u>\$ 7,488,201</u>	<u>\$ 1,075,777</u>	<u>\$ 8,563,978</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,852,152	\$ 909,554	\$ 4,761,706
Support Services	2,560,094	173,390	2,733,484
Operation of Non-Instructional Services	846,569	0	846,569
Capital Outlay	46,651	0	46,651
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,430,466</u>	<u>\$ 1,082,944</u>	<u>\$ 8,513,410</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 57,735</u>	<u>\$ (7,167)</u>	<u>\$ 50,568</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 17,736	\$ 0	\$ 17,736
Transfers In	3,179	0	3,179
Transfers Out	0	(3,179)	(3,179)
Total Other Financing Sources (Uses)	<u>\$ 20,915</u>	<u>\$ (3,179)</u>	<u>\$ 17,736</u>
Net Change in Fund Balances	\$ 78,650	\$ (10,346)	\$ 68,304
Fund Balance, July 1, 2011	<u>2,206,033</u>	<u>78,618</u>	<u>2,284,651</u>
Fund Balance, June 30, 2012	<u>\$ 2,284,683</u>	<u>\$ 68,272</u>	<u>\$ 2,352,955</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, 2012

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)		\$	68,304
(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	\$	161,120	
Less: current-year depreciation expense		<u>(368,394)</u>	(207,274)
(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, 2012	\$	65,715	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(70,612)</u>	(4,897)
(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	\$	(590)	
Change in other postemployment benefits liability		<u>(145,539)</u>	<u>(146,129)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (289,996)</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,165,291	\$ 1,132,153	\$ 1,132,153	\$ 33,138
Licenses and Permits	530	1,000	1,000	(470)
Charges for Current Services	77,822	81,000	48,000	29,822
Other Local Revenues	17,524	21,500	25,500	(7,976)
State of Tennessee	5,693,891	5,510,730	5,641,770	52,121
Federal Government	533,143	539,606	577,963	(44,820)
<b>Total Revenues</b>	<b>\$ 7,488,201</b>	<b>\$ 7,285,989</b>	<b>\$ 7,426,386</b>	<b>\$ 61,815</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,157,554	\$ 3,226,557	\$ 3,297,757	\$ 140,203
Special Education Program	471,947	486,867	486,867	14,920
Vocational Education Program	222,651	226,758	226,758	4,107
<u>Support Services</u>				
Attendance	40,360	47,501	47,501	7,141
Health Services	57,930	59,989	59,989	2,059
Other Student Support	187,911	202,942	202,942	15,031
Regular Instruction Program	259,417	272,891	272,891	13,474
Special Education Program	47,625	50,289	50,289	2,664
Other Programs	31,840	0	31,840	0
Board of Education	114,825	125,859	125,859	11,034
Director of Schools	156,568	166,500	166,500	9,932
Office of the Principal	458,688	490,884	490,884	32,196
Fiscal Services	68,026	74,641	74,641	6,615
Operation of Plant	639,252	707,759	707,759	68,507
Maintenance of Plant	127,929	137,603	137,603	9,674
Transportation	369,723	295,090	295,090	(74,633)
<u>Operation of Non-Instructional Services</u>				
Food Service	533,539	476,472	514,829	(18,710)
Early Childhood Education	313,030	313,030	313,030	0
<u>Capital Outlay</u>				
Regular Capital Outlay	46,651	175,000	50,000	3,349
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
<b>Total Expenditures</b>	<b>\$ 7,430,466</b>	<b>\$ 7,536,632</b>	<b>\$ 7,678,029</b>	<b>\$ 247,563</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 57,735	\$ (250,643)	\$ (251,643)	\$ 309,378

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 17,736	\$ 0	\$ 1,000	\$ 16,736
Transfers In	3,179	10,000	10,000	(6,821)
Total Other Financing Sources (Uses)	<u>\$ 20,915</u>	<u>\$ 10,000</u>	<u>\$ 11,000</u>	<u>\$ 9,915</u>
Net Change in Fund Balance	\$ 78,650	\$ (240,643)	\$ (240,643)	\$ 319,293
Fund Balance, July 1, 2011	<u>2,206,033</u>	<u>2,211,348</u>	<u>2,211,348</u>	<u>(5,315)</u>
Fund Balance, June 30, 2012	<u><u>\$ 2,284,683</u></u>	<u><u>\$ 1,970,705</u></u>	<u><u>\$ 1,970,705</u></u>	<u><u>\$ 313,978</u></u>

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,075,777	0	\$ 1,075,777	\$ 598,932	\$ 1,272,443	\$ (196,666)
Total Revenues	\$ 1,075,777	0	\$ 1,075,777	\$ 598,932	\$ 1,272,443	\$ (196,666)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 584,705	(21,588)	\$ 563,117	\$ 156,272	\$ 672,859	\$ 109,742
Special Education Program	309,058	0	309,058	330,669	386,602	77,544
Vocational Education Program	15,791	0	15,791	12,945	15,791	0
<u>Support Services</u>						
Other Student Support	68,289	0	68,289	95,000	92,671	24,382
Regular Instruction Program	101,234	0	101,234	(9,552)	148,637	47,403
Special Education Program	3,541	0	3,541	8,999	4,069	528
Vocational Education Program	326	0	326	843	326	0
Total Expenditures	\$ 1,082,944	(21,588)	\$ 1,061,356	\$ 595,176	\$ 1,320,955	\$ 259,599
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,167)	21,588	\$ 14,421	\$ 3,756	\$ (48,512)	\$ 62,933
<u>Other Financing Sources (Uses)</u>						
Transfers Out	(3,179)	0	(3,179)	(3,756)	(3,750)	571
Total Other Financing Sources (Uses)	(3,179)	0	(3,179)	(3,756)	(3,750)	571
Net Change in Fund Balance	(10,346)	21,588	11,242	0	(52,262)	63,504
Fund Balance, July 1, 2011	78,618	(21,588)	57,030	0	52,262	4,768
Fund Balance, June 30, 2012	\$ 68,272	0	\$ 68,272	0	0	\$ 68,272

Exhibit I-8

Lake County, Tennessee  
Statement of Fiduciary Net Assets  
Discretely Presented Lake County School Department  
Fiduciary Fund  
June 30, 2012

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 384,158</u>
<u>NET ASSETS</u>	
Held in Trust for College Scholarships for Lake County Students	<u>\$ 384,158</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, 2012

