



**ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



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FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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

LAKE COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2013.

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 and Best Practice

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

OFFICE OF COUNTY MAYOR

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ Expenditures exceeded appropriations.
- ◆ Payroll liability accounts were not reconciled monthly.
- ◆ The county violated the conflict of interest statute and made purchases from a business owned by a county commissioner.

OFFICE OF ROAD SUPERINTENDENT

- ◆ Competitive bids were not properly solicited and awarded.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Expenditures exceeded appropriations.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verification.
 - ◆ The assessor did not prorate properties that transferred between tax exempt and nonexempt status.
-

OFFICE OF COUNTY CLERK

- ◆ Some employees processed transactions utilizing another employee's username.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

LAKE COUNTY

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

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

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

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

INTRODUCTORY SECTION

Lake County Officials

June 30, 2013

Officials

Macie Roberson, County Mayor
William Cantrell, Road Superintendent
Corwin Robinson, 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	
Jason Allison	Denny Johnson
Tony Bargery	Steve Jones
Shelby Barker	Richard Perkins
Rance Frye	Randall Pitts
Wayne Hatley	Charles Stewart
Nicky Hayes, Jr.	Jimmy Yates

Highway Commission

Ronald Snyder, Sr., Chairman	Doug Gant
Clifford Berry, Sr.	Jimmy Leake
Johnny Dean	Joe Williams

Board of Education

Shane Hamilton, Chairman	Cora Hughes
Kristie Avery	Tony Hutcheson
Leonard Douglas	Michael Parker
Ricky Gray	Vivian Windsor
Carolyn Hayes	

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 County, Tennessee, as of and for the year ended June 30, 2013, 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 did not audit the financial statements of Lake County Emergency Communications District, which represent 9.1 percent, 10.8 percent, and 4.1 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lake County Emergency Communications District, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison 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.

Emphasis of Matter

We draw attention to Note I.D.8. in the financial statements, which describes a restatement to the beginning balance of the government-wide financial statements totaling \$269,215. This restatement was necessary because prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, debt issuance costs become period costs.

As described in Note V.B., Lake County has adopted the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Lake County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and

Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

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 65 - 67 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

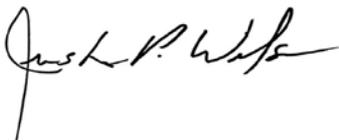
and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards 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 February 18, 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,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 18, 2014

