
ANNUAL FINANCIAL REPORT LAKE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

LAKE COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6-7
<u>INTRODUCTORY SECTION</u>		8
Lake County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	23-24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	26-27
Highway/Public Works Fund	C-6	28
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	29
Index and Notes to the Financial Statements		30-60
REQUIRED SUPPLEMENTARY INFORMATION:		61
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Lake County School Department	E-1	62
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Lake County School Department	E-2	63
Notes to the Required Supplementary Information		64

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		65
Nonmajor Governmental Funds:		66
Combining Balance Sheet	F-1	67-68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	69
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	70
Drug Control Fund	F-4	71
Major Governmental Fund:		72
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	73
Fiduciary Funds:		74
Combining Statement of Fiduciary Assets and Liabilities	H-1	75
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	76-77
Component Unit:		
Discretely Presented Lake County School Department:		78
Statement of Activities	I-1	79
Balance Sheet – Governmental Funds	I-2	80
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	81
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	82
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	83
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	84
School Federal Projects Fund	I-7	85
Statement of Fiduciary Net Position	I-8	86
Statement of Changes in Fiduciary Net Position	I-9	87

	Exhibit	Page(s)
Miscellaneous Schedules:		88
Schedule of Changes in Long-term Note and Bonds	J-1	89
Schedule of Long-term Debt Requirements by Year	J-2	90
Schedule of Transfers – Primary Government and Discretely Presented Lake County School Department	J-3	91
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Lake County School Department	J-4	92
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	93-104
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Lake County School Department	J-6	105-106
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	107-119
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Lake County School Department	J-8	120-126
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	127
 <u>SINGLE AUDIT SECTION</u>		 128
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		129-130
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		131-133
Schedule of Expenditures of Federal Awards and State Grants		134-135
Schedule of Audit Findings Not Corrected		136-137
Schedule of Findings and Questioned Costs		138-148
Best Practice		149
Auditee Reporting Responsibilities		150

Summary of Audit Findings

Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in 13 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

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
 - ◆ Expenditures were misclassified in the accounting records of the General Fund.
 - ◆ The office had deficiencies in budget operations.
 - ◆ Payroll liability accounts were not reconciled monthly.
 - ◆ The county violated the conflict of interest statute by making purchases from a business owned by a county commissioner.
 - ◆ Some Ambulance Service funds were not deposited within three days of collection.
 - ◆
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
 - ◆ Deficiencies were noted in the purchase of a lawn mower.
 - ◆ The office had deficiencies related to travel by the former director of schools.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

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

- ◆ Duties were not segregated adequately.
-

OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; AND REGISTER OF DEEDS

- ◆ Multiple employees operated from the same cash drawer.
-

LAKE COUNTY

- ◆ Lake County has a material recurring audit finding.

INTRODUCTORY SECTION

Lake County Officials

June 30, 2014

Officials

Macie Roberson, County Mayor
William Cantrell, Road Superintendent
Sherry Darnell, 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 of Deeds
Bryan Avery, Sheriff

Board of County Commissioners

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

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

Highway Commission

Jimmy Leake, Chairman
Clifford Berry, Sr.
Johnny Dean

Doug Gant
Ronald Snyder, Sr.
Joe Williams

Board of Education

Shane Hamilton, Chairman
Kristie Avery
Leonard Douglas
Melanie Greene
Carolyn Hayes

Cora Hughes
Tony Hutcheson
Michael Parker
Vivian Windsor

Audit Committee

Brad Keiser, Chairman
Mack Forrester
Albert Markham

FINANCIAL SECTION



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
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Lake County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plans and other postemployment benefits plan on pages 62 - 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

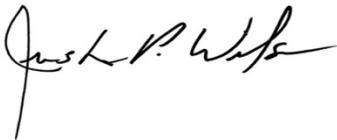
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of Lake County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control over financial reporting and compliance.

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
Nashville, Tennessee

September 15, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Governmental Activities	Component Unit Lake County School Department
<u>ASSETS</u>		
Cash	\$ 566	\$ 0
Equity in Pooled Cash and Investments	2,595,722	1,897,331
Accounts Receivable	824,446	25,897
Allowance for Uncollectibles	(399,731)	0
Due from Other Governments	436,338	187,939
Property Taxes Receivable	1,017,400	878,091
Allowance for Uncollectible Property Taxes	(17,775)	(15,342)
Cash Shortage	27,810	0
Capital Assets:		
Assets Not Depreciated:		
Land	2,364,669	67,365
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,398,884	5,090,766
Infrastructure	2,649,190	0
Other Capital Assets	775,988	358,052
Total Assets	<u>\$ 11,673,507</u>	<u>\$ 8,490,099</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 213,320	\$ 0
Total Deferred Outflows of Resources	<u>\$ 213,320</u>	<u>\$ 0</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 96,269
Payroll Deductions Payable	704	12,271
Due to State of Tennessee	7,520	0
Accrued Interest Payable	34,295	0
Other Current Liabilities	70	0
Noncurrent Liabilities:		
Due Within One Year	415,859	1,069
Due in More Than One Year (net of unamortized premium on debt)	10,979,544	869,764
Total Liabilities	<u>\$ 11,437,992</u>	<u>\$ 979,373</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 967,719	\$ 835,212
Total Deferred Inflows of Resources	<u>\$ 967,719</u>	<u>\$ 835,212</u>

(Continued)

Exhibit A

Lake County, Tennessee
Statement of Net Position (Cont.)

	Primary Government Governmental Activities	Component Unit <u>Lake County School Department</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 3,026,147	\$ 5,516,183
Restricted for:		
Administration of Justice	6,279	0
Public Safety	12,450	0
Public Health and Welfare	842	0
Highway/Public Works	915,204	0
Debt Service	787,023	0
Education	0	22,018
Unrestricted	<u>(5,266,829)</u>	<u>1,137,313</u>
Total Net Position	<u>\$ (518,884)</u>	<u>\$ 6,675,514</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary		
					Governmental	School Department	
Primary Government:							
Governmental Activities:							
General Government	\$ 557,348	\$ 97,140	\$ 173,719	\$ 0	\$ (286,489)	\$ 0	0
Finance	328,697	147,164	0	0	(181,533)	0	0
Administration of Justice	424,191	134,316	9,350	0	(280,525)	0	0
Public Safety	1,286,481	551,681	10,400	17,158	(707,242)	0	0
Public Health and Welfare	771,729	858,040	61,181	0	147,492	0	0
Social, Cultural, and Recreational Services	129,104	0	54,061	0	(75,043)	0	0
Agriculture and Natural Resources	34,180	0	0	0	(34,180)	0	0
Highways	1,380,436	28	1,224,327	513,700	357,619	0	0
Interest on Long-term Debt	424,546	0	2,136	0	(422,410)	0	0
Total Primary Government	\$ 5,336,712	\$ 1,788,369	\$ 1,535,174	\$ 530,858	\$ (1,482,311)	\$ 0	0
Component Unit:							
Lake County School Department	\$ 9,372,700	\$ 60,862	\$ 1,682,524	\$ 0	\$ 0	\$ (7,629,314)	0
Total Component Unit	\$ 9,372,700	\$ 60,862	\$ 1,682,524	\$ 0	\$ 0	\$ (7,629,314)	0

(Continued)

Exhibit B

Lake County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component	
				Primary Governmental Activities	Lake County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 876,886	\$ 820,929
Property Taxes Levied for Debt Service				72,864	0
Local Option Sales Taxes				349,530	288,674
Hotel/Motel Tax				26,614	0
Wheel Tax				235,070	40,227
Litigation Tax				32,940	0
Business Tax				34,654	4,073
Other Local Taxes				15,552	791
Grants and Contributions Not Restricted to Specific Programs				49,281	5,698,004
Unrestricted Investment Income				54,591	0
Miscellaneous				29,941	41,244
Total General Revenues				\$ 1,777,923	\$ 6,893,942
Change in Net Position				\$ 295,612	\$ (735,372)
Net Position, July 1, 2013				(814,496)	7,410,886
Net Position, June 30, 2014				\$ (518,884)	\$ 6,675,514

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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0 \$	0 \$	0 \$	0 \$	566 \$	566
Cash	739,058	754,671	1,054,840	47,153		2,595,722
Equity in Pooled Cash and Investments	824,030	32	0	384		824,446
Accounts Receivable	(399,731)	0	0	0		(399,731)
Allowance for Uncollectibles	163,912	212,426	60,000	0		436,338
Due from Other Governments	12,272	0	0	0		12,272
Due from Other Funds	885,788	26,853	77,906	26,853		1,017,400
Property Taxes Receivable	(15,476)	(469)	(1,361)	(469)		(17,775)
Allowance for Uncollectible Property Taxes	27,810	0	0	0		27,810
Cash Shortage						
Total Assets	2,237,663 \$	993,513 \$	1,191,385 \$	74,487 \$		4,497,048

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Allowance for Uncollectibles
 Due from Other Governments
 Due from Other Funds
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Cash Shortage

Total Assets

LIABILITIES

Payroll Deductions Payable
 Due to Other Funds
 Due to State of Tennessee
 Other Current Liabilities
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

\$	704 \$	0 \$	0 \$	0 \$	0 \$	704
	0	0	0	12,272		12,272
	7,512	8	0	0		7,520
	70	0	0	0		70
\$	8,286 \$	8 \$	0 \$	12,272 \$		20,566
\$	842,533 \$	25,542 \$	74,102 \$	25,542 \$		967,719
	27,779	842	2,443	842		31,906
	439,287	100,471	30,000	0		569,758
\$	1,309,599 \$	126,855 \$	106,545 \$	26,384 \$		1,569,383

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0 \$	0 \$	0 \$	0 \$	6,279 \$	6,279
	2,722	0	0	9,728		12,450
	0	866,650	0	0	0	866,650
	0	0	574,403	0	0	574,403
	0	0	0	19,824		19,824
	0	0	510,437	0	0	510,437
	917,056	0	0	0	0	917,056
\$	919,778 \$	866,650 \$	1,084,840 \$	35,831 \$		2,907,099
\$	2,237,663 \$	993,513 \$	1,191,385 \$	74,487 \$		4,497,048

FUND BALANCES

Restricted:
 Restricted for Administration of Justice
 Restricted for Public Safety
 Restricted for Highways/Public Works
 Restricted for Debt Service
 Committed:
 Committed for Public Health and Welfare
 Committed for Debt Service
 Unassigned
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

Lake County, Tennessee

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

June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,907,099
(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		1,398,884	
Add: infrastructure net of accumulated depreciation		2,649,190	
Add: other capital assets net of accumulated depreciation		<u>775,988</u>	7,188,731
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(141,000)	
Less: bonds payable		(11,010,000)	
Add: deferred amount on refunding		213,320	
Less: compensated absences payable		(197,170)	
Less: accrued interest on note and bonds		(34,295)	
Less: other deferred revenue - premium on debt		<u>(47,233)</u>	(11,216,378)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>601,664</u>
Net position of governmental activities (Exhibit A)		\$	<u>(518,884)</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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 1,137,715	\$ 25,168	\$ 454,130	\$ 35,871	\$ 1,652,884	
Licenses and Permits	9,525	0	0	0	9,525	
Fines, Forfeitures, and Penalties	45,491	0	0	8,078	53,569	
Charges for Current Services	854,580	0	0	0	854,580	
Other Local Revenues	111,755	2,565	48,429	1,500	164,249	
Fees Received from County Officials	238,943	0	0	0	238,943	
State of Tennessee	614,531	1,224,327	0	0	1,838,858	
Federal Government	33,306	0	0	0	33,306	
Other Governments and Citizens Groups	131,073	28	125,000	35,219	291,320	
Total Revenues	\$ 3,176,919	\$ 1,252,088	\$ 627,559	\$ 80,668	\$ 5,137,234	
<u>Expenditures</u>						
Current:						
General Government	\$ 393,112	\$ 0	\$ 0	\$ 0	\$ 393,112	
Finance	325,041	0	0	0	325,041	
Administration of Justice	410,820	0	0	29	410,849	
Public Safety	1,209,408	0	0	6,761	1,216,169	
Public Health and Welfare	619,858	0	0	66,454	686,312	
Social, Cultural, and Recreational Services	129,104	0	0	0	129,104	
Agriculture and Natural Resources	31,167	0	0	0	31,167	
Other Operations	99,280	0	0	0	99,280	
Highways	0	1,166,982	0	0	1,166,982	