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Contributions and Gifts	\$ 50,000
Investment Income	2,239
Total Additions	<u>\$ 52,239</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 6,000
Total Deductions	<u>\$ 6,000</u>
Change in Net Assets	\$ 46,239
Net Assets, July 1, 2011	<u>337,919</u>
Net Assets, June 30, 2012	<u><u>\$ 384,158</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Lake County, Tennessee  
 Schedule of Changes in Long-term Notes and Bonds  
 For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-12
<b>NOTES PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Sheriff Department Vehicles	\$ 24,710	4.25 %	3-24-10	3-24-13	\$ 16,818	\$ 0	\$ 8,229	\$ 0	\$ 8,589
Payable through Highway/Public Works Fund	230,000	1.96	8-31-11	8-01-16	\$ 0	\$ 230,000	\$ 0	\$ 0	\$ 230,000
Highway Department Equipment					\$ 16,818	\$ 230,000	\$ 8,229	\$ 0	\$ 238,589
Total Notes Payable					\$ 16,818	\$ 230,000	\$ 8,229	\$ 0	\$ 238,589
<b>BONDS PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Jail Construction/Renovation	1,650,000	4.75 to 5	3-14-01	3-14-39	\$ 1,449,690	\$ 0	\$ 29,095	\$ 1,420,595	\$ 0
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-30	6,160,000	0	180,000	5,790,000	190,000
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	2,705,000	0	50,000	0	2,655,000
General Obligation Bonds, Series 2012	1,165,000	2 to 3.125	1-25-12	6-1-30	0	1,165,000	0	0	1,165,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4	4-12-12	6-1-37	0	7,630,000	0	0	7,630,000
Total Bonds Payable					\$ 10,314,690	\$ 8,795,000	\$ 259,095	\$ 7,210,595	\$ 11,640,000

Exhibit J-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2013	\$ 52,589	\$ 4,457	\$ 57,046
2014	45,000	3,205	48,205
2015	46,000	2,313	48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	<u>\$ 238,589</u>	<u>\$ 11,846</u>	<u>\$ 250,435</u>

Year Ending June 30	Bonds		Total
	Principal	Interest	
2013	\$ 295,000	\$ 701,277	\$ 996,277
2014	335,000	406,359	741,359
2015	360,000	397,706	757,706
2016	370,000	388,376	758,376
2017	395,000	378,846	773,846
2018	410,000	368,639	778,639
2019	420,000	357,954	777,954
2020	435,000	346,891	781,891
2021	445,000	332,451	777,451
2022	460,000	317,459	777,459
2023	480,000	301,889	781,889
2024	490,000	285,441	775,441
2025	505,000	268,566	773,566
2026	520,000	250,739	770,739
2027	545,000	232,334	777,334
2028	565,000	212,499	777,499
2029	590,000	191,924	781,924
2030	615,000	169,884	784,884
2031	535,000	146,333	681,333
2032	555,000	124,532	679,532
2033	575,000	101,827	676,827
2034	600,000	77,295	677,295
2035	635,000	51,645	686,645
2036	350,000	23,300	373,300
2037	155,000	6,200	161,200
Total	<u>\$ 11,640,000</u>	<u>\$ 6,440,366</u>	<u>\$ 18,080,366</u>

Exhibit J-3

Lake County, Tennessee  
Schedule of Investments  
June 30, 2012

<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>\$ 23,760</u>
Total Investments	<u>\$ 23,760</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, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ <u>20,000</u>
Total Transfers Primary Government			\$ <u>20,000</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>3,179</u>
Total Transfers Discretely Presented Lake County School Department			\$ <u>3,179</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, 2012

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	58,110	100,000	"
Director of Schools	State Board of Education and Lake County Board of Education	86,051 (2)	50,000	"
Trustee	Section 8-24-102, TCA	52,251	359,302	"
Assessor of Property	Section 8-24-102, TCA	52,251	10,000	"
County Clerk	Section 8-24-102, TCA	52,251	25,000	"
Circuit, General Sessions, and Juvenile Courts 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	Section 8-24-102, TCA	57,477 (3)	25,000	"
<u>Blanket Bond:</u>				
County and Highway Employees			150,000	Local Government Property and Casualty Fund
Director of Schools'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; \$2,854 in life insurance premiums; or \$11,261 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, 2012

	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	\$ 695,542	\$ 0	\$ 23,306	\$ 0	\$ 0	\$ 23,306	\$ 67,721	\$ 809,875	
Trustee's Collections - Prior Year	33,951	0	1,140	0	0	1,138	3,305	39,534	
Circuit/Clerk & Master Collections - Prior Years	5,942	0	145	0	0	145	608	6,840	
Interest and Penalty	6,206	0	207	0	0	207	605	7,225	
Payments in-Lieu-of Taxes - Other	11,328	0	0	0	0	0	0	11,328	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	45,725	0	0	0	0	0	302,758	348,483	
Hotel/Motel Tax	31,369	0	0	0	0	0	0	31,369	
Wheel Tax	104,588	0	7,362	0	0	0	73,340	185,290	
Litigation Tax - General	10,902	0	0	0	0	0	0	10,902	
Litigation Tax - Special Purpose	616	2,916	0	0	0	0	0	3,532	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	4,845	4,845	
Litigation Tax - Courtroom Security	14,657	0	0	0	0	0	0	14,657	
Business Tax	27,998	0	0	0	0	0	1,520	29,518	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	784	0	0	0	0	0	0	784	
Wholesale Beer Tax	10,760	0	0	0	0	0	0	10,760	
Interstate Telecommunications Tax	88	0	0	0	0	0	0	88	
Total Local Taxes	\$ 1,000,456	\$ 2,916	\$ 32,160	\$ 0	\$ 0	\$ 24,796	\$ 454,702	\$ 1,515,030	
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Animal Registration	\$ 356	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 356	
Cable TV Franchise	9,388	0	0	0	0	0	0	9,388	
<u>Permits</u>									
Building Permits	2,800	0	0	0	0	0	0	2,800	
Other Permits	360	0	0	0	0	0	0	360	
Total Licenses and Permits	\$ 12,904	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,904	

(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		
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Officers Costs	4,759	0	0	0	0	0	4,759	
Drug Control Fines	4,540	0	0	0	0	0	4,540	
Drug Court Fees	0	0	0	564	0	0	564	
Data Entry Fee - Circuit Court	322	0	0	0	0	0	322	
<u>General Sessions Court</u>								
Fines	2,171	0	0	0	0	0	2,171	
Officers Costs	6,965	0	0	0	0	0	6,965	
Game and Fish Fines	375	0	0	0	0	0	375	
Drug Control Fines	356	0	0	0	0	0	356	
Drug Court Fees	239	0	0	122	0	0	361	
Jail Fees	14,675	0	0	0	0	0	14,675	
DUI Treatment Fines	1,030	0	0	0	0	0	1,030	
Data Entry Fee - General Sessions Court	1,116	0	0	0	0	0	1,116	
Courtroom Security Fee	94	0	0	0	0	0	94	
<u>Juvenile Court</u>								
Fines	744	0	0	0	0	0	744	
Officers Costs	19	0	0	0	0	0	19	
Data Entry Fee - Juvenile Court	26	0	0	0	0	0	26	
<u>Chancery Court</u>								
Officers Costs	552	0	0	0	0	0	552	
Data Entry Fee - Chancery Court	220	0	0	0	0	0	220	
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	0	13,445	0	0	13,445	
Total Fines, Forfeitures, and Penalties	\$ 38,203	\$ 0	\$ 0	\$ 14,131	\$ 0	\$ 0	\$ 52,334	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	775,145	0	0	0	0	0	775,145	
<u>Fees</u>								
Copy Fees	33	0	0	0	0	0	33	