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Position
June 30, 2013

	<u>Component Units</u>		
	<u>Primary Government Governmental Activities</u>	<u>Lake County School Department</u>	<u>Lake County Emergency Communications District</u>
<u>ASSETS</u>			
Cash	\$ 266	\$ 0	\$ 439,773
Equity in Pooled Cash and Investments	2,726,068	2,135,747	0
Accounts Receivable	866,012	0	1,290
Allowance for Uncollectibles	(419,992)	0	0
Due from Other Governments	578,693	174,350	111,719
Property Taxes Receivable	951,080	823,910	0
Allowance for Uncollectible Property Taxes	(16,307)	(14,718)	0
Cash Shortage	30,645	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	2,364,669	67,365	0
Construction in Progress	230,794	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,571,477	5,398,792	41,998
Infrastructure	2,274,812	0	0
Other Capital Assets	666,073	422,151	305,784
Total Assets	<u>\$ 11,824,290</u>	<u>\$ 9,007,597</u>	<u>\$ 900,564</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	<u>\$ 229,389</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Deferred Outflows of Resources	<u>\$ 229,389</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 14,866	\$ 0
Accrued Payroll	0	15,000	0
Payroll Deductions Payable	9,355	0	0
Contracts Payable	127,399	0	0
Retainage Payable	8,048	0	0
Due to State of Tennessee	5,344	0	0
Accrued Interest Payable	35,382	0	0
Noncurrent Liabilities:			
Due Within One Year	389,900	1,351	0
Due in More Than One Year (net of unamortized premium on debt)	11,388,461	785,027	0
Total Liabilities	<u>\$ 11,963,889</u>	<u>\$ 816,244</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	<u>\$ 904,286</u>	<u>\$ 780,467</u>	<u>\$ 0</u>
Total Deferred Inflows of Resources	<u>\$ 904,286</u>	<u>\$ 780,467</u>	<u>\$ 0</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units	
		Lake County School Department	Lake County Emergency Communications District
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 2,788,618	\$ 5,888,308	\$ 347,782
Restricted for:			
Finance	2,957	0	0
Administration of Justice	3,458	0	0
Public Safety	9,033	0	0
Public Health and Welfare	879	0	0
Highway/Public Works	873,935	0	0
Debt Service	1,075,167	0	0
Education	0	35,507	0
Unrestricted	<u>(5,568,543)</u>	<u>1,487,071</u>	<u>552,782</u>
Total Net Position	<u>\$ (814,496)</u>	<u>\$ 7,410,886</u>	<u>\$ 900,564</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units	
						Lake County School Department	Lake County Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 390,710	\$ 88,778	\$ 15,164	\$ 0	\$ (286,768)	\$ 0	\$ 0
Finance	311,756	142,533	0	0	(169,223)	0	0
Administration of Justice	424,119	150,200	9,000	0	(264,919)	0	0
Public Safety	1,266,185	574,184	21,000	57,102	(613,899)	0	0
Public Health and Welfare	520,495	724,936	44,925	0	249,366	0	0
Social, Cultural, and Recreational Services	120,859	0	54,371	0	(66,488)	0	0
Agriculture and Natural Resources	21,912	0	0	0	(21,912)	0	0
Other Operations	298,614	0	0	206,229	(92,385)	0	0
Highways	1,491,550	3,125	1,214,675	449,065	175,315	0	0
Interest on Long-term Debt	418,553	0	125,000	0	(293,553)	0	0
Other Debt Service	31,043	0	2,136	0	(28,907)	0	0
Total Primary Government	\$ 5,295,796	\$ 1,683,756	\$ 1,486,271	\$ 712,396	\$ (1,413,373)	\$ 0	\$ 0
Component Units:							
Lake County School Department	\$ 8,992,617	\$ 81,689	\$ 1,618,719	\$ 0	0	\$ (7,292,209)	\$ 0
Lake County Emergency Communications District	261,202	37,840	206,767	89,346	0	0	72,751
Total Component Units	\$ 9,253,819	\$ 119,529	\$ 1,825,486	\$ 89,346	\$ 0	\$ (7,292,209)	\$ 72,751

(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 Units		
				Primary Governmental Activities	Lake County School Department	Lake County Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 885,927	\$ 821,235	\$ 0
Property Taxes Levied for Debt Service				61,772	0	0
Local Option Sales Taxes				388,914	323,741	0
Hotel/Motel Tax				28,249	0	0
Wheel Tax				207,457	42,146	0
Litigation Tax				31,547	0	0
Business Tax				31,709	3,539	0
Other Local Taxes				13,803	637	0
Grants and Contributions Not Restricted to Specific Programs				55,258	5,527,234	22,373
Unrestricted Investment Income				58,545	0	1,117
Miscellaneous				53,231	23,874	0
Total General Revenues				\$ 1,816,412	\$ 6,742,406	\$ 23,490
Change in Net Position				\$ 403,039	\$ (549,803)	\$ 96,241
Net Position, July 1, 2012				(948,320)	7,960,689	804,323
Restatement - See Note I.D.8				(269,215)	0	0
Net Position, June 30, 2013				\$ (814,496)	\$ 7,410,886	\$ 900,564