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Expenditures (Cont.)</u>						
Debt Service:						
Principal on Debt	\$ 0	\$ 45,000	\$ 360,625	\$ 0	\$ 0	\$ 405,625
Interest on Debt	0	3,205	406,359	0	0	409,564
Other Debt Service	0	0	8,000	0	0	8,000
Total Expenditures	\$ 3,217,790	\$ 1,215,187	\$ 774,984	\$ 73,244	\$ 0	\$ 5,281,205
Excess (Deficiency) of Revenues Over Expenditures	\$ (40,871)	\$ 36,901	\$ (147,425)	\$ 7,424	\$ 0	\$ (143,971)
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 8,083	\$ 3,364	\$ 0	\$ 0	\$ 0	\$ 11,447
Transfers In	0	0	0	2,000	0	2,000
Transfers Out	(2,000)	0	0	0	0	(2,000)
Total Other Financing Sources (Uses)	\$ 6,083	\$ 3,364	\$ 0	\$ 2,000	\$ 0	\$ 11,447
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ (34,788)	\$ 40,265	\$ (147,425)	\$ 9,424	\$ 0	\$ (132,524)
Fund Balance, July 1, 2013	954,566	826,385	1,232,265	26,407	0	3,039,623
Fund Balance, June 30, 2014	\$ 919,778	\$ 866,650	\$ 1,084,840	\$ 35,831	\$ 0	\$ 2,907,099

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, 2014

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)		\$ (132,524)	
(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	\$ 19,419		
Less: current-year depreciation expense	<u>(412,012)</u>	(392,593)	
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.			
Add: assets donated and capitalized	\$ 513,700		
Less: book value of capital assets disposed	<u>(40,201)</u>	473,499	
(3) 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, 2014	\$ 601,664		
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(622,410)</u>	(20,746)	
(4) 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 position. Also, governmental funds report the effect of 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:			
Add: principal payment on note	\$ 45,000		
Add: principal payments on bonds	335,000		
Less: change in deferred amount on refunding debt	(16,069)		
Add: change in premium on debt issuance	<u>2,136</u>	366,067	
(5) 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	\$ 822		
Change in accrued interest payable	<u>1,087</u>	<u>1,909</u>	
Change in net position of governmental activities (Exhibit B)			<u>\$ 295,612</u>

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

Exhibit C-5

Lake County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,137,715	\$ 1,112,330	\$ 1,112,330	\$ 25,385
Licenses and Permits	9,525	9,600	9,600	(75)
Fines, Forfeitures, and Penalties	45,491	45,615	45,615	(124)
Charges for Current Services	854,580	758,370	758,370	96,210
Other Local Revenues	111,755	100,300	100,300	11,455
Fees Received from County Officials	238,943	239,600	239,600	(657)
State of Tennessee	614,531	624,800	624,800	(10,269)
Federal Government	33,306	184,535	184,535	(151,229)
Other Governments and Citizens Groups	131,073	90,000	90,000	41,073
Total Revenues	\$ 3,176,919	\$ 3,165,150	\$ 3,165,150	\$ 11,769
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 26,831	\$ 30,930	\$ 33,280	\$ 6,449
County Mayor/Executive	149,364	126,538	127,663	(21,701)
County Attorney	8,985	10,400	10,400	1,415
Election Commission	80,104	80,323	80,323	219
Register of Deeds	78,580	79,189	79,189	609
Development	10,101	11,000	11,000	899
County Buildings	39,147	47,900	47,900	8,753
<u>Finance</u>				
Property Assessor's Office	114,538	113,926	114,554	16
Reappraisal Program	413	750	750	337
County Trustee's Office	99,891	102,800	102,800	2,909
County Clerk's Office	110,199	111,206	111,206	1,007
<u>Administration of Justice</u>				
Circuit Court	169,766	172,212	172,212	2,446
General Sessions Court	109,562	109,976	109,976	414
Chancery Court	83,728	83,402	83,775	47
Juvenile Court	44,550	47,486	47,486	2,936
Other Administration of Justice	2,890	2,900	2,900	10
Courtroom Security	324	1,850	1,850	1,526
<u>Public Safety</u>				
Sheriff's Department	551,366	509,863	534,156	(17,210)
Jail	637,108	511,945	637,782	674
Civil Defense	20,934	20,000	21,161	227
<u>Public Health and Welfare</u>				
Local Health Center	52,380	73,427	73,427	21,047
Ambulance/Emergency Medical Services	542,074	576,106	576,106	34,032
Alcohol and Drug Programs	291	0	0	(291)
Sanitation Management	25,113	33,700	33,700	8,587
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	91,815	94,814	94,814	2,999
Libraries	23,750	19,000	23,750	0
Other Social, Cultural, and Recreational	13,539	10,000	13,539	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	31,167	25,454	31,068	(99)

(Continued)

Exhibit C-5

Lake County, Tennessee
Statement 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>Other Operations</u>				
Tourism	\$ 33,027	\$ 24,000	\$ 33,028	\$ 1
Other Economic and Community Development	18,387	154,000	151,650	133,263
Other Charges	30,690	28,000	29,232	(1,458)
Contributions to Other Agencies	17,176	5,300	17,173	(3)
Total Expenditures	<u>\$ 3,217,790</u>	<u>\$ 3,218,397</u>	<u>\$ 3,407,850</u>	<u>\$ 190,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,871)</u>	<u>\$ (53,247)</u>	<u>\$ (242,700)</u>	<u>\$ 201,829</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,083	\$ 0	\$ 0	\$ 8,083
Transfers Out	(2,000)	0	0	(2,000)
Total Other Financing Sources	<u>\$ 6,083</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,083</u>
Net Change in Fund Balance	<u>\$ (34,788)</u>	<u>\$ (53,247)</u>	<u>\$ (242,700)</u>	<u>\$ 207,912</u>
Fund Balance, July 1, 2013	<u>954,566</u>	<u>1,028,082</u>	<u>1,028,082</u>	<u>(73,516)</u>
Fund Balance, June 30, 2014	<u>\$ 919,778</u>	<u>\$ 974,835</u>	<u>\$ 785,382</u>	<u>\$ 134,396</u>

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

Exhibit C-6

Lake County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 25,168	\$ 29,527	\$ 29,527	\$ (4,359)
Other Local Revenues	2,565	29,000	29,000	(26,435)
State of Tennessee	1,224,327	1,995,102	1,995,102	(770,775)
Federal Government	0	60,000	60,000	(60,000)
Other Governments and Citizens Groups	28	15,000	15,000	(14,972)
Total Revenues	<u>\$ 1,252,088</u>	<u>\$ 2,128,629</u>	<u>\$ 2,128,629</u>	<u>\$ (876,541)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 200,567	\$ 207,395	\$ 220,572	\$ 20,005
Highway and Bridge Maintenance	318,002	1,163,000	1,186,530	868,528
Operation and Maintenance of Equipment	282,509	378,000	396,824	114,315
Other Charges	110,039	133,300	133,300	23,261
Employee Benefits	237,315	377,000	321,469	84,154
Capital Outlay	18,550	188,000	188,000	169,450
<u>Principal on Debt</u>				
Highways and Streets	45,000	45,000	45,000	0
<u>Interest on Debt</u>				
Highways and Streets	3,205	3,205	3,205	0
Total Expenditures	<u>\$ 1,215,187</u>	<u>\$ 2,494,900</u>	<u>\$ 2,494,900</u>	<u>\$ 1,279,713</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 36,901</u>	<u>\$ (366,271)</u>	<u>\$ (366,271)</u>	<u>\$ 403,172</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 3,364	\$ 0	\$ 0	\$ 3,364
Total Other Financing Sources	<u>\$ 3,364</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,364</u>
Net Change in Fund Balance	\$ 40,265	\$ (366,271)	\$ (366,271)	\$ 406,536
Fund Balance, July 1, 2013	<u>826,385</u>	<u>366,271</u>	<u>366,271</u>	<u>460,114</u>
Fund Balance, June 30, 2014	<u>\$ 866,650</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 866,650</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 305,670
Equity in Pooled Cash and Investments	62,468
Due from Other Governments	<u>32,439</u>
Total Assets	<u>\$ 400,577</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 82,517
Due to Litigants, Heirs, and Others	<u>318,060</u>
Total Liabilities	<u>\$ 400,577</u>

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

LAKE COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	31
B. Government-wide and Fund Financial Statements	32
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	33
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	35
2. Receivables and Payables	36
3. Capital Assets	36
4. Deferred Outflows/Inflows of Resources	37
5. Compensated Absences	38
6. Long-term Obligations	38
7. Net Position and Fund Balance	39
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 Position	41
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	41
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	41
B. Cash Shortage - Prior Years	42
C. Expenditures Exceeded Appropriations	42
D. Special Revenue Fund Was Not Budgeted	43
IV. Detailed Notes on All Funds	
A. Deposits and Investments	43
B. Capital Assets	45
C. Interfund Receivables, Payables, and Transfers	47
D. Long-term Obligations	48
E. On-Behalf Payments	51
V. Other Information	
A. Risk Management	51
B. Accounting Changes	52
C. Subsequent Events	53
D. Contingent Liabilities	53
E. Change in Administration	53
F. Joint Ventures	53
G. Retirement Commitments	54
H. Other Postemployment Benefits (OPEB)	57
I. Purchasing Laws	60

LAKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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, 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 financial statements of the Lake County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion this omission is not material to the component units' opinion unit.

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. Although required by GAAP, the financial statements of the Lake

County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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 Position 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, 2014.

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 funds 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 funds 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 fund 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.

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, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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 position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No

investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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 .9 percent of total taxes levied.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental

funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. 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.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt

using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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 and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2014, Lake County had \$5,836,000 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 position 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 by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes 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 Position

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 Position.

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 Position.

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 position 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 position 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 and the Law Library Fund (special revenue fund), which the

County Commission failed to budget. 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 Years

The audit of Lake County for the 2009-10 year reported irregularities in the Lake County Mayor's Office. Our investigation revealed that from October 18, 2005, through July 26, 2010, the county mayor's bookkeeper issued 191 vendor checks totaling \$202,344.63 from the county's General Fund for personal use. The bookkeeper pled guilty and was ordered to pay \$53,344.63 in restitution. The county's insurance company paid the county \$149,000, Regions Bank paid the county \$17,500 to settle a civil lawsuit, and the bookkeeper has paid \$8,035 restitution to date leaving an outstanding balance of \$27,809.63 due the county at June 30, 2014. Another \$615 was paid in July 2014.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by \$339. Also, expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
Primary Government:	
General Fund:	
County Mayor/Executive	\$ 21,701
Sheriff's Department	17,210
Alcohol and Drug Programs	291
Agriculture Extension Service	99
Other Charges	1,458
Transfers Out	2,000
School Department:	
General Purpose School Fund:	
Instruction - Regular Instruction Program	46,425
Instruction - Vocational Education Program	650
Support Services - Health Services	1,572
Support Services - Regular Instruction Program	6,966
Support Services - Board of Education	5,455
Support Services - Maintenance of Plant	2,054
Operation of Non-instructional Services - Early Childhood Education	31,173

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

D. Special Revenue Fund Was Not Budgeted

The Law Library Fund is a special revenue fund, which is used to account for operations of the law library. An annual budget was not adopted for this fund, which is a violation of state statutes. This was due to an oversight by management.

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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents 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 and nonpooled investments as of June 30, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance		Balance	
	7-1-13	Increases	Decreases	6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
Construction in Progress	230,794	0	(230,794)	0
Total Capital Assets				
Not Depreciated	<u>\$ 2,595,463</u>	<u>\$ 0</u>	<u>\$ (230,794)</u>	<u>\$ 2,364,669</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,773,682	\$ 0	\$ (54,435)	\$ 3,719,247
Infrastructure	2,832,986	513,700	0	3,346,686
Other Capital Assets	<u>3,788,453</u>	<u>250,213</u>	<u>(24,690)</u>	<u>4,013,976</u>
Total Capital Assets				
Depreciated	<u>\$ 10,395,121</u>	<u>\$ 763,913</u>	<u>\$ (79,125)</u>	<u>\$ 11,079,909</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,202,205	\$ 139,388	\$ (21,230)	\$ 2,320,363
Infrastructure	558,174	139,322	0	697,496
Other Capital Assets	<u>3,122,380</u>	<u>133,302</u>	<u>(17,694)</u>	<u>3,237,988</u>
Total Accumulated				
Depreciation	<u>\$ 5,882,759</u>	<u>\$ 412,012</u>	<u>\$ (38,924)</u>	<u>\$ 6,255,847</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 4,512,362</u>	<u>\$ 351,901</u>	<u>\$ (40,201)</u>	<u>\$ 4,824,062</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,107,825</u>	<u>\$ 351,901</u>	<u>\$ (270,995)</u>	<u>\$ 7,188,731</u>

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		86,997
Public Health and Welfare		71,595
Agriculture and Natural Resources		3,013
Highway/Public Works		<u>217,492</u>
Total Depreciation Expense - Governmental Activities	\$	<u>412,012</u>

Discretely Presented Lake County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets			
Not Depreciated:			
Land	\$ 67,365	\$ 0	\$ 67,365
Total Capital Assets Not Depreciated	<u>\$ 67,365</u>	<u>\$ 0</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 10,185,645	\$ 0	\$ 10,185,645
Other Capital Assets	1,452,863	12,335	1,465,198
Total Capital Assets Depreciated	<u>\$ 11,638,508</u>	<u>\$ 12,335</u>	<u>\$ 11,650,843</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 4,786,853	\$ 308,026	\$ 5,094,879
Other Capital Assets	1,030,712	76,434	1,107,146
Total Accumulated Depreciation	<u>\$ 5,817,565</u>	<u>\$ 384,460</u>	<u>\$ 6,202,025</u>
Total Capital Assets Depreciated, Net	<u>\$ 5,820,943</u>	<u>\$ (372,125)</u>	<u>\$ 5,448,818</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,888,308</u>	<u>\$ (372,125)</u>	<u>\$ 5,516,183</u>

There were no decreases in capital assets to report during the year ended June 30, 2014. Depreciation expense was charged to functions of the discretely presented Lake County School Department as follows:

Governmental Activities:

Instruction	\$ 273,364
Support Services	106,390
Operation of Non-instructional Services	<u>4,706</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 384,460</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 12,272

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.