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Archives and Records Management Fee - County Clerk	\$ 2,858	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,858
Telephone Commissions	8,880	0	0	0	0	0	0	0	8,880
Constitutional Officers' Fees and Commissions	0	0	0	0	5,088	0	0	0	5,088
Data Processing Fee - Register	1,274	0	0	0	0	0	0	0	1,274
Data Processing Fee - Sheriff	569	0	0	0	0	0	0	0	569
Sexual Offender Registration Fees - Sheriff	1,472	0	0	0	0	0	0	0	1,472
Data Processing Fee - County Clerk	44	0	0	0	0	0	0	0	44
<b>Total Charges for Current Services</b>	<b>\$ 790,275</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,088</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 795,363</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 41,711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,711
Lease/Rentals	28,800	0	0	0	0	0	40,633	0	69,433
Commissary Sales	5,630	0	0	0	0	0	0	0	5,630
Miscellaneous Refunds	19,926	0	0	0	0	991	0	0	20,917
<u>Nonrecurring Items</u>									
Sale of Equipment	2,110	0	0	0	0	0	0	0	2,110
Sale of Property	19,050	0	0	0	0	0	0	0	19,050
Damages Recovered from Individuals	1,116	0	0	0	0	0	0	0	1,116
Contributions and Gifts	0	0	0	300	0	0	0	0	300
<u>Other Local Revenues</u>									
Other Local Revenues	13,808	0	0	0	0	0	0	0	13,808
<b>Total Other Local Revenues</b>	<b>\$ 132,151</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 300</b>	<b>\$ 0</b>	<b>\$ 991</b>	<b>\$ 40,633</b>	<b>\$ 0</b>	<b>\$ 174,075</b>
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 49,421	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,421
Circuit Court Clerk	46,227	0	0	0	0	0	0	0	46,227
General Sessions Court Clerk	29,587	0	0	0	0	0	0	0	29,587
Clerk and Master	17,123	0	0	0	0	0	0	0	17,123

(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>									
Juvenile Court Clerk	\$ 6,771	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,771
Register	13,583	0	0	0	0	0	0	0	13,583
Sheriff	2,936	0	0	0	0	0	0	0	2,936
Trustee	81,423	0	0	0	0	0	0	0	81,423
Total Fees Received from County Officials	\$ 247,071	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 247,071
<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	56,531	0	0	0	0	0	0	0	56,531
On-Behalf Contributions for OPEB	390	0	0	0	0	0	0	0	390
Public Safety Grants									
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	5,400
Health and Welfare Grants									
Health Department Programs	32,020	0	0	0	0	0	0	0	32,020
Public Works Grants									
Litter Program	37,313	0	0	0	0	0	0	0	37,313
Other State Revenues									
Income Tax	11,255	0	0	0	0	0	0	0	11,255
Beer Tax	18,421	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	16,186	0	0	0	0	0	0	0	16,186
Contracted Prisoner Boarding	349,615	0	0	0	0	0	0	0	349,615
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,204,454	0	0	1,204,454
Petroleum Special Tax	0	0	0	0	0	6,122	0	0	6,122
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Other State Revenues	10,207	0	0	0	0	0	0	0	10,207
Total State of Tennessee	\$ 561,802	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,210,576	\$ 0	\$ 0	\$ 1,772,378

(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	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 233,241	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 233,241
Civil Defense Reimbursement	10,000	0	0	0	0	0	0	0	10,000
Disaster Relief	45,613	0	0	0	0	336,039	0	0	381,652
Homeland Security Grants	29,943	0	0	0	0	0	0	0	29,943
Law Enforcement Grants	28,555	0	0	0	0	0	0	0	28,555
Other Federal through State	6,959	0	0	0	0	0	0	0	6,959
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	3,200	0	0	0	0	0	0	0	3,200
<u>Total Federal Government</u>	\$ 357,511	\$ 0	\$ 0	\$ 0	\$ 0	\$ 336,039	\$ 0	\$ 0	\$ 693,550
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 9,500	\$ 0	\$ 27,968	\$ 100	\$ 0	\$ 0	\$ 0	\$ 125,000	\$ 162,568
Contracted Services	73,875	0	0	0	0	0	0	0	73,875
<u>Total Other Governments and Citizens Groups</u>	\$ 83,375	\$ 0	\$ 27,968	\$ 100	\$ 0	\$ 0	\$ 0	\$ 125,000	\$ 236,443
<u>Total</u>	\$ 3,223,748	\$ 2,916	\$ 60,128	\$ 14,531	\$ 5,088	\$ 1,572,402	\$ 620,335	\$ 5,499,148	

## 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, 2012

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 763,257	\$ 0	\$ 763,257
Trustee's Collections - Prior Year	37,256	0	37,256
Circuit/Clerk & Master Collections - Prior Years	6,550	0	6,550
Interest and Penalty	6,812	0	6,812
<u>County Local Option Taxes</u>			
Local Option Sales Tax	304,758	0	304,758
Wheel Tax	43,136	0	43,136
Business Tax	3,087	0	3,087
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	435	0	435
Total Local Taxes	\$ 1,165,291	\$ 0	\$ 1,165,291
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 437	\$ 0	\$ 437
<u>Permits</u>			
Other Permits	93	0	93
Total Licenses and Permits	\$ 530	\$ 0	\$ 530
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 77,822	\$ 0	\$ 77,822
Total Charges for Current Services	\$ 77,822	\$ 0	\$ 77,822
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Refund of Telecommunication and Internet Fees (E-Rate)	\$ 12,474	\$ 0	\$ 12,474
Miscellaneous Refunds	4,350	0	4,350
<u>Nonrecurring Items</u>			
Sale of Equipment	700	0	700
Total Other Local Revenues	\$ 17,524	\$ 0	\$ 17,524
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 31,840	\$ 0	\$ 31,840
<u>State Education Funds</u>			
Basic Education Program	4,816,000	0	4,816,000
Early Childhood Education	313,030	0	313,030
School Food Service	5,265	0	5,265
Other State Education Funds	159,700	0	159,700
Family Resource Centers - ARRA	29,612	0	29,612
Statewide Student Management System (SSMS) - ARRA	2,435	0	2,435
Career Ladder Program	53,318	0	53,318
Career Ladder - Extended Contract	30,700	0	30,700
Career Ladder - Extended Contract - ARRA	31,867	0	31,867