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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 266	\$ 266
Equity in Pooled Cash and Investments	781,118	717,116	1,201,427	26,407	2,726,068
Accounts Receivable	865,785	0	0	227	866,012
Allowance for Uncollectibles	(419,992)	0	0	0	(419,992)
Due from Other Governments	308,091	209,764	60,838	0	578,693
Due from Other Funds	493	0	0	0	493
Property Taxes Receivable	827,589	25,196	73,099	25,196	951,080
Allowance for Uncollectible Property Taxes	(14,101)	(450)	(1,306)	(450)	(16,307)
Cash Shortage	30,645	0	0	0	30,645
Total Assets	\$ 2,379,628	\$ 951,626	\$ 1,334,058	\$ 51,646	\$ 4,716,958
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 9,355	\$ 0	\$ 0	\$ 0	\$ 9,355
Contracts Payable	127,399	0	0	0	127,399
Retainage Payable	8,048	0	0	0	8,048
Due to Other Funds	0	0	0	493	493
Due to State of Tennessee	5,320	24	0	0	5,344
Total Liabilities	\$ 150,122	\$ 24	\$ 0	\$ 493	\$ 150,639
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 787,308	\$ 23,867	\$ 69,244	\$ 23,867	\$ 904,286
Deferred Delinquent Property Taxes	26,180	879	2,549	879	30,487
Other Deferred/Unavailable Revenue	461,452	100,471	30,000	0	591,923
Total Deferred Inflows of Resources	\$ 1,274,940	\$ 125,217	\$ 101,793	\$ 24,746	\$ 1,526,696
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Finance	\$ 2,957	\$ 0	\$ 0	\$ 0	\$ 2,957
Restricted for Administration of Justice	0	0	0	3,458	3,458
Restricted for Public Safety	2,122	0	0	6,911	9,033
Restricted for Highways/Public Works	0	826,385	0	0	826,385
Restricted for Debt Service	0	0	847,092	0	847,092
Committed:					
Committed for Public Health and Welfare	0	0	0	16,038	16,038
Committed for Debt Service	0	0	385,173	0	385,173
Unassigned	949,487	0	0	0	949,487
Total Fund Balances	\$ 954,566	\$ 826,385	\$ 1,232,265	\$ 26,407	\$ 3,039,623
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,379,628	\$ 951,626	\$ 1,334,058	\$ 51,646	\$ 4,716,958

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, 2013

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)		\$ 3,039,623	
(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: construction in progress	230,794		
Add: buildings and improvements net of accumulated depreciation	1,571,477		
Add: infrastructure net of accumulated depreciation	2,274,812		
Add: other capital assets net of accumulated depreciation	<u>666,073</u>	7,107,825	
(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	\$ (186,000)		
Less: bonds payable	(11,345,000)		
Add: deferred amount on refunding	229,389		
Less: compensated absences payable	(197,992)		
Less: accrued interest on note and bonds	(35,382)		
Less: other deferred revenue - premium on debt	<u>(49,369)</u>	(11,584,354)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>622,410</u>
Net position of governmental activities (Exhibit A)			<u>\$ (814,496)</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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,135,802	\$ 25,379	\$ 476,256	\$ 35,721	\$ 1,673,158
Licenses and Permits	9,868	0	0	0	9,868
Fines, Forfeitures, and Penalties	47,371	0	0	12,003	59,374
Charges for Current Services	701,015	0	0	5,776	706,791
Other Local Revenues	97,488	46,418	40,633	1,650	186,189
Fees Received from County Officials	236,571	0	0	0	236,571
State of Tennessee	617,207	1,663,740	0	0	2,280,947
Federal Government	274,731	0	0	0	274,731
Other Governments and Citizens Groups	116,097	3,125	125,000	35,777	279,999
Total Revenues	\$ 3,236,150	\$ 1,738,662	\$ 641,889	\$ 90,927	\$ 5,707,628
<u>Expenditures</u>					
Current:					
General Government	\$ 374,330	\$ 0	\$ 0	\$ 463	\$ 374,793
Finance	304,222	0	0	3,878	308,100
Administration of Justice	409,209	0	0	1,568	410,777
Public Safety	1,170,618	0	0	20,339	1,190,957
Public Health and Welfare	604,099	0	0	85,820	689,919
Social, Cultural, and Recreational Services	120,859	0	0	0	120,859
Agriculture and Natural Resources	18,899	0	0	0	18,899
Other Operations	298,614	0	0	0	298,614
Highways	0	1,913,476	0	0	1,913,476
Debt Service:					
Principal on Debt	0	44,000	327,079	0	371,079
Interest on Debt	0	4,077	448,461	0	452,538
Other Debt Service	0	0	7,553	0	7,553
Total Expenditures	\$ 3,300,850	\$ 1,961,553	\$ 783,093	\$ 112,068	\$ 6,157,564
Excess (Deficiency) of Revenues Over Expenditures	\$ (64,700)	\$ (222,891)	\$ (141,204)	\$ (21,141)	\$ (449,936)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 20,000	\$ 20,000
Transfers Out	(20,000)	0	0	0	(20,000)
Total Other Financing Sources (Uses)	\$ (20,000)	\$ 0	\$ 0	\$ 20,000	\$ 0
Net Change in Fund Balances	\$ (84,700)	\$ (222,891)	\$ (141,204)	\$ (1,141)	\$ (449,936)
Fund Balance, July 1, 2012	1,039,266	1,049,276	1,373,469	27,548	3,489,559
Fund Balance, June 30, 2013	\$ 954,566	\$ 826,385	\$ 1,232,265	\$ 26,407	\$ 3,039,623