The receivable of \$3,866 in the discretely presented School Department's General Purpose School Fund was in transit from the School Federal Projects Fund at June 30, 2014.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund
General Fund	\$ 2,000

Discretely Presented Lake County School Department

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	\$ 3,866

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 Obligations

Primary Government

General Obligation Bonds and Notes

Lake County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 the capital outlay note outstanding were issued for original terms of up to 29 years for bonds and five years for the note. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and the note included in long-term debt as of June 30, 2014, will be retired from the Highway/Public Works and General Debt Service funds.

General obligation bonds and the capital outlay note outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	2 to 5.5 %	6-1-36	\$ 3,915,000	\$ 3,715,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	7,630,000	7,295,000
Capital Outlay Note	1.96	8-1-16	230,000	141,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2020-2024	2,310,000	1,584,131	3,894,131
2025-2029	2,725,000	1,156,062	3,881,062
2030-2034	2,880,000	619,871	3,499,871
2035-2037	1,140,000	81,145	1,221,145
Total	\$ 11,010,000	\$ 5,332,730	\$ 16,342,730

Year Ending June 30	Note		
	Principal	Interest	Total
2015	\$ 46,000	\$ 2,313	\$ 48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	\$ 141,000	\$ 4,184	\$ 145,184

There is \$1,084,840 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the note totaled \$1,424, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Note</u>
Balance, July 1, 2013	\$ 11,345,000	\$ 186,000
Reductions	<u>(335,000)</u>	<u>(45,000)</u>
Balance, June 30, 2014	<u>\$ 11,010,000</u>	<u>\$ 141,000</u>
Balance Due Within One Year	<u>\$ 360,000</u>	<u>\$ 46,000</u>

	<u>Compensated Absences</u>
Balance, July 1, 2013	\$ 197,992
Additions	77,335
Reductions	<u>(78,157)</u>
Balance, June 30, 2014	<u>\$ 197,170</u>
Balance Due Within One Year	<u>\$ 9,859</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 11,348,170
Less: Due Within One Year	(415,859)
Add: Unamortized Premium on Debt	<u>47,233</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,979,544</u>

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

Discretely Presented Lake County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Lake County School Department for the year ended June 30, 2014, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 27,036	\$ 759,342
Additions	25,720	157,783
Reductions	(31,377)	(67,671)
Balance, June 30, 2014	<u>\$ 21,379</u>	<u>\$ 849,454</u>
Balance Due Within One Year	<u>\$ 1,069</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 870,833
Less: Due Within One Year	<u>(1,069)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 869,764</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lake County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$14,282 and \$9,866, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Lake County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties.

The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims in excess of \$100,000 for each insured event.

Lake County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool, established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Lake County does not provide health insurance coverage for the general government employees.

Discretely Presented Lake County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67, replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50

remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70, relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On August 31, 2014, Macie Roberson left the Office of County Mayor and was succeeded by Denny Johnson.

On September 1, 2014, Lake County decreased the number of county commissioner districts. This resulted in the Lake County Commission becoming a nine-member board instead of a 12-member board.

D. Contingent Liabilities

The attorneys for the county and School Department advised that there were no pending lawsuits, unasserted claims, or assessments that would materially affect the county or School Department's financial statements.

As described in Note V.F., below, Lake County is a participant with Obion and Dyer counties in a joint venture known as the Northwest Tennessee Regional Port Authority. The port authority borrowed \$410,000 in April 2007. The county commissions of the participating counties have approved making payments on the debt issuance (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.

E. Change in Administration

On January 30, 2014, Corwin Robinson left the Office of Director of Schools, and Sherry Darnell was appointed as director.

F. Joint Ventures

Lake County is a participant with Obion and Dyer counties in a multi-county entity known as the Northwest Tennessee Regional Port Authority. This entity was created to operate and maintain a port to be located in Lake County on the Mississippi River. A board is appointed by the participating counties with the mayors of each county serving as ex-officio members. The board comprises eight members, four of whom are appointed by the Lake County Commission, two by the Obion County Commission, and two by the Dyer County Commission. Lake County has control over budgeting and financing the joint venture only to the extent of representation by the four board members appointed. In April 2007, the port authority borrowed \$410,000 without interest for construction costs of the port with payments of \$4,271 due in 96 monthly installments that began April 2009. The Lake

County Commission had approved making payments of 50 percent of this debt issuance until such time as the port authority has revenue to make the payments, which is estimated to be at least two years. This entity has yet to begin operations. Their administrative office can be contacted at P.O. Box 267, Dyersburg, TN 38025.

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

G. Retirement Commitments

Information for this footnote for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2013.

Plan Description

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

Lake County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Lake County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 5.82 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Lake County's annual pension cost of \$162,372 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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, 2011, was 12 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
6-30-13	\$162,372	100%	\$0
6-30-12	155,749	100	0
6-30-11	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.

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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$372,977, \$376,700, and \$368,078, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Lake County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for 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 a 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, 2014, the Lake County School Department contributed \$67,671 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 157,000
Interest on the NOPEBO	30,374
Adjustment to the ARC	(29,591)
Annual OPEB cost	<hr/> \$ 157,783
Less: Amount of contribution	(67,671)
Increase/decrease in NOPEBO	<hr/> \$ 90,112
Net OPEB obligation, 7-1-13	<hr/> 759,342
	<hr/>
Net OPEB obligation, 6-30-14	<u><u>\$ 849,454</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-12	Local Education Group	\$ 193,846	25%	\$ 614,761
6-30-13	"	195,488	26	759,342
6-30-14	"	157,783	43	849,454

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,257,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,257,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,841,149
UAAL as a % of covered payroll	26%

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, 2013, 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 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 July 1, 2007.

I. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

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

Office of Director of Schools

Purchasing procedures for the discretely presented Lake County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Lake County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Lake County School Department
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Frozen 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

Information for this exhibit for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2013.

Exhibit E-2

Lake County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Lake County School Department
June 30, 2014

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (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	7-1-10	\$ 0	\$ 1,676	\$ 1,676	0 %	\$ 4,753	35 %
"	7-1-11	0	1,539	1,539	0	4,808	32
"	7-1-13	0	1,257	1,257	0	4,841	26

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Lake County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	566 \$	566
	6,279	31,146	9,728	0	47,153
	0	32	0	352	384
	0	26,853	0	0	26,853
	0	(469)	0	0	(469)
\$	6,279 \$	57,562 \$	9,728 \$	918 \$	74,487

ASSETS

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

LIABILITIES

Due to Other Funds	
Total Liabilities	

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	
Deferred Delinquent Property Taxes	
Total Deferred Inflows of Resources	

(Continued)

Exhibit F-1

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
\$	6,279 \$	0 \$	0 \$	0 \$	0 \$	6,279
	0	0	9,728		0	9,728
	0	19,824	0	0	0	19,824
\$	6,279 \$	19,824 \$	9,728 \$	0 \$	0 \$	35,831
\$	6,279 \$	57,562 \$	9,728 \$	918 \$	918 \$	74,487

FUND BALANCES

Restricted:
 Restricted for Administration of Justice
 Restricted for Public Safety
 Committed:
 Committed for Public Health and Welfare
 Total Fund Balances
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit F-2

Lake County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 2,850	\$ 33,021	\$ 0	\$ 35,871
Fines, Forfeitures, and Penalties	0	0	8,078	8,078
Other Local Revenues	0	0	1,500	1,500
Other Governments and Citizens Groups	0	35,219	0	35,219
Total Revenues	<u>\$ 2,850</u>	<u>\$ 68,240</u>	<u>\$ 9,578</u>	<u>\$ 80,668</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 29	\$ 0	\$ 0	\$ 29
Public Safety	0	0	6,761	6,761
Public Health and Welfare	0	66,454	0	66,454
Total Expenditures	<u>\$ 29</u>	<u>\$ 66,454</u>	<u>\$ 6,761</u>	<u>\$ 73,244</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,821</u>	<u>\$ 1,786</u>	<u>\$ 2,817</u>	<u>\$ 7,424</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 2,000</u>
Net Change in Fund Balances	\$ 2,821	\$ 3,786	\$ 2,817	\$ 9,424
Fund Balance, July 1, 2013	<u>3,458</u>	<u>16,038</u>	<u>6,911</u>	<u>26,407</u>
Fund Balance, June 30, 2014	<u><u>\$ 6,279</u></u>	<u><u>\$ 19,824</u></u>	<u><u>\$ 9,728</u></u>	<u><u>\$ 35,831</u></u>

Exhibit F-3

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 33,021	\$ 32,877	\$ 32,877	\$ 144
Other Local Revenues	0	1,000	1,000	(1,000)
Other Governments and Citizens Groups	35,219	37,400	37,400	(2,181)
Total Revenues	<u>\$ 68,240</u>	<u>\$ 71,277</u>	<u>\$ 71,277</u>	<u>\$ (3,037)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 49,532	\$ 49,769	\$ 49,769	\$ 237
Other Waste Disposal	16,922	22,000	22,000	5,078
Total Expenditures	<u>\$ 66,454</u>	<u>\$ 71,769</u>	<u>\$ 71,769</u>	<u>\$ 5,315</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,786</u>	<u>\$ (492)</u>	<u>\$ (492)</u>	<u>\$ 2,278</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Total Other Financing Sources	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,000</u>
Net Change in Fund Balance	\$ 3,786	\$ (492)	\$ (492)	\$ 4,278
Fund Balance, July 1, 2013	<u>16,038</u>	<u>17,193</u>	<u>17,193</u>	<u>(1,155)</u>
Fund Balance, June 30, 2014	<u>\$ 19,824</u>	<u>\$ 16,701</u>	<u>\$ 16,701</u>	<u>\$ 3,123</u>

Exhibit F-4

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 8,078	\$ 9,000	\$ 9,000	\$ (922)
Other Local Revenues	1,500	0	0	1,500
Total Revenues	<u>\$ 9,578</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 578</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 6,761	\$ 9,000	\$ 9,000	\$ 2,239
Total Expenditures	<u>\$ 6,761</u>	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 2,239</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,817</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,817</u>
Net Change in Fund Balance	\$ 2,817	\$ 0	\$ 0	\$ 2,817
Fund Balance, July 1, 2013	6,911	15,907	15,907	(8,996)
Fund Balance, June 30, 2014	<u>\$ 9,728</u>	<u>\$ 15,907</u>	<u>\$ 15,907</u>	<u>\$ (6,179)</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 454,130	\$ 448,819	\$ 448,819	\$ 5,311
Other Local Revenues	48,429	67,433	67,433	(19,004)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 627,559</u>	<u>\$ 641,252</u>	<u>\$ 641,252</u>	<u>\$ (13,693)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 136,625	\$ 111,000	\$ 136,645	\$ 20
Education	224,000	224,000	224,000	0
<u>Interest on Debt</u>				
General Government	220,934	220,935	220,935	1
Education	185,425	185,430	185,430	5
<u>Other Debt Service</u>				
General Government	8,000	5,600	5,720	(2,280)
Education	0	2,035	1,915	1,915
Total Expenditures	<u>\$ 774,984</u>	<u>\$ 749,000</u>	<u>\$ 774,645</u>	<u>\$ (339)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (147,425)</u>	<u>\$ (107,748)</u>	<u>\$ (133,393)</u>	<u>\$ (14,032)</u>
Net Change in Fund Balance	\$ (147,425)	\$ (107,748)	\$ (133,393)	\$ (14,032)
Fund Balance, July 1, 2013	1,232,265	1,526,254	1,526,254	(293,989)
Fund Balance, June 30, 2014	<u>\$ 1,084,840</u>	<u>\$ 1,418,506</u>	<u>\$ 1,392,861</u>	<u>\$ (308,021)</u>

Fiduciary Funds

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

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, general sessions, and juvenile courts clerk; clerk and master; register of deeds; 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, 2014