(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.	\$ 220,124	\$ 0	\$ 220,124
Total State of Tennessee	\$ 5,693,891	\$ 0	\$ 5,693,891
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 295,432	\$ 0	\$ 295,432
USDA - Commodities	38,357	0	38,357
Breakfast	117,386	0	117,386
USDA Food Service Equipment Grant - ARRA	5,244	0	5,244
Vocational Education - Basic Grants to States	0	18,788	18,788
Title I Grants to Local Education Agencies	0	428,962	428,962
Special Education - Grants to States	0	324,997	324,997
Special Education Preschool Grants	0	8,713	8,713
Rural Education	0	16,756	16,756
Eisenhower Professional Development State Grants	63,686	58,042	121,728
Race-to-the-Top - ARRA	0	93,548	93,548
Other Federal through State	13,038	125,971	139,009
Total Federal Government	\$ 533,143	\$ 1,075,777	\$ 1,608,920
Total	\$ 7,488,201	\$ 1,075,777	\$ 8,563,978

Exhibit J-8

Lake County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Other Per Diem and Fees		20,922	
Social Security		1,733	
State Retirement		424	
Unemployment Compensation		127	
Audit Services		750	
Total County Commission			\$ 25,756

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Secretary(ies)		19,128	
Other Salaries and Wages		3,994	
Social Security		6,386	
State Retirement		3,555	
Unemployment Compensation		285	
Communication		3,581	
Data Processing Services		8,359	
Postal Charges		1,997	
Printing, Stationery, and Forms		1,935	
Rentals		546	
Travel		307	
Electricity		682	
Natural Gas		173	
Office Supplies		3,963	
Water and Sewer		165	
Building and Contents Insurance		696	
Workers' Compensation Insurance		90	
Total County Mayor/Executive			116,192

County Attorney

County Official/Administrative Officer	\$	4,302	
Social Security		299	
State Retirement		230	
Unemployment Compensation		79	
Legal Services		20,260	
Total County Attorney			25,170

Election Commission

County Official/Administrative Officer	\$	47,026	
Other Salaries and Wages		400	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	1,750	
Election Workers		3,350	
Social Security		3,597	
State Retirement		2,770	
Communication		513	
Data Processing Services		5,905	
Maintenance and Repair Services - Equipment		713	
Postal Charges		1,168	
Printing, Stationery, and Forms		7,942	
Travel		1,226	
Natural Gas		1,163	
Office Supplies		1,842	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 80,325

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		7,502	
Longevity Pay		168	
Social Security		4,584	
State Retirement		3,078	
Unemployment Compensation		95	
Communication		376	
Data Processing Services		904	
Postal Charges		170	
Printing, Stationery, and Forms		570	
Rentals		980	
Electricity		476	
Natural Gas		121	
Office Supplies		622	
Water and Sewer		26	
Building and Contents Insurance		699	
Workers' Compensation Insurance		30	
Total Register of Deeds			72,652

Development

Other Contracted Services	\$	13,539	
Total Development			13,539

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Communication	\$	2,247	
Maintenance and Repair Services - Buildings		6,796	
Maintenance and Repair Services - Equipment		2,340	
Pest Control		2,425	
Custodial Supplies		2,654	
Electricity		10,063	
Natural Gas		3,164	
Water and Sewer		1,304	
Building and Contents Insurance		12,000	
Workers' Compensation Insurance		7,224	
Total County Buildings			\$ 50,217

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Secretary(ies)		19,128	
Longevity Pay		24	
Other Salaries and Wages		9,563	
Board and Committee Members Fees		440	
Social Security		6,194	
State Retirement		4,204	
Unemployment Compensation		429	
Communication		535	
Postal Charges		296	
Printing, Stationery, and Forms		131	
Rentals		392	
Travel		1,201	
Other Contracted Services		6,136	
Electricity		343	
Natural Gas		87	
Office Supplies		608	
Water and Sewer		19	
Building and Contents Insurance		690	
Workers' Compensation Insurance		90	
Total Property Assessor's Office			102,761

Reappraisal Program

Social Security	\$	31	
Unemployment Compensation		8	
Total Reappraisal Program			39

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		19,126	
Longevity Pay		312	
Social Security		5,484	
State Retirement		3,171	
Unemployment Compensation		290	
Communication		490	
Data Processing Services		5,802	
Postal Charges		1,663	
Printing, Stationery, and Forms		710	
Rentals		2,066	
Electricity		365	
Natural Gas		92	
Office Supplies		4,562	
Water and Sewer		20	
Building and Contents Insurance		966	
Workers' Compensation Insurance		65	
Total County Trustee's Office			\$ 97,435

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		19,128	
Part-time Personnel		7,792	
Longevity Pay		408	
Other Salaries and Wages		20	
Social Security		6,089	
State Retirement		4,229	
Unemployment Compensation		305	
Communication		614	
Postal Charges		2,045	
Printing, Stationery, and Forms		373	
Other Contracted Services		2,438	
Electricity		1,902	
Natural Gas		285	
Office Supplies		1,293	
Water and Sewer		643	
Other Supplies and Materials		15	
Building and Contents Insurance		966	
Workers' Compensation Insurance		100	
Total County Clerk's Office			100,896

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		57,095	
Longevity Pay		624	
Other Salaries and Wages		75	
Jury and Witness Expense		3,762	
Social Security		8,391	
State Retirement		4,245	
Unemployment Compensation		443	
Communication		1,439	
Data Processing Services		9,373	
Postal Charges		1,952	
Printing, Stationery, and Forms		224	
Rentals		3,457	
Electricity		3,874	
Natural Gas		980	
Office Supplies		4,198	
Water and Sewer		212	
Building and Contents Insurance		6,900	
Workers' Compensation Insurance		200	
Total Circuit Court			\$ 159,695

General Sessions Court

Judge(s)	\$	85,495	
Other Salaries and Wages		2,678	
Social Security		6,484	
State Retirement		5,036	
Communication		1,004	
Postal Charges		317	
Printing, Stationery, and Forms		188	
Travel		1,814	
Other Contracted Services		2,477	
Electricity		239	
Natural Gas		60	
Office Supplies		804	
Water and Sewer		13	
Building and Contents Insurance		425	
Workers' Compensation Insurance		150	
Total General Sessions Court			107,184

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		9,563	
Longevity Pay		336	
Social Security		4,754	
State Retirement		3,078	
Unemployment Compensation		145	
Communication		326	
Data Processing Services		2,663	
Postal Charges		498	
Printing, Stationery, and Forms		760	
Electricity		435	
Natural Gas		110	
Office Supplies		4,325	
Water and Sewer		24	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			\$ 80,183

Juvenile Court

County Official/Administrative Officer	\$	27,435	
Social Security		2,099	
State Retirement		1,616	
Unemployment Compensation		137	
Communication		684	
Data Processing Services		125	
Postal Charges		89	
Travel		845	
Other Contracted Services		14,612	
Electricity		302	
Natural Gas		76	
Office Supplies		686	
Water and Sewer		17	
Other Supplies and Materials		472	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			49,807