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

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, 2013

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)		\$ (449,936)
(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	\$ 919,189	
Less: current-year depreciation expense	<u>(388,818)</u>	530,371
(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, 2013	\$ 622,410	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(633,339)</u>	(10,929)
(3) The issuance of long-term debt (e.g., notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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: change in premium on debt issuance	\$ 2,136	
Add: principal payments on notes	52,589	
Add: principal payments on bonds	295,000	
Less: change in deferred amount on refunding debt	<u>(18,273)</u>	331,452
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 52,258	
Change in compensated absences payable	<u>(50,177)</u>	2,081
Change in net position of governmental activities (Exhibit B)		<u>\$ 403,039</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,135,802	\$ 1,197,090	\$ 1,197,090	\$ (61,288)
Licenses and Permits	9,868	13,100	13,100	(3,232)
Fines, Forfeitures, and Penalties	47,371	48,661	48,661	(1,290)
Charges for Current Services	701,015	769,310	769,310	(68,295)
Other Local Revenues	97,488	133,500	133,500	(36,012)
Fees Received from County Officials	236,571	242,200	242,200	(5,629)
State of Tennessee	617,207	568,200	568,200	49,007
Federal Government	274,731	295,200	295,200	(20,469)
Other Governments and Citizens Groups	116,097	62,500	62,500	53,597
Total Revenues	<u>\$ 3,236,150</u>	<u>\$ 3,329,761</u>	<u>\$ 3,329,761</u>	<u>\$ (93,611)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 25,834	\$ 30,930	\$ 30,930	\$ 5,096
County Mayor/Executive	122,380	123,604	123,604	1,224
County Attorney	9,387	25,200	25,200	15,813
Election Commission	85,190	94,640	94,640	9,450
Register of Deeds	74,404	76,323	76,323	1,919
Development	11,124	15,000	15,000	3,876
County Buildings	46,011	52,000	52,000	5,989
<u>Finance</u>				
Property Assessor's Office	105,305	105,830	106,816	1,511
Reappraisal Program	0	4,894	4,894	4,894
County Trustee's Office	99,959	104,091	104,091	4,132
County Clerk's Office	98,958	103,244	103,244	4,286
<u>Administration of Justice</u>				
Circuit Court	166,541	169,550	169,550	3,009
General Sessions Court	107,290	110,012	110,012	2,722
Chancery Court	79,864	80,324	80,324	460
Juvenile Court	50,465	47,486	50,640	175
Other Administration of Justice	2,518	2,900	2,900	382
Courtroom Security	2,531	0	2,531	0
<u>Public Safety</u>				
Sheriff's Department	532,180	510,292	532,957	777
Jail	567,600	508,921	583,731	16,131
Civil Defense	70,838	20,000	70,900	62
<u>Public Health and Welfare</u>				
Local Health Center	53,666	60,327	60,327	6,661
Ambulance/Emergency Medical Services	527,064	575,006	585,885	58,821
Maternal and Child Health Services	0	500	500	500
Sanitation Management	23,369	36,000	36,000	12,631
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	91,103	95,354	95,354	4,251
Libraries	19,000	19,000	19,000	0
Other Social, Cultural, and Recreational	10,756	15,000	15,000	4,244
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	18,899	25,254	25,254	6,355