	Agency Funds					Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	
Cash	\$ 0	\$ 0	\$ 0	\$ 305,670	\$ 0	\$ 305,670
Equity in Pooled Cash and Investments	0	50,078	10,989	0	1,401	62,468
Due from Other Governments	32,439	0	0	0	0	32,439
Total Assets	\$ 32,439	\$ 50,078	\$ 10,989	\$ 305,670	\$ 1,401	\$ 400,577
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 32,439	\$ 50,078	\$ 0	\$ 0	\$ 0	\$ 82,517
Due to Litigants, Heirs, and Others	0	0	10,989	305,670	1,401	318,060
Total Liabilities	\$ 32,439	\$ 50,078	\$ 10,989	\$ 305,670	\$ 1,401	\$ 400,577

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 174,399	\$ 174,399	\$ 0
Due from Other Governments	32,000	32,439	32,000	32,439
Total Assets	\$ 32,000	\$ 206,838	\$ 206,399	\$ 32,439
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 32,000	\$ 206,838	\$ 206,399	\$ 32,439
Total Liabilities	\$ 32,000	\$ 206,838	\$ 206,399	\$ 32,439
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 28,413	\$ 26,733	\$ 5,068	\$ 50,078
Total Assets	\$ 28,413	\$ 26,733	\$ 5,068	\$ 50,078
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 28,413	\$ 26,733	\$ 5,068	\$ 50,078
Total Liabilities	\$ 28,413	\$ 26,733	\$ 5,068	\$ 50,078
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 107,320	\$ 93,606	\$ 189,937	\$ 10,989
Total Assets	\$ 107,320	\$ 93,606	\$ 189,937	\$ 10,989
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 107,320	\$ 93,606	\$ 189,937	\$ 10,989
Total Liabilities	\$ 107,320	\$ 93,606	\$ 189,937	\$ 10,989

(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	\$ 289,035	\$ 1,049,195	\$ 1,032,560	\$ 305,670
Total Assets	\$ 289,035	\$ 1,049,195	\$ 1,032,560	\$ 305,670
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 289,035	\$ 1,049,195	\$ 1,032,560	\$ 305,670
Total Liabilities	\$ 289,035	\$ 1,049,195	\$ 1,032,560	\$ 305,670
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Assets	\$ 1,401	\$ 0	\$ 0	\$ 1,401
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Liabilities	\$ 1,401	\$ 0	\$ 0	\$ 1,401
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 289,035	\$ 1,049,195	\$ 1,032,560	\$ 305,670
Equity in Pooled Cash and Investments	137,134	294,738	369,404	62,468
Due from Other Governments	32,000	32,439	32,000	32,439
Total Assets	\$ 458,169	\$ 1,376,372	\$ 1,433,964	\$ 400,577
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,413	\$ 233,571	\$ 211,467	\$ 82,517
Due to Litigants, Heirs, and Others	397,756	1,142,801	1,222,497	318,060
Total Liabilities	\$ 458,169	\$ 1,376,372	\$ 1,433,964	\$ 400,577

Lake County School Department

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

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

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

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

Exhibit I-1

Lake County, Tennessee
Statement of Activities
Discretely Presented Lake County School Department
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,698,378	\$ 0	\$ 587,968	\$ (5,110,410)
Support Services	2,819,140	0	334,761	(2,484,379)
Operation of Non-instructional Services	855,182	60,862	759,795	(34,525)
Total Governmental Activities	\$ 9,372,700	\$ 60,862	\$ 1,682,524	\$ (7,629,314)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 820,929
Local Option Sales Taxes				288,674
Wheel Tax				40,227
Business Tax				4,073
Other Local Taxes				791
Grants and Contributions Not Restricted for Specific Programs				5,698,004
Miscellaneous				41,244
Total General Revenues				\$ 6,893,942
Change in Net Position				\$ (735,372)
Net Position, July 1, 2013				7,410,886
Net Position, June 30, 2014				<u>\$ 6,675,514</u>

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2014

	<u>Major Funds</u>		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,876,290	\$ 17,175	\$ 1,893,465
Accounts Receivable	25,841	56	25,897
Due from Other Governments	183,152	4,787	187,939
Due from Other Funds	3,866	0	3,866
Property Taxes Receivable	878,091	0	878,091
Allowance for Uncollectible Property Taxes	(15,342)	0	(15,342)
Total Assets	<u>\$ 2,951,898</u>	<u>\$ 22,018</u>	<u>\$ 2,973,916</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 96,269	\$ 0	\$ 96,269
Payroll Deductions Payable	12,271	0	12,271
Total Liabilities	<u>\$ 108,540</u>	<u>\$ 0</u>	<u>\$ 108,540</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 835,212	\$ 0	\$ 835,212
Deferred Delinquent Property Taxes	27,537	0	27,537
Other Deferred/Unavailable Revenue	24,000	0	24,000
Total Deferred Inflows of Resources	<u>\$ 886,749</u>	<u>\$ 0</u>	<u>\$ 886,749</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 22,018	\$ 22,018
Unassigned	1,956,609	0	1,956,609
Total Fund Balances	<u>\$ 1,956,609</u>	<u>\$ 22,018</u>	<u>\$ 1,978,627</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,951,898</u>	<u>\$ 22,018</u>	<u>\$ 2,973,916</u>

Exhibit I-3

Lake County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Lake County School Department
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	1,978,627
(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		5,090,766	
Add: other capital assets net of accumulated depreciation		<u>358,052</u>	5,516,183
(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	\$	(21,379)	
Less: other postemployment benefits liability		<u>(849,454)</u>	(870,833)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>51,537</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>6,675,514</u></u>

Exhibit I-4

Lake County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Lake County School Department
For the Year Ended June 30, 2014

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,161,882	\$ 0	\$ 1,161,882
Licenses and Permits	368	0	368
Charges for Current Services	60,862	0	60,862
Other Local Revenues	106,744	0	106,744
State of Tennessee	5,953,822	0	5,953,822
Federal Government	433,805	911,861	1,345,666
Other Governments and Citizens Groups	15,172	0	15,172
Total Revenues	<u>\$ 7,732,655</u>	<u>\$ 911,861</u>	<u>\$ 8,644,516</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,409,585	\$ 767,599	\$ 5,177,184
Support Services	2,575,149	153,885	2,729,034
Operation of Non-instructional Services	852,184	0	852,184
Capital Outlay	33,918	0	33,918
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,995,836</u>	<u>\$ 921,484</u>	<u>\$ 8,917,320</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (263,181)</u>	<u>\$ (9,623)</u>	<u>\$ (272,804)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 1,200	\$ 0	\$ 1,200
Transfers In	3,866	0	3,866
Transfers Out	0	(3,866)	(3,866)
Total Other Financing Sources (Uses)	<u>\$ 5,066</u>	<u>\$ (3,866)</u>	<u>\$ 1,200</u>
Net Change in Fund Balances	\$ (258,115)	\$ (13,489)	\$ (271,604)
Fund Balance, July 1, 2013	<u>2,214,724</u>	<u>35,507</u>	<u>2,250,231</u>
Fund Balance, June 30, 2014	<u>\$ 1,956,609</u>	<u>\$ 22,018</u>	<u>\$ 1,978,627</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, 2014

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)		\$ (271,604)
(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	\$ 12,335	
Less: current-year depreciation expense	<u>(384,460)</u>	(372,125)
(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, 2014	\$ 51,537	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(58,725)</u>	(7,188)
(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	\$ 5,657	
Change in other postemployment benefits liability	<u>(90,112)</u>	<u>(84,455)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (735,372)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,161,882	\$ 1,145,100	\$ 1,153,485	\$ 8,397
Licenses and Permits	368	400	400	(32)
Charges for Current Services	60,862	75,000	75,000	(14,138)
Other Local Revenues	106,744	70,000	96,642	10,102
State of Tennessee	5,953,822	5,905,846	5,949,110	4,712
Federal Government	433,805	426,706	467,280	(33,475)
Other Governments and Citizens Groups	15,172	0	0	15,172
Total Revenues	\$ 7,732,655	\$ 7,623,052	\$ 7,741,917	\$ (9,262)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,689,218	\$ 3,606,121	\$ 3,642,793	\$ (46,425)
Special Education Program	439,900	483,752	483,752	43,852
Vocational Education Program	280,467	248,619	279,817	(650)
<u>Support Services</u>				
Attendance	44,366	44,609	44,610	244
Health Services	68,153	66,357	66,581	(1,572)
Other Student Support	204,625	207,896	207,897	3,272
Regular Instruction Program	284,442	269,427	277,476	(6,966)
Special Education Program	101,565	103,607	103,607	2,042
Other Programs	24,148	0	24,148	0
Board of Education	160,847	138,963	155,392	(5,455)
Director of Schools	175,810	175,027	176,112	302
Office of the Principal	419,640	509,069	509,069	89,429
Fiscal Services	72,070	74,050	74,050	1,980
Operation of Plant	659,670	656,745	674,892	15,222
Maintenance of Plant	128,829	126,775	126,775	(2,054)
Transportation	230,984	171,391	238,578	7,594
<u>Operation of Non-instructional Services</u>				
Food Service	495,644	498,853	535,572	39,928
Early Childhood Education	356,540	324,383	325,367	(31,173)
<u>Capital Outlay</u>				
Regular Capital Outlay	33,918	175,000	50,000	16,082
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,995,836	\$ 7,880,644	\$ 8,121,488	\$ 125,652
Excess (Deficiency) of Revenues Over Expenditures	\$ (263,181)	\$ (257,592)	\$ (379,571)	\$ 116,390
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,200	\$ 0	\$ 1,200	\$ 0
Transfers In	3,866	8,750	8,750	(4,884)
Total Other Financing Sources	\$ 5,066	\$ 8,750	\$ 9,950	\$ (4,884)
Net Change in Fund Balance	\$ (258,115)	\$ (248,842)	\$ (369,621)	\$ 111,506
Fund Balance, July 1, 2013	2,214,724	2,337,348	2,337,348	(122,624)
Fund Balance, June 30, 2014	\$ 1,956,609	\$ 2,088,506	\$ 1,967,727	\$ (11,118)

Exhibit I-7

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Lake County School Department
School Federal Projects Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 911,861	\$ 960,374	\$ 961,055	\$ (49,194)
Total Revenues	<u>\$ 911,861</u>	<u>\$ 960,374</u>	<u>\$ 961,055</u>	<u>\$ (49,194)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 521,068	\$ 534,744	\$ 534,030	\$ 12,962
Special Education Program	233,986	268,101	253,555	19,569
Vocational Education Program	12,545	9,778	12,545	0
<u>Support Services</u>				
Other Student Support	5,438	8,500	5,826	388
Regular Instruction Program	84,050	84,035	84,913	863
Special Education Program	63,580	50,368	65,430	1,850
Vocational Education Program	817	909	817	0
Total Expenditures	<u>\$ 921,484</u>	<u>\$ 956,435</u>	<u>\$ 957,116</u>	<u>\$ 35,632</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,623)</u>	<u>\$ 3,939</u>	<u>\$ 3,939</u>	<u>\$ (13,562)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (3,866)	\$ (3,939)	\$ (3,939)	\$ 73
Total Other Financing Sources	<u>\$ (3,866)</u>	<u>\$ (3,939)</u>	<u>\$ (3,939)</u>	<u>\$ 73</u>
Net Change in Fund Balance	\$ (13,489)	\$ 0	\$ 0	\$ (13,489)
Fund Balance, July 1, 2013	<u>35,507</u>	<u>0</u>	<u>0</u>	<u>35,507</u>
Fund Balance, June 30, 2014	<u>\$ 22,018</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,018</u>

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2014

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 336,845
<u>NET POSITION</u>	
Held in Trust for College Scholarships for Lake County Students	\$ 336,845

Exhibit I-9

Lake County, Tennessee
Statement of Changes in Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
For the Year Ended June 30, 2014

	<u>Other Trust Fund Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 3,505
Total Additions	<u>\$ 3,505</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 2,813
Total Deductions	<u>\$ 2,813</u>
Change in Net Position	\$ 692
Net Position, July 1, 2013	<u>336,153</u>
Net Position, June 30, 2014	<u><u>\$ 336,845</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
Schedule of Changes in Long-term Note and Bonds
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Paid and/or Matured During Period	Outstanding 6-30-14
<u>NOTE PAYABLE</u>							
Payable through Highway/Public Works Fund Highway Department Equipment	\$ 230,000	1.96 %	8-31-11	8-1-16	\$ 186,000	\$ 45,000	\$ 141,000
Total Note Payable					<u>\$ 186,000</u>	<u>\$ 45,000</u>	<u>\$ 141,000</u>
<u>BONDS PAYABLE</u>							
Payable through General Debt Service Fund							
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	\$ 2,605,000	\$ 55,000	\$ 2,550,000
General Obligation Bonds, Series 2012	1,165,000	2 to 3.125	1-25-12	6-1-30	1,165,000	0	1,165,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4	4-12-12	6-1-37	7,575,000	280,000	7,295,000
Total Bonds Payable					<u>\$ 11,345,000</u>	<u>\$ 335,000</u>	<u>\$ 11,010,000</u>