Other Administration of Justice

Library Books/Media	\$	714	
Total Other Administration of Justice			714

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Deputy(ies)		242,111	
Medical Personnel		2,880	
Salary Supplements		6,000	
Secretary(ies)		18,346	
Other Salaries and Wages		4,784	
In-Service Training		350	
Social Security		25,234	
State Retirement		17,635	
Unemployment Compensation		1,675	
Communication		13,218	
Contracts with Government Agencies		670	
Data Processing Services		3,765	
Maintenance and Repair Services - Vehicles		14,424	
Postal Charges		898	
Printing, Stationery, and Forms		1,712	
Rentals		3,138	
Travel		6,720	
Other Contracted Services		464	
Gasoline		41,078	
Law Enforcement Supplies		26	
Natural Gas		5,458	
Office Supplies		6,338	
Uniforms		5,828	
Water and Sewer		3,423	
Other Supplies and Materials		33,532	
Building and Contents Insurance		18,000	
Workers' Compensation Insurance		4,900	
Motor Vehicles		13,750	
Total Sheriff's Department			\$ 553,834

Jail

Dispatchers/Radio Operators	\$	107,534
Guards		102,069
Part-time Personnel		53,285
In-Service Training		590
Social Security		20,058
State Retirement		9,942
Unemployment Compensation		2,303
Maintenance and Repair Services - Buildings		4,072

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Maintenance and Repair Services - Equipment	\$	6,175	
Medical and Dental Services		65,637	
Custodial Supplies		18,023	
Electricity		25,684	
Food Supplies		76,976	
Natural Gas		6,763	
Uniforms		641	
Water and Sewer		6,946	
Other Supplies and Materials		3,653	
Building and Contents Insurance		8,600	
Workers' Compensation Insurance		5,200	
Heating and Air Conditioning Equipment		40	
Total Jail			\$ 524,191

Civil Defense

Social Security	\$	765	
State Retirement		249	
Unemployment Compensation		32	
Travel		147	
Other Contracted Services		10,000	
Other Charges		31,155	
Total Civil Defense			42,348

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	25,218	
Social Security		1,898	
Unemployment Compensation		194	
Communication		1,076	
Contracts with Government Agencies		2,495	
Maintenance and Repair Services - Buildings		6,959	
Travel		302	
Other Contracted Services		6,580	
Custodial Supplies		576	
Drugs and Medical Supplies		65	
Electricity		5,755	
Natural Gas		1,697	
Office Supplies		789	
Water and Sewer		1,790	
Building and Contents Insurance		3,000	

(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.)

Workers' Compensation Insurance	\$ 600	
Total Local Health Center		\$ 58,994

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 30,766	
Medical Personnel	296,782	
Secretary(ies)	19,060	
Other Salaries and Wages	50	
Social Security	26,655	
State Retirement	7,144	
Unemployment Compensation	3,415	
Ambulance Services	390	
Communication	3,912	
Licenses	1,533	
Maintenance and Repair Services - Vehicles	15,967	
Postal Charges	1,483	
Rentals	365	
Travel	1,439	
Other Contracted Services	6,969	
Drugs and Medical Supplies	15,658	
Electricity	5,186	
Gasoline	36,232	
Natural Gas	985	
Office Supplies	3,127	
Uniforms	1,172	
Water and Sewer	818	
Other Supplies and Materials	2,043	
Building and Contents Insurance	11,547	
Judgments	1,776	
Workers' Compensation Insurance	24,750	
Other Capital Outlay	69,888	
Total Ambulance/Emergency Medical Services		589,112

Sanitation Management

Deputy(ies)	\$ 12,720
Education Media Personnel	4,650
Social Security	973
Unemployment Compensation	184
Maintenance and Repair Services - Vehicles	2,325
Gasoline	4,995

(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.)

Other Charges	\$ 20	
Total Sanitation Management		\$ 25,867

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$ 21,732	
Supervisor/Director	16,069	
Social Security	3,901	
State Retirement	2,227	
Unemployment Compensation	439	
Communication	2,703	
Contributions	780	
Maintenance and Repair Services - Buildings	1,610	
Maintenance and Repair Services - Equipment	89	
Postal Charges	92	
Travel	2,898	
Other Contracted Services	28,313	
Electricity	4,030	
Natural Gas	750	
Office Supplies	1,540	
Utilities	360	
Water and Sewer	2,030	
Other Supplies and Materials	1,343	
Other Charges	78	
Total Senior Citizens Assistance		90,984

Libraries

Contributions	\$ 19,000	
Total Libraries		19,000

Other Social, Cultural, and Recreational

Other Charges	\$ 9,991	
Total Other Social, Cultural, and Recreational		9,991

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 15,432	
Secretary(ies)	7,701	
Communication	546	
Maintenance and Repair Services - Office Equipment	40	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Office Supplies	\$ 361	
Total Agriculture Extension Service		\$ 24,080

Other Operations

Tourism

Contributions	\$ 33,479	
Total Tourism		33,479

Other Economic and Community Development

Matching Share	\$ 200,019	
Other Contracted Services	36,075	
Total Other Economic and Community Development		236,094

Other Charges

Trustee's Commission	\$ 27,394	
Total Other Charges		27,394

Contributions to Other Agencies

Contributions	\$ 4,875	
Total Contributions to Other Agencies		4,875

Employee Benefits

Other Charges	\$ 2,096	
Total Employee Benefits		2,096

Miscellaneous

On-Behalf Payments to OPEB	\$ 390	
Other Charges	38,441	
Total Miscellaneous		38,831

Total General Fund		\$ 3,363,735
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Law Library Fund

Administration of Justice

Other Administration of Justice

Library Books/Media	\$ 2,967	
Trustee's Commission	29	
Total Other Administration of Justice		\$ 2,996

Total Law Library Fund		2,996
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(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$	21,130	
Social Security		529	
Unemployment Compensation		144	
Communication		227	
Maintenance and Repair Services - Buildings		1,086	
Maintenance and Repair Services - Equipment		14,890	
Diesel Fuel		8,217	
Electricity		2,692	
Trustee's Commission		576	
Total Waste Incinerator			\$ 49,491

Other Waste Disposal

Contracts with Government Agencies	\$	40,309	
Total Other Waste Disposal			40,309

Total Solid Waste/Sanitation Fund \$ 89,800

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Law Enforcement Supplies		11,119	
Trustee's Commission		141	
Other Charges		395	
Total Drug Enforcement			\$ 16,655

Total Drug Control Fund 16,655

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	3,434	
Total County Trustee's Office			\$ 3,434

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	\$ 265	
Total Circuit Court		\$ 265

Chancery Court

Constitutional Officers' Operating Expenses	\$ 635	
Total Chancery Court		635

Juvenile Court Clerk

Constitutional Officers' Operating Expenses	\$ 327	
Total Juvenile Court Clerk		<u>327</u>