(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	\$ 36,055	\$ 26,000	\$ 37,756	\$ 1,701
Other Economic and Community Development	233,294	250,000	250,000	16,706
Other Charges	29,265	28,000	30,000	735
Contributions to Other Agencies	0	8,300	8,300	8,300
Total Expenditures	<u>\$ 3,300,850</u>	<u>\$ 3,323,982</u>	<u>\$ 3,503,663</u>	<u>\$ 202,813</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (64,700)	\$ 5,779	\$ (173,902)	\$ 109,202
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 15,000	\$ 15,000	\$ (15,000)
Transfers Out	(20,000)	(10,000)	(20,000)	0
Total Other Financing Sources	<u>\$ (20,000)</u>	<u>\$ 5,000</u>	<u>\$ (5,000)</u>	<u>\$ (15,000)</u>
Net Change in Fund Balance	\$ (84,700)	\$ 10,779	\$ (178,902)	\$ 94,202
Fund Balance, July 1, 2012	<u>1,039,266</u>	<u>821,773</u>	<u>821,773</u>	<u>217,493</u>
Fund Balance, June 30, 2013	<u>\$ 954,566</u>	<u>\$ 832,552</u>	<u>\$ 642,871</u>	<u>\$ 311,695</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 25,379	\$ 28,088	\$ 28,088	\$ (2,709)
Other Local Revenues	46,418	28,000	28,000	18,418
State of Tennessee	1,663,740	1,995,102	1,995,102	(331,362)
Federal Government	0	60,000	60,000	(60,000)
Other Governments and Citizens Groups	3,125	15,000	15,000	(11,875)
Total Revenues	<u>\$ 1,738,662</u>	<u>\$ 2,126,190</u>	<u>\$ 2,126,190</u>	<u>\$ (387,528)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 171,564	\$ 203,361	\$ 203,361	\$ 31,797
Highway and Bridge Maintenance	992,000	1,163,000	1,163,000	171,000
Operation and Maintenance of Equipment	248,203	371,300	371,300	123,097
Other Charges	113,915	132,300	132,300	18,385
Employee Benefits	311,009	377,000	377,000	65,991
Capital Outlay	76,785	188,000	188,000	111,215
<u>Principal on Debt</u>				
Highways and Streets	44,000	44,000	44,000	0
<u>Interest on Debt</u>				
Highways and Streets	4,077	4,077	4,077	0
Total Expenditures	<u>\$ 1,961,553</u>	<u>\$ 2,483,038</u>	<u>\$ 2,483,038</u>	<u>\$ 521,485</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (222,891)</u>	<u>\$ (356,848)</u>	<u>\$ (356,848)</u>	<u>\$ 133,957</u>
Net Change in Fund Balance	\$ (222,891)	\$ (356,848)	\$ (356,848)	\$ 133,957
Fund Balance, July 1, 2012	1,049,276	1,108,698	1,108,698	(59,422)
Fund Balance, June 30, 2013	<u>\$ 826,385</u>	<u>\$ 751,850</u>	<u>\$ 751,850</u>	<u>\$ 74,535</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 289,035
Equity in Pooled Cash and Investments	137,134
Due from Other Governments	<u>32,000</u>
Total Assets	<u>\$ 458,169</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 60,413
Due to Litigants, Heirs, and Others	<u>397,756</u>
Total Liabilities	<u>\$ 458,169</u>

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

LAKE COUNTY, TENNESSEE
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LAKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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, 2013.

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.

Retainage payable in the General Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Fund.

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, 2013, Lake County had \$6,060,000 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.

8. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement to beginning net position totaling \$269,215 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

B. Cash Shortage – Prior 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 \$5,200 restitution to date leaving an outstanding balance of \$30,644.63 due the county at June 30, 2013.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Support Services - Special Education Program major appropriation category (the legal level of control) of the discretely presented School Federal Projects Fund by \$14,371. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lake County and the Lake County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net 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 at June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Land	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
Construction in Progress	0	230,794	0	230,794
Total Capital Assets				
Not Depreciated	<u>\$ 2,364,669</u>	<u>\$ 230,794</u>	<u>\$ 0</u>	<u>\$ 2,595,463</u>

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,773,682	\$ 0	\$ 0	\$ 3,773,682
Infrastructure	2,265,357	567,629	0	2,832,986
Other Capital Assets	3,763,302	120,766	(95,615)	3,788,453
Total Capital Assets				
Depreciated	<u>\$ 9,802,341</u>	<u>\$ 688,395</u>	<u>\$ (95,615)</u>	<u>\$ 10,395,121</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,062,817	\$ 139,388	\$ 0	\$ 2,202,205
Infrastructure	440,729	117,445	0	558,174
Other Capital Assets	3,086,010	131,985	(95,615)	3,122,380
Total Accumulated				
Depreciation	<u>\$ 5,589,556</u>	<u>\$ 388,818</u>	<u>\$ (95,615)</u>	<u>\$ 5,882,759</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 4,212,785</u>	<u>\$ 299,577</u>	<u>\$ 0</u>	<u>\$ 4,512,362</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 6,577,454</u>	<u>\$ 530,371</u>	<u>\$ 0</u>	<u>\$ 7,107,825</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	88,641
Public Health and Welfare	61,370
Agriculture and Natural Resources	3,013
Highway/Public Works	<u>202,879</u>
Total Depreciation Expense -	
Governmental Activities	<u><u>\$ 388,818</u></u>