Exhibit J-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2015	\$ 46,000	\$ 2,313	\$ 48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	\$ 141,000	\$ 4,184	\$ 145,184

Year Ending June 30	Bonds		Total
	Principal	Interest	
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	\$ 11,010,000	\$ 5,332,730	\$ 16,342,730

Exhibit J-3

Lake County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 2,000
Total Transfers Primary Government			<u>\$ 2,000</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 3,866
Total Transfers Discretely Presented Lake County School Department			<u>\$ 3,866</u>

Exhibit J-4

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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 66,492 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, TCA	67,051	100,000	"
Director of Schools:				
Corwin Robinson (7-1-13 through 1-30-14)	State Board of Education and Lake County Board of Education	69,098 (2)	50,000	"
Sherry Darnell (1-31-14 through 6-30-14)	State Board of Education and Lake County Board of Education	38,642 (3)	50,000	"
Trustee	Section 8-24-102, TCA	56,132	359,302	"
Assessor of Property	Section 8-24-102, TCA	56,132	50,000	"
County Clerk	Section 8-24-102, TCA	56,134	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	56,134	25,000	"
Clerk and Master	Section 8-24-102, TCA	56,132	5,000	RLI Insurance Company
Register of Deeds	Section 8-24-102, TCA	61,745 (4)	15,000	Traveler's Casualty and Surety Company of America
Sheriff	Section 8-24-102, TCA		25,000	"
<u>Blanket Bond:</u>				
County and Highway Employees			150,000	Local Government Property and Casualty Fund
Director of Schools			150,000	Tennessee Risk Management Trust

- (1) Includes \$1,650 for serving as chairman of the County Commission.
- (2) Includes a chief executive officer training supplement of \$1,000 and accrued leave payments of \$7,394.
Does not include a \$3,180 vehicle allowance or \$8,663 in health, vision, and dental insurance premiums.
- (3) Does not include a \$2,000 vehicle allowance or \$2,804 in health, vision, and dental insurance premiums.
- (4) Does not include a law enforcement training supplement of \$600.

Lake County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 791,446	\$ 0	\$ 20,244	\$ 0	\$ 23,991
Trustee's Collections - Prior Year	28,198	0	885	0	885
Circuit/Clerk & Master Collections - Prior Years	4,083	0	138	0	138
Interest and Penalty	5,045	0	154	0	154
Payments in-Lieu-of Taxes - Local Utilities	0	0	3,747	0	0
Payments in-Lieu-of Taxes - Other	4,372	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	49,856	0	0	0	0
Hotel/Motel Tax	26,614	0	0	0	0
Wheel Tax	152,306	0	7,853	0	0
Litigation Tax - General	10,553	0	0	0	0
Litigation Tax - Special Purpose	1,054	2,850	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courthouse Security	13,832	0	0	0	0
Business Tax	32,730	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	2,074	0	0	0	0
Wholesale Beer Tax	15,391	0	0	0	0
Interstate Telecommunications Tax	161	0	0	0	0
Total Local Taxes	\$ 1,137,715	\$ 2,850	\$ 33,021	\$ 0	\$ 25,168
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 180	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	7,350	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Building Permits	1,350 \$	0 \$	0 \$	0 \$	0
Other Permits	645	0	0	0	0
Total Licenses and Permits	<u>9,525 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Officers Costs	4,698 \$	0 \$	0 \$	0 \$	0
Drug Control Fines	2,405	0	0	1,069	0
Drug Court Fees	133	0	0	133	0
Data Entry Fee - Circuit Court	353	0	0	0	0
<u>Criminal Court</u>					
Drug Court Fees	133	0	0	0	0
DUI Treatment Fines	47	0	0	0	0
<u>General Sessions Court</u>					
Fines	3,342	0	0	0	0
Fines for Littering	238	0	0	0	0
Officers Costs	9,915	0	0	0	0
Game and Fish Fines	205	0	0	0	0
Drug Court Fees	546	0	0	0	0
Jail Fees	15,092	0	0	0	0
DUI Treatment Fines	1,259	0	0	0	0
Data Entry Fee - General Sessions Court	2,075	0	0	0	0
Courtroom Security Fee	11	0	0	0	0
Juvenile Court					
Fines	773	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court (Cont.)</u>					
Officers Costs	19 \$	0 \$	0 \$	0 \$	0
Data Entry Fee - Juvenile Court	58	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	349	0	0	0	0
Data Entry Fee - Chancery Court	562	0	0	0	0
Courtroom Security Fee	201	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	95	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	6,781	0
Other Fines, Forfeitures, and Penalties	3,077	0	0	0	0
Total Fines, Forfeitures, and Penalties	45,491 \$	0 \$	0 \$	8,078 \$	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	844,403 \$	0 \$	0 \$	0 \$	0
<u>Fees</u>					
Copy Fees	168	0	0	0	0
Archives and Records Management Fee - County Clerk	2,678	0	0	0	0
Telephone Commissions	3,823	0	0	0	0
Data Processing Fee - Register	2,088	0	0	0	0
Data Processing Fee - Sheriff	753	0	0	0	0
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0
Data Processing Fee - County Clerk	67	0	0	0	0
Total Charges for Current Services	854,580 \$	0 \$	0 \$	0 \$	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	54,591 \$	0 \$	0 \$	0 \$	0
Lease/Rentals	18,300	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	403
Commissary Sales	3,424	0	0	0	0
Miscellaneous Refunds	0	0	0	0	2,162
<u>Nonrecurring Items</u>					
Sale of Property	25,375	0	0	1,500	0
Damages Recovered from Individuals	904	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	9,161	0	0	0	0
Total Other Local Revenues	111,755 \$	0 \$	0 \$	1,500 \$	2,565
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	59,306 \$	0 \$	0 \$	0 \$	0
Circuit Court Clerk	19,828	0	0	0	0
General Sessions Court Clerk	30,238	0	0	0	0
Clerk and Master	15,475	0	0	0	0
Juvenile Court Clerk	6,045	0	0	0	0
Register	19,455	0	0	0	0
Sheriff	3,483	0	0	0	0
Trustee	85,113	0	0	0	0
Total Fees Received from County Officials	238,943 \$	0 \$	0 \$	0 \$	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	9,350 \$	0 \$	0 \$	0 \$	0
Aging Programs	54,061	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	5,400	0	0	0	0
Other Public Safety Grants	5,000	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	27,677	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	19,682	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	3,831	0	0	0	0
Beer Tax	17,806	0	0	0	0
Alcoholic Beverage Tax	17,451	0	0	0	0
Contracted Prisoner Boarding	407,880	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,218,676
Petroleum Special Tax	0	0	0	0	5,651
Registrar's Salary Supplement	18,955	0	0	0	0
Other State Grants	12,076	0	0	0	0
Other State Revenues	15,362	0	0	0	0
Total State of Tennessee	614,531 \$	0 \$	0 \$	0 \$	1,224,327
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	16,148 \$	0 \$	0 \$	0 \$	0
Homeland Security Grants	17,158	0	0	0	0
Total Federal Government	33,306 \$	0 \$	0 \$	0 \$	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	70 \$	0 \$	0 \$	0 \$	0
Paving and Maintenance	0	0	0	0	28
Contributions	0	0	35,219	0	0
Contracted Services	131,003	0	0	0	0
Total Other Governments and Citizens Groups	131,073 \$	0 \$	35,219 \$	0 \$	28
Total	3,176,919 \$	2,850 \$	68,240 \$	9,578 \$	1,252,088

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

	Debt Service Fund	Total
	General Debt Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	69,610 \$	905,291
Trustee's Collections - Prior Year	2,480	32,448
Circuit/Clerk & Master Collections - Prior Years	435	4,794
Interest and Penalty	445	5,798
Payments in-Lieu-of Taxes - Local Utilities	0	3,747
Payments in-Lieu-of Taxes - Other	0	4,372
<u>County Local Option Taxes</u>		
Local Option Sales Tax	299,674	349,530
Hotel/Motel Tax	0	26,614
Wheel Tax	74,911	235,070
Litigation Tax - General	0	10,553
Litigation Tax - Special Purpose	0	3,904
Litigation Tax - Jail, Workhouse, or Courthouse	4,651	4,651
Litigation Tax - Courthouse Security	0	13,832
Business Tax	1,924	34,654
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	2,074
Wholesale Beer Tax	0	15,391
Interstate Telecommunications Tax	0	161
Total Local Taxes	<u>454,130 \$</u>	<u>1,652,884</u>
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Animal Registration	0 \$	180
Cable TV Franchise	0	7,350

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Building Permits	0 \$		1,350
Other Permits	0		645
Total Licenses and Permits	<u>0 \$</u>		<u>9,525</u>
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Officers Costs	0 \$		4,698
Drug Control Fines	0		3,474
Drug Court Fees	0		266
Data Entry Fee - Circuit Court	0		353
<u>Criminal Court</u>			
Drug Court Fees	0		133
DUI Treatment Fines	0		47
<u>General Sessions Court</u>			
Fines	0		3,342
Fines for Littering	0		238
Officers Costs	0		9,915
Game and Fish Fines	0		205
Drug Court Fees	0		546
Jail Fees	0		15,092
DUI Treatment Fines	0		1,259
Data Entry Fee - General Sessions Court	0		2,075
Courtroom Security Fee	0		11
<u>Juvenile Court</u>			
Fines	0		773

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court (Cont.)</u>			
Officers Costs	0 \$		19
Data Entry Fee - Juvenile Court	0		58
<u>Chancery Court</u>			
Officers Costs	0		349
Data Entry Fee - Chancery Court	0		562
Courtroom Security Fee	0		201
<u>Judicial District Drug Program</u>			
Drug Task Force Forfeitures and Seizures	0		95
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0		6,781
Other Fines, Forfeitures, and Penalties	0		3,077
Total Fines, Forfeitures, and Penalties	0 \$		53,569
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Patient Charges	0 \$		844,403
<u>Fees</u>			
Copy Fees	0		168
Archives and Records Management Fee - County Clerk	0		2,678
Telephone Commissions	0		3,823
Data Processing Fee - Register	0		2,088
Data Processing Fee - Sheriff	0		753
Sexual Offender Registration Fees - Sheriff	0		600
Data Processing Fee - County Clerk	0		67
Total Charges for Current Services	0 \$		854,580

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	0	0	54,591
Lease/Rentals	48,429		66,729
Sale of Materials and Supplies	0		403
Commissary Sales	0		3,424
Miscellaneous Refunds	0		2,162
<u>Nonrecurring Items</u>			
Sale of Property		0	26,875
Damages Recovered from Individuals		0	904
<u>Other Local Revenues</u>			
Other Local Revenues	0		9,161
Total Other Local Revenues	48,429	0	164,249
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0		59,306
Circuit Court Clerk	0		19,828
General Sessions Court Clerk	0		30,238
Clerk and Master	0		15,475
Juvenile Court Clerk	0		6,045
Register	0		19,455
Sheriff	0		3,483
Trustee	0		85,113
Total Fees Received from County Officials	0	0	238,943

(Continued)

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service	Service	
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$	0 \$	9,350
Aging Programs		0	54,061
<u>Public Safety Grants</u>			
Law Enforcement Training Programs		0	5,400
Other Public Safety Grants		0	5,000
<u>Health and Welfare Grants</u>			
Health Department Programs		0	27,677
<u>Public Works Grants</u>			
Litter Program		0	19,682
<u>Other State Revenues</u>			
Income Tax		0	3,831
Beer Tax		0	17,806
Alcoholic Beverage Tax		0	17,451
Contracted Prisoner Boarding		0	407,880
Gasoline and Motor Fuel Tax		0	1,218,676
Petroleum Special Tax		0	5,651
Registrar's Salary Supplement		0	18,955
Other State Grants		0	12,076
Other State Revenues		0	15,362
Total State of Tennessee	\$	0 \$	1,838,858
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$	0 \$	16,148
Homeland Security Grants		0	17,158
Total Federal Government	\$	0 \$	33,306

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Prisoner Board	0 \$		70
Paving and Maintenance	0		28
Contributions	125,000		160,219
Contracted Services	0		131,003
Total Other Governments and Citizens Groups	<u>125,000 \$</u>		<u>291,320</u>
Total	<u>627,559 \$</u>		<u>5,137,234</u>