Total Constitutional Officers - Fees Fund		\$ 5,088
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 58,110	
Accountants/Bookkeepers	35,266	
Secretary(ies)	33,431	
Board and Committee Members Fees	13,800	
Advertising	624	
Communication	5,074	
Data Processing Services	5,290	
Dues and Memberships	2,829	
Legal Services	5,050	
Postal Charges	405	
Printing, Stationery, and Forms	588	
Travel	1,201	
Drugs and Medical Supplies	651	
Electricity	5,453	
Natural Gas	2,841	
Office Supplies	1,278	
Water and Sewer	<u>1,526</u>	
Total Administration		\$ 173,417

Highway and Bridge Maintenance

Equipment Operators	\$ 234,441
Engineering Services	7,875
Other Contracted Services	17,505
Asphalt - Cold Mix	2,810

(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	\$	12,979	
Crushed Stone		39,507	
Pipe - Metal		2,948	
Road Signs		574	
Wood Products		452	
Chemicals		1,781	
Total Highway and Bridge Maintenance			\$ 320,872

Operation and Maintenance of Equipment

Foremen	\$	35,595	
Mechanic(s)		68,574	
Laundry Service		6,705	
Custodial Supplies		273	
Diesel Fuel		53,885	
Equipment and Machinery Parts		58,982	
Garage Supplies		6,706	
Gasoline		16,046	
Lubricants		7,424	
Tires and Tubes		9,564	
Chemicals		219	
Total Operation and Maintenance of Equipment			263,973

Other Charges

Building and Contents Insurance	\$	4,000	
Liability Insurance		16,661	
Trustee's Commission		12,697	
Vehicle and Equipment Insurance		20,814	
Workers' Compensation Insurance		48,449	
Other Charges		8,485	
Total Other Charges			111,106

Employee Benefits

Social Security	\$	36,312	
State Retirement		28,102	
Employee and Dependent Insurance		237,199	
Unemployment Compensation		351	
Total Employee Benefits			301,964

Capital Outlay

Communication Equipment	\$	1,133	
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(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 330,000	
Motor Vehicles	30,310	
Total Capital Outlay	<u>                    </u>	\$ 361,443

Interest on Debt

Highways and Streets

Interest on Notes	\$ 1,903	
Total Highways and Streets	<u>                    </u>	1,903

Total Highway/Public Works Fund \$ 1,534,678

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 79,095	
Principal on Notes	29,583	
Total General Government	<u>                    </u>	\$ 108,678

Education

Principal on Bonds	\$ 180,000	
Total Education	<u>                    </u>	180,000

Interest on Debt

General Government

Interest on Bonds	\$ 226,618	
Interest on Notes	23,553	
Total General Government	<u>                    </u>	250,171

Education

Interest on Bonds	\$ 267,095	
Total Education	<u>                    </u>	267,095

Other Debt Service

General Government

Contributions	\$ 1,116,612	
Trustee's Commission	5,691	
Other Debt Issuance Charges	272,112	
Other Debt Service	702	
Total General Government	<u>                    </u>	1,395,117

Education

Other Debt Service	\$ 482	
Total Education	<u>                    </u>	482

Total General Debt Service Fund 2,201,543

Total Governmental Funds - Primary Government \$ 7,214,495

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, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,059,491	
Career Ladder Program		29,346	
Career Ladder Extended Contracts		25,225	
Homebound Teachers		1,783	
Educational Assistants		60,191	
Certified Substitute Teachers		2,723	
Non-certified Substitute Teachers		33,028	
Social Security		131,222	
State Retirement		193,972	
Life Insurance		3,091	
Medical Insurance		288,454	
Unemployment Compensation		8,435	
Employer Medicare		30,930	
Maintenance and Repair Services - Equipment		5,235	
Other Contracted Services		8,854	
Instructional Supplies and Materials		166,202	
Textbooks		50,444	
Regular Instruction Equipment		58,928	
Total Regular Instruction Program			\$ 3,157,554

Special Education Program

Teachers	\$	304,298	
Career Ladder Program		2,500	
Educational Assistants		16,461	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		3,429	
Social Security		19,351	
State Retirement		28,733	
Medical Insurance		34,405	
Unemployment Compensation		330	
Employer Medicare		4,525	
Contracts with Private Agencies		46,088	
Maintenance and Repair Services - Equipment		357	
Instructional Supplies and Materials		6,491	
Special Education Equipment		4,924	
Total Special Education Program			471,947

Vocational Education Program

Teachers	\$	169,094	
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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.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Career Ladder Program	\$	4,000	
Career Ladder Extended Contracts		320	
Non-certified Substitute Teachers		1,410	
Social Security		10,603	
State Retirement		15,694	
Medical Insurance		17,258	
Unemployment Compensation		120	
Employer Medicare		2,480	
Instructional Supplies and Materials		1,672	
Total Vocational Education Program			\$ 222,651

Support Services

Attendance

Supervisor/Director	\$	30,605	
Social Security		1,756	
State Retirement		2,770	
Medical Insurance		4,212	
Unemployment Compensation		26	
Employer Medicare		411	
Travel		580	
Total Attendance			40,360

Health Services

Medical Personnel	\$	47,618	
Social Security		2,904	
State Retirement		4,309	
Unemployment Compensation		52	
Employer Medicare		679	
Drugs and Medical Supplies		2,368	
Total Health Services			57,930

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		89,462	
School Resource Officer		25,484	
Other Salaries and Wages		30,466	
Social Security		8,720	
State Retirement		13,250	
Medical Insurance		9,736	

(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.)

Unemployment Compensation	\$	105	
Employer Medicare		2,039	
Travel		2,895	
Other Supplies and Materials		3,674	
In Service/Staff Development		1,005	
Other Charges		75	
Total Other Student Support			\$ 187,911

Regular Instruction Program

Supervisor/Director	\$	30,580	
Career Ladder Program		6,000	
Librarians		123,927	
Instructional Computer Personnel		28,072	
Social Security		9,241	
State Retirement		14,526	
Medical Insurance		20,407	
Unemployment Compensation		105	
Employer Medicare		2,553	
Travel		2,630	
Library Books/Media		12,000	
In Service/Staff Development		6,705	
Other Equipment		2,671	
Total Regular Instruction Program			259,417

Special Education Program

Supervisor/Director	\$	27,968	
Career Ladder Program		1,000	
Clerical Personnel		6,787	
Social Security		2,099	
State Retirement		3,021	
Medical Insurance		4,951	
Unemployment Compensation		78	
Employer Medicare		491	
Travel		1,230	
Total Special Education Program			47,625

Other Programs

On-Behalf Payments to OPEB	\$	31,840	
Total Other Programs			31,840

(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

Board and Committee Members Fees	\$	4,200	
Social Security		260	
State Retirement		235	
Employer Medicare		61	
Dues and Memberships		6,545	
Legal Services		8,132	
Travel		3,744	
Other Contracted Services		162	
Other Supplies and Materials		187	
Liability Insurance		16,655	
Trustee's Commission		36,412	
Workers' Compensation Insurance		32,799	
Other Charges		5,433	
Total Board of Education			\$ 114,825

Director of Schools

County Official/Administrative Officer	\$	85,051	
Career Ladder Program		1,000	
Secretary(ies)		18,249	
Social Security		6,764	
State Retirement		8,862	
Medical Insurance		17,610	
Unemployment Compensation		55	
Employer Medicare		1,582	
Other Fringe Benefits		4,800	
Communication		2,919	
Dues and Memberships		1,050	
Postal Charges		1,533	
Travel		2,933	
Office Supplies		1,460	
Administration Equipment		2,700	
Total Director of Schools			156,568

Office of the Principal

Principals	\$	183,778	
Career Ladder Program		3,000	
Accountants/Bookkeepers		37,147	
Assistant Principals		92,638	
Secretary(ies)		33,555	

(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.)