Discretely Presented Lake County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Not Depreciated:				
Land	\$ 67,365	\$ 0	\$ 0	\$ 67,365
Total Capital Assets				
Not Depreciated	\$ 67,365	\$ 0	\$ 0	\$ 67,365
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 10,185,645	\$ 0	\$ 0	\$ 10,185,645
Other Capital Assets	1,561,477	80,983	(189,597)	1,452,863
Total Capital Assets				
Depreciated	\$ 11,747,122	\$ 80,983	\$ (189,597)	\$ 11,638,508
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,478,827	\$ 308,026	\$ 0	\$ 4,786,853
Other Capital Assets	1,143,639	76,670	(189,597)	1,030,712
Total Accumulated				
Depreciation	\$ 5,622,466	\$ 384,696	\$ (189,597)	\$ 5,817,565
Total Capital Assets				
Depreciated, Net	\$ 6,124,656	\$ (303,713)	\$ 0	\$ 5,820,943
Governmental Activities				
Capital Assets, Net	\$ 6,192,021	\$ (303,713)	\$ 0	\$ 5,888,308

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

Governmental Activities:

Instruction	\$ 273,364
Support Services	106,626
Operation of Non-Instructional Services	<u>4,706</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 384,696</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 493

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government

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

Discretely Presented Lake County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
School Federal Projects Fund	\$ 2,564

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, 2013, 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, 2013, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-13</u>
General Obligation Bonds	2 to 5.5 %	6-1-36	\$ 3,915,000	\$ 3,770,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	7,630,000	7,575,000
Capital Outlay Note	1.96	8-1-16	230,000	186,000

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 335,000	\$ 406,359	\$ 741,359
2015	360,000	397,706	757,706
2016	370,000	388,376	758,376
2017	395,000	378,846	773,846
2018	410,000	368,639	778,639
2019-2023	2,240,000	1,656,644	3,896,644
2024-2028	2,625,000	1,249,579	3,874,579
2029-2033	2,870,000	734,500	3,604,500
2034-2037	1,740,000	158,440	1,898,440
Total	\$ 11,345,000	\$ 5,739,089	\$ 17,084,089

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 45,000	\$ 3,205	\$ 48,205
2015	46,000	2,313	48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	\$ 186,000	\$ 7,389	\$ 193,389

There is \$1,232,265 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and the note totaled \$1,472, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2012	\$ 11,640,000	\$ 238,589
Reductions	(295,000)	(52,589)
Balance, June 30, 2013	\$ 11,345,000	\$ 186,000
Balance Due Within One Year	\$ 335,000	\$ 45,000

	<u>Compensated Absences</u>
Balance, July 1, 2012	\$ 147,815
Additions	75,409
Reductions	<u>(25,232)</u>
Balance, June 30, 2013	<u>\$ 197,992</u>
Balance Due Within One Year	<u>\$ 9,900</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2013	\$ 11,728,992
Less: Due Within One Year	(389,900)
Add: Unamortized Premium on Debt	<u>49,369</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,388,461</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, 2013, was as follows:

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2012	\$ 35,241	\$ 614,761
Additions	26,972	195,488
Reductions	<u>(35,177)</u>	<u>(50,907)</u>
Balance, June 30, 2013	<u>\$ 27,036</u>	<u>\$ 759,342</u>
Balance Due Within One Year	<u>\$ 1,351</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 786,378
Less: Due Within One Year	<u>(1,351)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 785,027</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, 2013, were \$20,661 and \$15,927, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

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

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

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

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

Discretely Presented Lake County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Lake County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Contingent Liabilities

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

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

As described in Note V.E., 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.

D. Change in Administration

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

E. 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.

F. Retirement Commitments

Plan Description

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

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

Funding Policy

Lake County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 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.