Exhibit J-6

Lake County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 784,645	\$ 0	\$ 784,645
Trustee's Collections - Prior Year	27,953	0	27,953
Circuit/Clerk & Master Collections - Prior Years	4,518	0	4,518
Interest and Penalty	5,001	0	5,001
<u>County Local Option Taxes</u>			
Local Option Sales Tax	294,674	0	294,674
Wheel Tax	40,227	0	40,227
Business Tax	4,073	0	4,073
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	791	0	791
Total Local Taxes	\$ 1,161,882	\$ 0	\$ 1,161,882
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 275	\$ 0	\$ 275
<u>Permits</u>			
Other Permits	93	0	93
Total Licenses and Permits	\$ 368	\$ 0	\$ 368
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 60,862	\$ 0	\$ 60,862
Total Charges for Current Services	\$ 60,862	\$ 0	\$ 60,862
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Refund of Telecommunication and Internet Fees (E-Rate)	\$ 14,972	\$ 0	\$ 14,972
Miscellaneous Refunds	26,192	0	26,192
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	80	0	80
Contributions and Gifts	65,500	0	65,500
Total Other Local Revenues	\$ 106,744	\$ 0	\$ 106,744
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 24,148	\$ 0	\$ 24,148
<u>State Education Funds</u>			
Basic Education Program	5,053,000	0	5,053,000
Early Childhood Education	316,983	0	316,983

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
School Food Service	\$ 5,523	\$ 0	\$ 5,523
Energy Efficient School Initiative	10,550	0	10,550
Other State Education Funds	233,546	0	233,546
Family Resource Centers	29,612	0	29,612
Career Ladder Program	46,161	0	46,161
Career Ladder - Extended Contract	15,370	0	15,370
<u>Other State Revenues</u>			
Income Tax	941	0	941
State Revenue Sharing - T.V.A.	211,388	0	211,388
Other State Grants	6,600	0	6,600
Total State of Tennessee	<u>\$ 5,953,822</u>	<u>\$ 0</u>	<u>\$ 5,953,822</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 281,655	\$ 0	\$ 281,655
USDA - Commodities	36,719	0	36,719
Breakfast	104,076	0	104,076
Vocational Education - Basic Grants to States	0	18,188	18,188
Title I Grants to Local Education Agencies	0	417,228	417,228
Special Education - Grants to States	0	281,336	281,336
Special Education Preschool Grants	0	8,287	8,287
Rural Education	0	14,327	14,327
Eisenhower Professional Development State Grants	0	65,867	65,867
Race-to-the-Top - ARRA	0	106,628	106,628
Other Federal through State	11,355	0	11,355
Total Federal Government	<u>\$ 433,805</u>	<u>\$ 911,861</u>	<u>\$ 1,345,666</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 15,172	\$ 0	\$ 15,172
Total Other Governments and Citizens Groups	<u>\$ 15,172</u>	<u>\$ 0</u>	<u>\$ 15,172</u>
Total	<u>\$ 7,732,655</u>	<u>\$ 911,861</u>	<u>\$ 8,644,516</u>

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,650	
Other Per Diem and Fees		19,400	
Social Security		1,813	
State Retirement		1,378	
Unemployment Compensation		135	
Audit Services		2,455	
Total County Commission			\$ 26,831

County Mayor/Executive

County Official/Administrative Officer	\$	64,842	
Secretary(ies)		19,511	
Longevity Pay		72	
Bonus Payments		165	
Other Salaries and Wages		10,735	
Social Security		26,472	
State Retirement		7,756	
Unemployment Compensation		209	
Communication		6,528	
Data Processing Services		7,539	
Postal Charges		1,433	
Printing, Stationery, and Forms		289	
Rentals		182	
Electricity		766	
Natural Gas		250	
Office Supplies		2,278	
Water and Sewer		131	
Building and Contents Insurance		116	
Workers' Compensation Insurance		90	
Total County Mayor/Executive			149,364

County Attorney

County Official/Administrative Officer	\$	4,950	
Legal Services		4,035	
Total County Attorney			8,985

Election Commission

County Official/Administrative Officer	\$	50,518	
Other Salaries and Wages		330	
Election Commission		1,100	
Social Security		3,855	
State Retirement		2,915	
Communication		1,587	
Data Processing Services		7,497	
Maintenance and Repair Services - Equipment		80	
Postal Charges		691	
Printing, Stationery, and Forms		3,429	
Rentals		191	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Travel	\$	1,252	
Electricity		766	
Natural Gas		2,273	
Office Supplies		2,660	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 80,104

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		7,320	
Longevity Pay		120	
Social Security		4,863	
State Retirement		3,239	
Unemployment Compensation		61	
Communication		582	
Data Processing Services		2,136	
Postal Charges		378	
Printing, Stationery, and Forms		614	
Rentals		980	
Electricity		470	
Natural Gas		241	
Office Supplies		623	
Water and Sewer		92	
Building and Contents Insurance		699	
Workers' Compensation Insurance		30	
Total Register of Deeds			78,580

Development

Other Contracted Services	\$	10,101	
Total Development			10,101

County Buildings

Maintenance and Repair Services - Buildings	\$	8,821	
Maintenance and Repair Services - Equipment		2,181	
Pest Control		2,312	
Custodial Supplies		3,141	
Electricity		8,054	
Natural Gas		4,950	
Water and Sewer		1,885	
Building and Contents Insurance		155	
Workers' Compensation Insurance		6,946	
Heating and Air Conditioning Equipment		702	
Total County Buildings			39,147

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Secretary(ies)		19,511	
Longevity Pay		624	
Other Salaries and Wages		12,159	
Board and Committee Members Fees		510	
Social Security		6,580	
State Retirement		4,405	
Unemployment Compensation		308	
Communication		598	
Postal Charges		3,120	
Printing, Stationery, and Forms		132	
Rentals		523	
Travel		66	
Other Contracted Services		7,468	
Electricity		338	
Natural Gas		173	
Office Supplies		1,045	
Water and Sewer		66	
Building and Contents Insurance		690	
Workers' Compensation Insurance		90	
Total Property Assessor's Office			\$ 114,538

Reappraisal Program

Travel	\$	413	
Total Reappraisal Program			413

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		19,994	
Longevity Pay		48	
Social Security		5,823	
State Retirement		4,320	
Unemployment Compensation		225	
Communication		1,108	
Data Processing Services		5,529	
Postal Charges		1,586	
Printing, Stationery, and Forms		429	
Rentals		653	
Electricity		360	
Natural Gas		184	
Office Supplies		2,399	
Water and Sewer		70	
Building and Contents Insurance		966	
Workers' Compensation Insurance		65	
Total County Trustee's Office			99,891

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	56,134	
Deputy(ies)		19,611	
Part-time Personnel		8,009	
Longevity Pay		456	
Social Security		6,442	
State Retirement		4,407	
Unemployment Compensation		330	
Communication		532	
Postal Charges		1,119	
Printing, Stationery, and Forms		250	
Other Contracted Services		6,518	
Electricity		2,236	
Natural Gas		668	
Office Supplies		1,665	
Water and Sewer		725	
Other Supplies and Materials		31	
Building and Contents Insurance		966	
Workers' Compensation Insurance		100	
Total County Clerk's Office			\$ 110,199

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,134	
Deputy(ies)		57,064	
Longevity Pay		336	
Other Salaries and Wages		175	
Jury and Witness Expense		2,525	
Social Security		8,772	
State Retirement		6,507	
Unemployment Compensation		447	
Communication		1,215	
Data Processing Services		10,160	
Postal Charges		1,788	
Printing, Stationery, and Forms		216	
Rentals		3,404	
Electricity		3,820	
Natural Gas		1,950	
Office Supplies		7,409	
Water and Sewer		744	
Building and Contents Insurance		6,900	
Workers' Compensation Insurance		200	
Total Circuit Court			169,766

General Sessions Court

Judge(s)	\$	90,084
Other Salaries and Wages		2,556
Social Security		6,821

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

State Retirement	\$	5,225	
Communication		681	
Postal Charges		303	
Travel		993	
Other Contracted Services		1,547	
Electricity		258	
Natural Gas		121	
Office Supplies		352	
Water and Sewer		46	
Building and Contents Insurance		425	
Workers' Compensation Insurance		150	
Total General Sessions Court			\$ 109,562

Chancery Court

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		9,755	
Longevity Pay		24	
Social Security		5,042	
State Retirement		3,239	
Unemployment Compensation		187	
Communication		487	
Data Processing Services		3,921	
Postal Charges		557	
Printing, Stationery, and Forms		1,554	
Electricity		429	
Natural Gas		219	
Office Supplies		1,183	
Water and Sewer		84	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			83,728

Juvenile Court

County Official/Administrative Officer	\$	27,984	
Bonus Payments		1,283	
Other Salaries and Wages		200	
Social Security		2,253	
State Retirement		1,640	
Unemployment Compensation		154	
Communication		755	
Data Processing Services		25	
Postal Charges		211	
Other Contracted Services		7,954	
Electricity		298	
Natural Gas		152	
Office Supplies		541	
Water and Sewer		58	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Other Supplies and Materials	\$	430	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			\$ 44,550

Other Administration of Justice

Library Books/Media	\$	2,890	
Total Other Administration of Justice			2,890

Courtroom Security

Other Contracted Services	\$	324	
Total Courtroom Security			324

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,745	
Deputy(ies)		231,303	
Salary Supplements		4,800	
Dispatchers/Radio Operators		2,971	
Secretary(ies)		22,743	
Bonus Payments		10,794	
Other Salaries and Wages		13,509	
In-Service Training		1,000	
Social Security		26,674	
State Retirement		16,956	
Unemployment Compensation		1,774	
Communication		13,809	
Contracts with Government Agencies		670	
Data Processing Services		3,010	
Maintenance and Repair Services - Vehicles		13,401	
Postal Charges		1,140	
Printing, Stationery, and Forms		948	
Rentals		3,028	
Travel		2,656	
Electricity		279	
Gasoline		39,442	
Natural Gas		5,800	
Office Supplies		5,750	
Uniforms		3,382	
Water and Sewer		3,021	
Other Supplies and Materials		5,634	
Building and Contents Insurance		28,625	
Workers' Compensation Insurance		8,313	
Other Charges		2,739	
Motor Vehicles		15,450	
Total Sheriff's Department			551,366

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Dispatchers/Radio Operators	\$	243,920	
Guards		14,819	
Part-time Personnel		35,324	
Bonus Payments		12,386	
In-Service Training		2,433	
Social Security		23,439	
State Retirement		13,663	
Unemployment Compensation		2,797	
Maintenance and Repair Services - Buildings		3,000	
Maintenance and Repair Services - Equipment		5,265	
Medical and Dental Services		71,852	
Custodial Supplies		17,815	
Electricity		27,329	
Food Supplies		118,422	
Natural Gas		8,647	
Uniforms		1,066	
Water and Sewer		6,523	
Other Supplies and Materials		5,851	
Building and Contents Insurance		15,000	
Workers' Compensation Insurance		6,487	
Heating and Air Conditioning Equipment		1,070	
Total Jail			\$ 637,108

Civil Defense

Supervisor/Director	\$	10,000	
Social Security		541	
State Retirement		582	
Unemployment Compensation		36	
Other Charges		9,775	
Total Civil Defense			20,934

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	22,829	
Social Security		3,800	
Unemployment Compensation		217	
Communication		1,035	
Contracts with Government Agencies		995	
Maintenance and Repair Services - Buildings		1,677	
Travel		155	
Other Contracted Services		5,723	
Custodial Supplies		651	
Drugs and Medical Supplies		181	
Electricity		5,996	
Natural Gas		1,885	
Office Supplies		2,404	
Water and Sewer		1,132	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Building and Contents Insurance	\$	3,000	
Workers' Compensation Insurance		700	
Total Local Health Center			\$ 52,380

Ambulance/Emergency Medical Services

Supervisor/Director	\$	36,132	
Medical Personnel		301,873	
Secretary(ies)		19,415	
Bonus Payments		10,990	
Social Security		29,616	
State Retirement		8,000	
Unemployment Compensation		3,612	
Ambulance Services		3,010	
Communication		4,732	
Maintenance and Repair Services - Vehicles		10,798	
Postal Charges		781	
Rentals		803	
Travel		733	
Other Contracted Services		7,834	
Drugs and Medical Supplies		21,039	
Electricity		6,272	
Gasoline		34,349	
Natural Gas		2,312	
Office Supplies		2,677	
Uniforms		1,127	
Water and Sewer		890	
Other Supplies and Materials		2,042	
Building and Contents Insurance		7,112	
Workers' Compensation Insurance		25,925	
Total Ambulance/Emergency Medical Services			542,074

Alcohol and Drug Programs

Social Security	\$	291	
Total Alcohol and Drug Programs			291

Sanitation Management

Deputy(ies)	\$	16,784	
Education Media Personnel		3,419	
Bonus Payments		412	
Social Security		1,316	
Unemployment Compensation		303	
Maintenance and Repair Services - Vehicles		394	
Gasoline		2,485	
Total Sanitation Management			25,113

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	24,015	
Supervisor/Director		16,390	
Social Security		4,133	
State Retirement		2,352	
Unemployment Compensation		469	
Communication		3,506	
Contributions		585	
Maintenance and Repair Services - Buildings		478	
Travel		2,417	
Other Contracted Services		27,664	
Electricity		3,608	
Natural Gas		1,040	
Office Supplies		746	
Water and Sewer		1,447	
Other Supplies and Materials		2,965	
Total Senior Citizens Assistance			\$ 91,815