Social Security	\$	20,009	
State Retirement		29,452	
Medical Insurance		33,221	
Unemployment Compensation		300	
Employer Medicare		4,680	
Communication		11,849	
Dues and Memberships		2,175	
Maintenance and Repair Services - Equipment		2,750	
Travel		3,494	
Office Supplies		640	
Total Office of the Principal			\$ 458,688

Fiscal Services

Accountants/Bookkeepers	\$	39,811	
Clerical Personnel		10,879	
Social Security		2,940	
State Retirement		2,986	
Medical Insurance		2,700	
Unemployment Compensation		55	
Employer Medicare		688	
Data Processing Services		2,846	
Travel		499	
Other Contracted Services		4,000	
Data Processing Supplies		622	
Total Fiscal Services			68,026

Operation of Plant

Supervisor/Director	\$	31,963	
Custodial Personnel		134,168	
Social Security		10,199	
State Retirement		10,736	
Medical Insurance		1,980	
Unemployment Compensation		210	
Employer Medicare		2,385	
Travel		403	
Other Contracted Services		2,669	
Custodial Supplies		27,705	
Electricity		217,912	
Natural Gas		105,439	

(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	\$	32,682	
Boiler Insurance		1,903	
Building and Contents Insurance		34,678	
Plant Operation Equipment		24,220	
Total Operation of Plant			\$ 639,252

Maintenance of Plant

Supervisor/Director	\$	32,995	
Other Salaries and Wages		32,995	
Social Security		4,075	
State Retirement		3,887	
Unemployment Compensation		55	
Employer Medicare		953	
Maintenance and Repair Services - Buildings		18,677	
Maintenance and Repair Services - Equipment		16,004	
Other Supplies and Materials		12,242	
Maintenance Equipment		6,046	
Total Maintenance of Plant			127,929

Transportation

Supervisor/Director	\$	31,860	
Bus Drivers		67,537	
Social Security		6,111	
State Retirement		7,424	
Medical Insurance		1,980	
Unemployment Compensation		200	
Employer Medicare		1,429	
Maintenance and Repair Services - Vehicles		26,458	
Travel		420	
Diesel Fuel		50,414	
Gasoline		4,804	
Tires and Tubes		7,971	
Vehicle Parts		1,995	
Transportation Equipment		161,120	
Total Transportation			369,723

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	54,945	
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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.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

In-Service Training	\$	560	
Social Security		3,179	
State Retirement		4,973	
Medical Insurance		5,398	
Unemployment Compensation		28	
Employer Medicare		744	
Payments to Schools - Breakfast		117,386	
Payments to Schools - Lunch		295,657	
Payments to Schools - Other		10,633	
Travel		1,679	
USDA - Commodities		38,357	
Total Food Service			\$ 533,539

Early Childhood Education

County Official/Administrative Officer	\$	28,115	
Teachers		124,457	
Career Ladder Program		3,000	
Educational Assistants		59,787	
Other Salaries and Wages		9,046	
Non-certified Substitute Teachers		5,862	
Social Security		13,092	
State Retirement		17,953	
Medical Insurance		23,056	
Unemployment Compensation		800	
Employer Medicare		3,062	
Contracts with Private Agencies		2,766	
Travel		2,459	
Food Supplies		3,219	
Instructional Supplies and Materials		9,621	
Other Equipment		6,735	
Total Early Childhood Education			313,030

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	23,776	
Other Capital Outlay		22,875	
Total Regular Capital Outlay			46,651

(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

Debt Service Contribution to Primary Government	\$ 125,000	
Total Education		\$ 125,000

Total General Purpose School Fund \$ 7,430,466

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 413,698	
Educational Assistants	11,077	
Non-certified Substitute Teachers	2,243	
Social Security	23,902	
State Retirement	36,160	
Medical Insurance	39,120	
Unemployment Compensation	335	
Employer Medicare	5,837	
Maintenance and Repair Services - Equipment	1,187	
Instructional Supplies and Materials	24,404	
In Service/Staff Development	3,000	
Regular Instruction Equipment	23,742	
Total Regular Instruction Program		\$ 584,705

Special Education Program

Teachers	\$ 43,517	
Educational Assistants	184,204	
Non-certified Substitute Teachers	9,066	
Social Security	14,089	
State Retirement	14,694	
Unemployment Compensation	354	
Employer Medicare	3,295	
Contracts with Private Agencies	958	
Instructional Supplies and Materials	33,674	
Other Supplies and Materials	665	
Special Education Equipment	4,542	
Total Special Education Program		309,058

Vocational Education Program

Instructional Supplies and Materials	\$ 15,152	
Vocational Instruction Equipment	639	
Total Vocational Education Program		15,791

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Assessment Personnel	\$	41,084	
Social Security		2,270	
State Retirement		3,718	
Medical Insurance		5,476	
Employer Medicare		692	
Travel		3,961	
Other Contracted Services		11,088	
Total Other Student Support			\$ 68,289

Regular Instruction Program

Supervisor/Director	\$	30,100	
Secretary(ies)		13,108	
Other Salaries and Wages		3,000	
Social Security		2,679	
State Retirement		3,496	
Unemployment Compensation		75	
Employer Medicare		627	
Maintenance and Repair Services - Equipment		3,984	
Postal Charges		3,000	
Travel		21,526	
Other Supplies and Materials		138	
In Service/Staff Development		18,619	
Other Charges		882	
Total Regular Instruction Program			101,234

Special Education Program

Travel	\$	3,541	
Total Special Education Program			3,541

Vocational Education Program

Travel	\$	326	
Total Vocational Education Program			326

Total School Federal Projects Fund \$ 1,082,944

Total Governmental Funds - Lake County School Department \$ 8,513,410

Lake County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 179,671
Total Cash Receipts	<u>\$ 179,671</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 177,874
Trustee's Commission	1,797
Total Cash Disbursements	<u>\$ 179,671</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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*

November 30, 2012

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, 2012, which collectively comprise Lake County's basic financial statements and have issued our report thereon dated November 30, 2012. 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

The management of Lake County is responsible for establishing and maintaining effective 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: 12.01 and 12.08.