G. Other Postemployment Benefits (OPEB)

Plan Description

The Lake County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance

committee created by Section 8-27-302, *Tennessee Code Annotated*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to the Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a contribution toward the health insurance premium of the group medical plan for employees who retire with 30 years of service. This contribution continues until the employee reaches age 65 and is Medicare eligible. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2013, the Lake County School Department contributed \$50,907 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 197,000
Interest on the NOPEBO	24,590
Adjustment to the ARC	(26,102)
Annual OPEB cost	<hr/> \$ 195,488
Less: Amount of contribution	(50,907)
Increase/decrease in NOPEBO	<hr/> \$ 144,581
Net OPEB obligation, 7-1-12	<hr/> 614,761
Net OPEB obligation, 6-30-13	<hr/> <hr/> \$ 759,342

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 185,838	37%	\$ 469,222
6-30-12	"	193,846	25	614,761
6-30-13	"	195,488	26	759,342

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Education 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 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

H. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

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

A. Significant Accounting Policies

1. Reporting Entity

The Lake County Emergency Communications District was created in October 2000 by the legislative body of Lake County, Tennessee, to be an emergency communications district as defined by Tennessee state law. As such, it is considered to be a "municipality" or public

corporation in perpetuity under its corporate name and shall be a body politic and corporate with power of perpetual succession, but without power to levy or collect taxes. All Tennessee emergency communications districts are required to follow the *Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts* developed by the Office of the Comptroller of the Treasury pursuant to Section 7-86-304, *Tennessee Code Annotated*.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. The GASB has established criteria to determine whether (a) an entity has any component units that should be included for financial reporting purposes or (b) the entity itself should be included as a component unit of another reporting entity. The district must obtain the approval of the Lake County Commission before issuance of most debt instruments. The County has determined that this constitutes fiscal dependency by the district and has, therefore, included the district as a component unit of Lake County.

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

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

The district is accounted for as a single enterprise fund as prescribed by the state. Enterprise funds are a type of proprietary fund and, as such, are reported in accordance with generally accepted accounting principles for proprietary funds as defined by GASB. Proprietary fund types are reported using the economic resources measurement focus and the accrual basis of accounting. The aim of this measurement focus is to report all inflows, outflows, and balances affecting or reflecting the entity's net position. The accrual basis of accounting recognizes income as it is earned and expenses as they are incurred, whether or not cash is received or paid out at that time.

Operating revenues in proprietary funds are those revenues generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. The state has defined grants and reimbursements from the Tennessee Emergency Communications Board to be nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

3. Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are recorded for amounts due from telephone companies.

Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 40 years. The district adopted a capitalization policy during the current year. The capitalization threshold is set at \$5,000 per unit cost. Interest costs incurred on financing during the construction or installation period of capital assets are capitalized as part of the cost of the assets. For the year under review, there were no interest costs capitalized.

Impact of Recently Issued Accounting Pronouncements

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB Statement No. 62 had no impact on the district's financial statements.

In June 2011, GASB issued Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a Statement of Net Position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the district had no deferred outflows or deferred inflows of resources.

Net Position Flow Assumption

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the district's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

B. Stewardship, Compliance, and Accountability

Budgetary Information

The district's Board of Directors approves an appropriatory budget annually. The legal level of control is at each line-item of expense; therefore, each line-item must be amended to authorize actual expenditures. The budget is prepared on a basis which differs from generally accepted accounting principles (GAAP) pertaining to proprietary funds, in that (1) revenue and expenses are on the cash basis rather than the accrual basis, (2) noncash expenses such as depreciation and loss on disposal of assets are not budgeted, and (3) certain expenditures for furniture and building improvements were budgeted as expenditures. A reconciliation of the differences between budgetary basis and GAAP basis is as follows.

Increase in Net Position - Budgetary Basis	\$ 45,045
Receivable Adjustments	111,858
Payable Adjustments	(1,379)
Capitalized Expenditures	10,850
Loss on Disposal of Equipment	(11,122)
Depreciation	<u>(59,011)</u>
Increase in Net Position - GAAP Basis	<u>\$ 96,241</u>

C. Detailed Notes on Accounts

1. Deposits and Investments

State statutes authorize the district to invest in bonds, notes, or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. As of June 30, 2013, investments consisted of certificates of deposit only.

Custodial credit risk is the risk that in the event of bank failure the district's deposits may not be returned to it. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the district's agent in the district's name, or by the federal reserve banks acting as third-party agents. As of June 30, 2013, all bank deposits were fully collateralized or insured.