Libraries

Contributions	\$	23,750	
Total Libraries			23,750

Other Social, Cultural, and Recreational

Other Charges	\$	13,539	
Total Other Social, Cultural, and Recreational			13,539

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	19,297	
Secretary(ies)		9,627	
Communication		1,701	
Office Supplies		542	
Total Agriculture Extension Service			31,167

Other Operations

Tourism

Contributions	\$	33,027	
Total Tourism			33,027

Other Economic and Community Development

Contributions	\$	12,076	
Other Charges		2,342	
Other Capital Outlay		3,969	
Total Other Economic and Community Development			18,387

Other Charges

Trustee's Commission	\$	30,690	
Total Other Charges			30,690

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

Contributions	\$ 3,354	
Total Contributions to Other Agencies		\$ 3,354

Support Services

Health Services

Contributions	\$ 13,822	
Total Health Services		13,822

Total General Fund		\$ 3,217,790
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Law Library Fund

Administration of Justice

Other Administration of Justice

Trustee's Commission	\$ 29	
Total Other Administration of Justice		\$ 29

Total Law Library Fund		29
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 22,999	
Social Security	1,698	
Communication	155	
Maintenance and Repair Services - Buildings	999	
Maintenance and Repair Services - Equipment	10,000	
Diesel Fuel	9,000	
Electricity	2,899	
Trustee's Commission	582	
Workers' Compensation Insurance	1,200	
Total Waste Incinerator		\$ 49,532

Other Waste Disposal

Contracts with Government Agencies	\$ 16,922	
Total Other Waste Disposal		16,922

Total Solid Waste/Sanitation Fund		66,454
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 1,000	
Law Enforcement Supplies	5,380	
Other Supplies and Materials	300	
Trustee's Commission	81	
Total Drug Enforcement		\$ 6,761

Total Drug Control Fund		6,761
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(Continued)

Exhibit J-7

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

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	67,051	
Accountants/Bookkeepers		40,232	
Secretary(ies)		42,496	
Board and Committee Members Fees		13,800	
Advertising		1,506	
Communication		5,607	
Data Processing Services		5,670	
Dues and Memberships		2,829	
Legal Services		3,710	
Maintenance and Repair Services - Buildings		1,374	
Postal Charges		282	
Printing, Stationery, and Forms		238	
Travel		565	
Drugs and Medical Supplies		324	
Electricity		5,532	
Natural Gas		6,395	
Office Supplies		761	
Water and Sewer		2,195	
Total Administration			\$ 200,567

Highway and Bridge Maintenance

Equipment Operators	\$	230,621	
Engineering Services		16,424	
Other Contracted Services		500	
Asphalt - Cold Mix		2,900	
Crushed Stone		34,525	
Pipe - Metal		18,326	
Road Signs		2,479	
Wood Products		537	
Chemicals		11,690	
Total Highway and Bridge Maintenance			318,002

Operation and Maintenance of Equipment

Foremen	\$	41,424	
Mechanic(s)		84,875	
Laundry Service		7,375	
Diesel Fuel		44,566	
Equipment and Machinery Parts		66,529	
Garage Supplies		12,582	
Gasoline		12,872	
Lubricants		7,457	
Tires and Tubes		4,829	
Total Operation and Maintenance of Equipment			282,509

Other Charges

Building and Contents Insurance	\$	4,500	
Liability Insurance		14,301	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	12,701	
Vehicle and Equipment Insurance		22,734	
Workers' Compensation Insurance		49,562	
Other Charges		6,241	
Total Other Charges			\$ 110,039

Employee Benefits

Social Security	\$	39,597	
State Retirement		26,935	
Employee and Dependent Insurance		170,453	
Unemployment Compensation		330	
Total Employee Benefits			237,315

Capital Outlay

Building Improvements	\$	5,735	
Communication Equipment		9,805	
Office Equipment		3,010	
Total Capital Outlay			18,550

Principal on Debt

Highways and Streets

Principal on Notes	\$	45,000	
Total Highways and Streets			45,000

Interest on Debt

Highways and Streets

Interest on Notes	\$	3,205	
Total Highways and Streets			3,205

Total Highway/Public Works Fund \$ 1,215,187

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	111,000	
Principal on Notes		25,625	
Total General Government			\$ 136,625

Education

Principal on Bonds	\$	224,000	
Total Education			224,000

Interest on Debt

General Government

Interest on Bonds	\$	220,934	
Total General Government			220,934

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Bonds	\$ 185,425	
Total Education		\$ 185,425

Other Debt Service

General Government

Trustee's Commission	\$ 5,774	
Other Charges	860	
Other Debt Service	1,366	
Total General Government		<u>8,000</u>

Total General Debt Service Fund		<u>\$ 774,984</u>
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Total Governmental Funds - Primary Government		<u>\$ 5,281,205</u>
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Exhibit J-8

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,339,692	
Career Ladder Program	26,000	
Career Ladder Extended Contracts	23,635	
Homebound Teachers	691	
Educational Assistants	139,747	
Non-certified Substitute Teachers	29,860	
Social Security	146,899	
State Retirement	214,845	
Life Insurance	2,915	
Medical Insurance	369,491	
Unemployment Compensation	6,799	
Employer Medicare	35,054	
Other Contracted Services	10,485	
Instructional Supplies and Materials	208,758	
Textbooks	68,700	
Regular Instruction Equipment	65,647	
Total Regular Instruction Program		\$ 3,689,218

Special Education Program

Teachers	\$ 312,003	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	750	
Homebound Teachers	200	
Educational Assistants	16,687	
Non-certified Substitute Teachers	407	
Social Security	18,972	
State Retirement	29,028	
Medical Insurance	50,931	
Unemployment Compensation	153	
Employer Medicare	4,437	
Maintenance and Repair Services - Equipment	90	
Instructional Supplies and Materials	3,242	
Total Special Education Program		439,900

Vocational Education Program

Teachers	\$ 211,735	
Career Ladder Program	4,000	
Non-certified Substitute Teachers	3,124	
Social Security	13,050	
State Retirement	19,157	
Medical Insurance	25,695	
Unemployment Compensation	4	
Employer Medicare	3,052	
Instructional Supplies and Materials	650	
Total Vocational Education Program		280,467

(Continued)

Exhibit J-8

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

Attendance

Supervisor/Director	\$	32,897	
Social Security		1,858	
State Retirement		2,921	
Medical Insurance		5,761	
Employer Medicare		435	
Travel		494	
Total Attendance			\$ 44,366

Health Services

Medical Personnel	\$	46,731	
Social Security		2,459	
State Retirement		4,150	
Medical Insurance		12,666	
Employer Medicare		575	
Drugs and Medical Supplies		1,572	
Total Health Services			68,153

Other Student Support

Career Ladder Program	\$	500	
Guidance Personnel		90,761	
School Resource Officer		27,828	
Other Salaries and Wages		32,637	
Social Security		9,002	
State Retirement		13,473	
Medical Insurance		13,745	
Employer Medicare		2,105	
Travel		2,367	
Other Contracted Services		5,163	
Other Supplies and Materials		578	
In Service/Staff Development		5,570	
Other Charges		896	
Total Other Student Support			204,625

Regular Instruction Program

Supervisor/Director	\$	36,748	
Career Ladder Program		1,000	
Librarians		135,327	
Instructional Computer Personnel		26,239	
Social Security		9,629	
State Retirement		15,075	
Medical Insurance		28,549	
Employer Medicare		2,648	
Travel		659	
Library Books/Media		14,550	
In Service/Staff Development		14,018	
Total Regular Instruction Program			284,442

(Continued)

Exhibit J-8

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.)

Special Education Program

Supervisor/Director	\$	32,150	
Clerical Personnel		7,256	
Social Security		2,349	
State Retirement		3,277	
Medical Insurance		3,166	
Employer Medicare		549	
Travel		1,319	
Other Contracted Services		51,499	
Total Special Education Program			\$ 101,565

Other Programs

On-behalf Payments to OPEB	\$	24,148	
Total Other Programs			24,148

Board of Education

Board and Committee Members Fees	\$	5,250	
Social Security		326	
State Retirement		249	
Employer Medicare		76	
Dues and Memberships		9,027	
Legal Services		29,986	
Travel		8,418	
Boiler Insurance		2,161	
Liability Insurance		18,906	
Trustee's Commission		36,439	
Workers' Compensation Insurance		42,969	
Other Charges		7,040	
Total Board of Education			160,847

Director of Schools

County Official/Administrative Officer	\$	106,740	
Career Ladder Program		1,000	
Secretary(ies)		18,786	
Social Security		3,672	
State Retirement		11,032	
Medical Insurance		13,116	
Employer Medicare		859	
Other Fringe Benefits		5,180	
Communication		3,839	
Postal Charges		3,816	
Travel		3,217	
Other Contracted Services		2,486	
Office Supplies		1,793	
Administration Equipment		274	
Total Director of Schools			175,810

(Continued)

Exhibit J-8

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

Principals	\$	160,642	
Career Ladder Program		1,000	
Accountants/Bookkeepers		38,210	
Assistant Principals		77,364	
Secretary(ies)		39,416	
Social Security		18,682	
State Retirement		26,687	
Medical Insurance		29,256	
Employer Medicare		4,369	
Communication		18,013	
Dues and Memberships		215	
Maintenance and Repair Services - Equipment		1,125	
Travel		4,661	
Total Office of the Principal			\$ 419,640

Fiscal Services

Accountants/Bookkeepers	\$	41,031	
Clerical Personnel		12,406	
Social Security		3,033	
State Retirement		3,110	
Medical Insurance		2,700	
Employer Medicare		709	
Data Processing Services		597	
Travel		385	
Other Contracted Services		8,099	
Total Fiscal Services			72,070

Operation of Plant

Supervisor/Director	\$	7,979	
Custodial Personnel		142,920	
Social Security		8,737	
State Retirement		8,347	
Medical Insurance		1,620	
Employer Medicare		2,267	
Travel		1,381	
Other Contracted Services		3,178	
Custodial Supplies		37,719	
Electricity		202,998	
Natural Gas		164,691	
Water and Sewer		38,742	
Boiler Insurance		400	
Building and Contents Insurance		38,691	
Total Operation of Plant			659,670

Maintenance of Plant

Supervisor/Director	\$	33,985	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Salaries and Wages	\$	33,985	
Social Security		4,199	
State Retirement		3,956	
Employer Medicare		982	
Maintenance and Repair Services - Buildings		16,454	
Maintenance and Repair Services - Equipment		14,447	
Other Supplies and Materials		8,140	
Maintenance Equipment		12,681	
Total Maintenance of Plant			\$ 128,829

Transportation

Supervisor/Director	\$	7,979	
Bus Drivers		61,661	
Other Salaries and Wages		9,288	
Social Security		4,238	
State Retirement		4,899	
Employer Medicare		1,215	
Maintenance and Repair Services - Vehicles		496	
Diesel Fuel		45,724	
Gasoline		6,747	
Tires and Tubes		3,097	
Vehicle Parts		2,845	
Transportation Equipment		82,795	
Total Transportation			230,984

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	42,439	
In-Service Training		56	
Social Security		2,558	
State Retirement		2,215	
Medical Insurance		16,955	
Employer Medicare		598	
Payments to Schools - Breakfast		104,076	
Payments to Schools - Lunch		281,655	
Payments to Schools - Other		895	
Travel		1,708	
Other Contracted Services		3,465	
USDA - Commodities		36,719	
Other Charges		2,305	
Total Food Service			495,644

Early Childhood Education

County Official/Administrative Officer	\$	35,614	
Teachers		160,100	
Career Ladder Program		2,000	

(Continued)

Exhibit J-8

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.)

Early Childhood Education (Cont.)