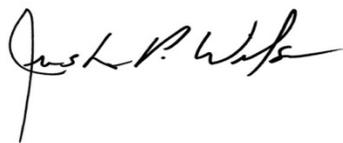
A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.03, 12.05, 12.07, and 12.09.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.02, 12.04, and 12.06.

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT 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

Independent Auditor's Report

November 30, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Lake County's compliance 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, 2012. 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, 2012.

#### 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 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.

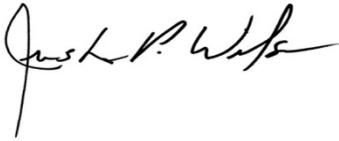
#### Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated November 30, 2012. 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.

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 long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Lake County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2012

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	\$ 117,386
National School Lunch Program	10.555	N/A	295,432 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	38,357 (4)
ARRA Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	5,244
ARRA Community Facilities Loans and Grants	10.780	(2)	5,620
Total U.S. Department of Agriculture			\$ 462,039
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	\$ 233,241
Total U.S. Department of Housing and Urban Development			\$ 233,241
U.S. Department of the Interior:			
Direct Program:			
Payments in-lieu-of Taxes	15.226	N/A	\$ 11,328
Total U.S. Department of the Interior			\$ 11,328
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
Passed-through State Administrative Office of the Courts:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	(2)	18,750
Total U.S. Department of Justice			\$ 28,050
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(2)	\$ 6,574
Total U.S. Department of Labor			\$ 6,574
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	(3)	\$ 9,805
Total U.S. Department of Transportation			\$ 9,805
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	\$ 411,141
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	37,322
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	283,705
Special Education - Preschool Grants	84.173	N/A	9,587
Special Education - Grants to States, Recovery Act	84.391	N/A	19,484
Special Education - Preschool Grants, Recovery Act	84.392	N/A	394
Career and Technical Education - Basic Grants to States	84.048	N/A	18,788

(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 Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	(2)	\$ 1,528
Education Technology State Grants, Recovery Act	84.386	N/A	476
Rural Education	84.358	N/A	16,831
Improving Teacher Quality State Grants	84.367	N/A	126,062
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	91,825
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	63,914
Education Jobs Fund	84.410	N/A	132,666
Total U.S. Department of Education			<u>\$ 1,213,723</u>
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)	\$ 56,531
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(2)	36,214
Total U.S. Department of Health and Human Services			<u>\$ 92,745</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1979-DR-TN	\$ 381,652
Emergency Management Performance Grants	97.042	(2)	10,000
Homeland Security Grant Program	97.067	GG-07-20973-01	29,943
Total U.S. Department of Homeland Security			<u>\$ 421,595</u>
Total Federal Awards			<u>\$ 2,479,100</u>
<u>Contract</u>			
<u>Number</u>			
<u>State Grants:</u>			
Local Health Services - State Department of Health	N/A	(2)	\$ 32,020
Litter Program - State Department of Transportation	N/A	(2)	37,313
ACT/EXPLORE/PLAN - Testing - State Department of Education	N/A	(2)	1,973
Connect Tennessee - State Department of Education	N/A	(2)	3,121
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	6,400
Coordinated School Health - State Department of Education	N/A	(2)	111,992
Early Childhood Education - State Department of Education	N/A	(2)	313,030
Total State Grants			<u>\$ 505,849</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) Z11GHS165: \$4,839; Z11GHS166: \$4,966.

(4) Total for CFDA No. 10.555 is \$333,789.

Lake County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*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, 2011, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
11.01	138	Material audit adjustments were required for proper financial statement presentation
11.02	138	The general ledger cash account was not reconciled with county trustee reports
11.03	139	Insurance payroll liability accounts were not reconciled monthly
11.05	140	The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
11.07(B)	141	The office had deficiencies in budget operations

**LAKE COUNTY**

Finding Number	Page Number	Subject
11.13	146	Lake County has a material recurring audit finding

**OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; DIRECTOR OF SCHOOLS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; SHERIFF; AND AMBULANCE SERVICE**

Finding Number	Page Number	Subject
11.14	147	Duties were not segregated adequately

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**LAKE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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**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 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and Disaster Grants - Presidentially Declared Disasters (CFDA No. 97.036) 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; however, management did not provide responses for inclusion in this report.

### OFFICE OF COUNTY MAYOR

**FINDING 12.01 MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances in the General and Joint Venture funds 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.

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**FINDING 12.02 SEVERAL FUNDS' GENERAL LEDGER CASH ACCOUNTS WERE NOT RECONCILED WITH COUNTY TRUSTEE REPORTS**  
(Noncompliance Under *Government Auditing Standards*)

Our audit revealed that general ledger cash accounts in several funds were not reconciled with county trustee reports at June 30, 2012, by the amounts reflected below:

<u>Fund</u>	<u>Amount</u>
General	\$ 68,079
Solid Waste/Sanitation	648
Drug Control	185
General Debt Service	45,650
Joint Venture	302,106
Other Agency	45,650

Employees attempted to reconcile the cash accounts; however, due to numerous errors, these accounts did not reconcile. Errors noted included outstanding warrants that were not accurately reconciled monthly and revenues that were not correctly posted to the funds. 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 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

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

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#### FINDING 12.03      **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 is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

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#### FINDING 12.04      **THE COUNTY VIOLATED THE CONFLICT OF INTEREST STATUTE AND MADE PURCHASES FROM A BUSINESS OWNED BY A COUNTY COMMISSIONER**

(Noncompliance Under *Government Auditing Standards*)

During the year, General Fund monies were used to purchase auto repairs/maintenance (\$3,622) 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 \$22,128 for 2008-12 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.

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**FINDING 12.05**      **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**  
(Internal Controls – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office’s information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur.

**RECOMMENDATION**

The office should ensure that adequate controls over information systems and the resources associated with those systems are implemented.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 12.06**      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Transportation and Food Service major appropriation categories (the legal level of control) of the General Purpose School Fund by \$74,633 and \$18,710, respectively. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived including, but not limited to taxes, county aid funds, federal funds, and fines, which 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.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct budgetary deficiencies noted in the prior-year audit report.

RECOMMENDATION

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

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OFFICE OF COUNTY CLERK

FINDING 12.07      **EMPLOYEES SHARED USERNAMES AND PASSWORDS**  
(Internal Controls – Significant Deficiency Under *Government Auditing Standards*)

Although each employee had been assigned a unique username and password for accessing the office’s accounting software, this information was shared with other employees. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other’s username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight. This practice was discontinued in January 2012.

RECOMMENDATION

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

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LAKE COUNTY

FINDING 12.08      **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>
12.01, 11.01, 10.02	Some funds 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*.

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#### OFFICES OF COUNTY MAYOR; ROAD SUPERINTENDENT; DIRECTOR OF SCHOOLS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; SHERIFF; AND AMBULANCE SERVICE

##### FINDING 12.09

##### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

(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.

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## **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 Local Government 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, 2012**

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