Educational Assistants	\$	67,769	
Non-certified Substitute Teachers		5,945	
Social Security		15,480	
State Retirement		21,194	
Medical Insurance		34,486	
Employer Medicare		3,620	
Travel		3,092	
Food Supplies		4,045	
Instructional Supplies and Materials		2,215	
Other Equipment		980	
Total Early Childhood Education			\$ 356,540

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	24,252	
Other Capital Outlay		9,666	
Total Regular Capital Outlay			33,918

Other Debt Service

Education

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

Total General Purpose School Fund \$ 7,995,836

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	382,794	
Educational Assistants		13,546	
Non-certified Substitute Teachers		1,106	
Social Security		21,213	
State Retirement		31,952	
Medical Insurance		58,794	
Unemployment Compensation		307	
Employer Medicare		5,423	
Instructional Supplies and Materials		5,933	
Total Regular Instruction Program			\$ 521,068

Special Education Program

Teachers	\$	41,803	
Educational Assistants		127,808	
Non-certified Substitute Teachers		4,673	
Social Security		10,503	
State Retirement		11,150	
Medical Insurance		4,320	

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Instruction (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Unemployment Compensation	\$	279
Employer Medicare		2,446
Instructional Supplies and Materials		24,027
Other Supplies and Materials		2,797
Special Education Equipment		4,180
Total Special Education Program		<u>233,986</u>
	\$	233,986
<u>Vocational Education Program</u>		
Instructional Supplies and Materials	\$	1,004
Other Supplies and Materials		36
Vocational Instruction Equipment		11,505
Total Vocational Education Program		<u>12,545</u>
		12,545
<u>Support Services</u>		
<u>Other Student Support</u>		
Travel	\$	4,826
Other Supplies and Materials		612
Total Other Student Support		<u>5,438</u>
		5,438
<u>Regular Instruction Program</u>		
Supervisor/Director	\$	35,890
Secretary(ies)		15,000
Other Salaries and Wages		3,500
Social Security		2,957
State Retirement		3,777
Unemployment Compensation		56
Employer Medicare		738
Maintenance and Repair Services - Equipment		4,296
Travel		10,268
In Service/Staff Development		6,505
Other Charges		1,063
Total Regular Instruction Program		<u>84,050</u>
		84,050
<u>Special Education Program</u>		
Travel	\$	5,349
Other Contracted Services		57,130
Other Supplies and Materials		368
In Service/Staff Development		733
Total Special Education Program		<u>63,580</u>
		63,580
<u>Vocational Education Program</u>		
Travel	\$	817
Total Vocational Education Program		<u>817</u>
		817
Total School Federal Projects Fund		<u>\$ 921,484</u>
Total Governmental Funds - Lake County School Department		<u>\$ 8,917,320</u>

Exhibit J-9

Lake County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2014

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 174,399
Total Cash Receipts	<u>\$ 174,399</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 172,655
Trustee's Commission	<u>1,744</u>
Total Cash Disbursements	<u>\$ 174,399</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2013	<u>0</u>
 Cash Balance, June 30, 2014	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated September 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Lake County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2014-001 and 2014-013.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2014-002, 2014-004, 2014-010(B), 2014-011, and 2014-012.

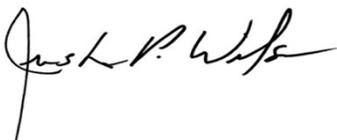
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake County's financial statements are free from 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 2014-003, 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010(A).

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 15, 2014

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 for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Lake County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lake County's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lake County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide legal determination of Lake County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lake County complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of Lake County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lake County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

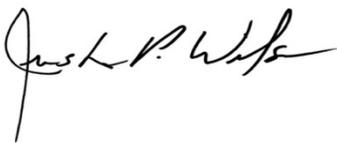
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated September 15, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 15, 2014

JPW/sb

Lake County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 104,076
National School Lunch Program	10.555	N/A	281,655 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	36,719 (3)
Rural Business Enterprise Grants	10.769	(2)	12,076
Total U.S. Department of Agriculture			<u>\$ 434,526</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 16,148
Total U.S. Department of Housing and Urban Development			<u>\$ 16,148</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 4,372
Total U.S. Department of the Interior			<u>\$ 4,372</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,350
Total U.S. Department of Justice			<u>\$ 9,350</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(2)	\$ 11,355
Total U.S. Department of Labor			<u>\$ 11,355</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	154AL-13-130	\$ 5,000
Total U.S. Department of Transportation			<u>\$ 5,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 424,902
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	281,340
Special Education - Preschool Grants	84.173	N/A	10,833
Career and Technical Education - Basic Grants to States	84.048	N/A	18,188
Rural Education	84.358	N/A	15,512
Improving Teacher Quality State Grants	84.367	N/A	67,559
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	107,016
Total U.S. Department of Education			<u>\$ 925,350</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 54,061
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(2)	44,500
Total U.S. Department of Health and Human Services			\$ 98,561
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 17,158
Total U.S. Department of Homeland Security			\$ 17,158
Total Federal Awards			\$ 1,521,820
		Contract Number	
<u>State Grants:</u>			
Local Health Services - State Department of Health	N/A	(2)	\$ 27,677
Litter Program - State Department of Transportation	N/A	(2)	19,682
Early Childhood Education - State Department of Education	N/A	(2)	316,983
Energy Efficient School Initiative - State Department of Education	N/A	(2)	10,550
ARTS Ticket Subsidy - State Department of Education	N/A	(2)	1,200
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,482
Statewide Student Management System - State Department of Education	N/A	(2)	2,463
Connect Tennessee - State Department of Education	N/A	(2)	2,553
Safe Schools - State Department of Education	N/A	(2)	6,200
Coordinated School Health - State Department of Education	N/A	(2)	95,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Total State Grants			\$ 513,402

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$318,374.

Lake County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
2013-001	133	The General Fund required material audit adjustments for proper financial statement presentation
2013-002	133	Expenditures exceeded appropriations
2013-003	134	Payroll liability accounts were not reconciled monthly
2013-004	134	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
2013-006	135	Expenditures exceeded appropriations

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
2013-011	138	The office had accounting deficiencies

LAKE COUNTY

Finding Number	Page Number	Subject
2013-012	139	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 OF DEEDS; SHERIFF; AND THE AMBULANCE SERVICE

Finding Number	Page Number	Subject
2013-013	139	Duties were not segregated adequately

LAKE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Lake County is unmodified.
2. The audit of the financial statements of Lake County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lake County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) 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 2014-001

THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2014, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments totaling \$316,498 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Lake County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

FINDING 2014-002

EXPENDITURES WERE MISCLASSIFIED IN THE ACCOUNTING RECORDS OF THE GENERAL FUND

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During our examination, we noted 18 journal entries totaling \$61,334 in the General Fund that were described only as "FY 13/14." These journal entries reclassified amounts between various expenditure line items. We were advised by office personnel that these journal entries were posted to the accounting records at year-end in an attempt to keep expenditures within appropriations instead of submitting budget amendments to the County Commission. Many of these journal entries resulted in expenditures being coded to accounts that did not reflect the true nature of the expenditure. Sound budgetary principles require expenditures to be coded to accounts that reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting

records as a management tool. Audit adjustments were made to reverse these journal entries to properly present the financial statements in this report.

RECOMMENDATION

Expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions. When necessary, budget amendments should be submitted to the County Commission for its consideration.

FINDING 2014-003 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
 (Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in budget operations:

- A. Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by \$339.
- B. Expenditures exceeded appropriations in six of 33 major appropriation categories (the legal level of control) of the General Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
County Mayor/Executive	\$ 21,701
Sheriff's Department	17,210
Alcohol and Drug Programs	291
Agriculture Extension Service	99
Other Charges	1,458
Transfers Out	2,000

- C. Salaries in 22 of 65 line items exceeded appropriations in the General Fund by amounts ranging from \$48 to \$17,038. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.
- D. The Law Library Fund, a special revenue fund, was not budgeted. This deficiency was due to the failure of management to present a budget to the County Commission for its approval.

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, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be

appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct Part C. of this finding that was also reported in the prior-year audit report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission. The Law Library Fund should be budgeted as required by state statute.

FINDING 2014-004

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, retirement, insurance, garnishments, credit union deductions, 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.

FINDING 2014-005

THE COUNTY VIOLATED THE CONFLICT OF INTEREST STATUTE BY MAKING 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 (\$3,910) 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 \$28,293 for 2008-14 because management failed to correct this finding noted in the prior-year audit reports.

RECOMMENDATION

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

FINDING 2014-006

SOME AMBULANCE SERVICE FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected Ambulance Service receipts for the months of January through March 2014 to trace to deposits. During this period, 46 receipts were held four or more days before being deposited with the county trustee. This deficiency was the result of a lack of management oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

Ambulance Service funds should be deposited within three days of collection as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2014-007

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

We noted the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations in seven of 20 major appropriation categories (the legal level of control) of the General Purpose School Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Instruction - Regular Instruction Program	\$ 46,425
Instruction - Vocational Education Program	650
Support Services - Health Services	1,572
Support Services - Regular Instruction Program	6,966
Support Services - Board of Education	5,455
Support Services - Maintenance of Plant	2,054
Operation of Non-instructional Services - Early Childhood Education	31,173

- B. Six of 55 salary line items exceeded appropriations in the General Purpose School Fund by amounts ranging from \$988 to \$55,831. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct Part B. of this finding that was also reported in the prior-year audit report.

RECOMMENDATION

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

FINDING 2014-008 **DEFICIENCIES WERE NOTED IN THE PURCHASE OF A LAWN MOWER**
 (Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for the purchase of a lawn mower totaling \$12,335 as required by Section 49-2-203, *Tennessee Code Annotated*. This statute requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. The failure to solicit competitive bids could result in the department paying more than the most competitive price. Three separate purchase orders were issued to Mordidge Manufacturing Company, and three separate invoices were received for different parts of the mower as follows:

<u>Purchase Order Number</u>	<u>Purchase Order Date</u>	<u>Description</u>	<u>Amount</u>
19170	7-30-13	Mower	\$ 6,809
19171	7-30-13	Deck for Mower	5,178
19172	7-30-13	Power Lift for Mower	<u>348</u>
Total			<u>\$ 12,335</u>

Each invoice was dated July 31, 2013. However, each invoice indicated a delivery date of July 27, 2013, which was three days prior to the issuance date of the purchase orders noted in the table above. The three invoices were paid with one check dated August 9, 2013.

School personnel advised that the former director of schools, Corwin Robinson, arranged for the purchase of this lawn mower. A quote of \$6,809 was received from Moridge Manufacturing Company for the mower prior to the purchase; however, no other quotes were provided, and competitive bids were not solicited. It appears that the purchase was split between three purchase orders and three invoices to circumvent bid requirements. Also, the director of schools did not obtain approval from the Board of Education for this purchase as required by the board's purchasing policy. That policy requires all non-routine capital purchases to be made only after specific approval by the board.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute. Purchase orders and invoices should not be split in an attempt to circumvent bid requirements. Purchases should be made in compliance with policies approved by the Board of Education.

FINDING 2014-009

THE OFFICE HAD DEFICIENCIES RELATED TO TRAVEL BY THE FORMER DIRECTOR OF SCHOOLS (Noncompliance Under *Government Auditing Standards*)

Our examination of travel reimbursements paid to the former director of schools, Corwin Robinson, revealed the following deficiencies, which are the result of management's failure to comply with travel provisions of the director's employment contract and the travel policy adopted by the Board of Education:

- A. The former director of schools was reimbursed \$96.60 during the period under examination for travel within the county. These payments were prohibited by his employment contract with the Board of Education, which states that "under no circumstances shall the director be reimbursed for travel inside of Lake County." Under provisions of his contract, the director received a \$400 per month vehicle allowance. Any additional reimbursements were to be made only for out-of-county business related travel.

- B. In January 2014, the former director of schools received a \$281.50 travel advance to provide for meals (\$97.50) and mileage costs (\$184) for a meeting in Nashville. The Board of Education's travel policy does not provide for travel advances, but does require that travel expenses should be submitted within 30 days of the date of the travel. There was no documentation available to support actual expenditures from the travel advance. We were advised by School Department personnel that the former director did not attend this meeting and did not refund the travel advance.

RECOMMENDATION

The director of schools should adhere to the travel policy adopted by the Board of Education and to the contract entered into with the Board of Education. Officials should determine whether the director attended the Nashville meeting. If the director did not attend the meeting, then the Board of Education should recover these funds from the former director.

OFFICE OF SHERIFF

FINDING 2014-010

THE OFFICE HAD ACCOUNTING DEFICIENCIES

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

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

- A. We could not determine if official prenumbered receipts were issued for collections as required by Section 9-2-103, *Tennessee Code Annotated (TCA)*. We were advised by department personnel that receipts had been issued for the period July 1, 2013, through June 23, 2014; but the receipts had been purportedly misplaced and could not be located. The department had begun issuing receipts from a new book as of June 24, 2014. Since receipts were not available, we were unable to determine if the office had complied with Section 5-8-207, *TCA*. This statute requires officials to deposit all collections within three days of receipt. The failure to properly issue and maintain receipts at the time of collection and the failure to deposit funds promptly increases the risks of fraud and abuse.
- B. Accounting records were not properly maintained. Collections of the department were posted to the cash journal in total every few days instead of an itemized listing by receipt number of the monies received. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of the office. The failure to properly maintain accounting records also increases the risks of fraud and abuse.

RECOMMENDATION

Receipts should be issued at the time of collection, and all collections should be deposited within three days of receipt as required by state statutes. Receipt books should be available for audit inspection. An official cash journal should be maintained, which accurately reflects all financial operations of the Sheriff's Department.

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

FINDING 2014-011

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 of Deeds; 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.

OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; AND REGISTER OF DEEDS

FINDING 2014-012

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; and Register of Deeds. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

LAKE COUNTY

FINDING 2014-013

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 Reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
2014-001, 2013-001,12.01	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. Lake County has established an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Lake County should work with its Audit Committee to correct the above-noted material weakness in internal control.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

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.

LAKE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014

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