2. Capital Assets

Capital assets activity during the year was as follows:

Descriptions	Balance 7-1-12	Additions	Disposals	Balance 6-30-13
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 0	\$ 42,710	\$ 0	\$ 42,710
Furniture and Fixtures	0	10,806	0	10,806
Communications Equipment	537,160	21,354	129,318	429,196
Office Equipment	14,457	14,476	13,734	15,199
Total Capital Assets Being Depreciated	\$ 551,617	\$ 89,346	\$ 143,052	\$ 497,911
Less Accumulated Depreciation:				
Buildings and Improvements	\$ 0	\$ 712	\$ 0	\$ 712
Furniture and Fixtures	0	454	0	454
Communications Equipment	214,461	55,044	122,242	147,263
Office Equipment	8,587	2,801	9,688	1,700
Total Accumulated Depreciation	\$ 223,048	\$ 59,011	\$ 131,930	\$ 150,129
Total Capital Assets, Net	\$ 328,569	\$ 30,335	\$ 11,122	\$ 347,782

D. Other Information

Risk Management

The district is exposed to various risks related to general and public officials' liability, officers/directors omissions liability, and property and casualty loss. Since the district's operations are run through the Lake County Sheriff's Department, the district is covered by Lake County's insurance. The county

is insured through the Local Government Insurance Pool, which is a public entity risk pool established to provide insurance coverage to local governments and is self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of a fixed amount set by the pool for each insured event. Settlements have not exceeded insurance coverage in any of the prior three years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Lake County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Lake County School Department
June 30, 2013

(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

Exhibit E-2

Lake County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Lake County School Department
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) 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	7-1-09	\$ 0	\$ 1,649	\$ 1,649	0 %	\$ 4,767	35 %
"	7-1-10	0	1,676	1,676	0	4,753	35
"	7-1-11	0	1,539	1,539	0	4,808	32

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in presenting the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

Exhibit F-1

Lake County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	266 \$	266
Equity in Pooled Cash and Investments	3,458	16,038	6,911	0	26,407
Accounts Receivable	0	0	0	227	227
Property Taxes Receivable	0	25,196	0	0	25,196
Allowance for Uncollectible Property Taxes	0	(450)	0	0	(450)
Total Assets	3,458 \$	40,784 \$	6,911 \$	493 \$	51,646
<u>ASSETS</u>					
Cash	0 \$	0 \$	0 \$	266 \$	266
Equity in Pooled Cash and Investments	3,458	16,038	6,911	0	26,407
Accounts Receivable	0	0	0	227	227
Property Taxes Receivable	0	25,196	0	0	25,196
Allowance for Uncollectible Property Taxes	0	(450)	0	0	(450)
Total Assets	3,458 \$	40,784 \$	6,911 \$	493 \$	51,646
<u>LIABILITIES</u>					
Due to Other Funds	0 \$	0 \$	0 \$	493 \$	493
Total Liabilities	0 \$	0 \$	0 \$	493 \$	493
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	0 \$	23,867 \$	0 \$	0 \$	23,867
Deferred Delinquent Property Taxes	0	879	0	0	879
Total Deferred Inflows of Resources	0 \$	24,746 \$	0 \$	0 \$	24,746
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Administration of Justice	3,458 \$	0 \$	0 \$	0 \$	3,458
Restricted for Public Safety	0	0	6,911	0	6,911
Committed:					
Committed for Public Health and Welfare	0	16,038	0	0	16,038
Total Fund Balances	3,458 \$	16,038 \$	6,911 \$	0 \$	26,407
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	3,458 \$	40,784 \$	6,911 \$	493 \$	51,646

Lake County, Tennessee
Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>					
Local Taxes	\$ 3,103 \$	32,618 \$	0 \$	0 \$	35,721
Fines, Forfeitures, and Penalties	0	0	12,003	0	12,003
Charges for Current Services	0	0	0	5,776	5,776
Other Local Revenues	0	1,650	0	0	1,650
Other Governments and Citizens Groups	0	35,777	0	0	35,777
Total Revenues	\$ 3,103 \$	70,045 \$	12,003 \$	5,776 \$	90,927
<u>Expenditures</u>					
Current:					
General Government	0 \$	0 \$	0 \$	463 \$	463
Finance	0	0	0	3,878	3,878
Administration of Justice	523	0	0	1,045	1,568
Public Safety	0	0	19,949	390	20,339
Public Health and Welfare	0	85,820	0	0	85,820
Total Expenditures	\$ 523 \$	85,820 \$	19,949 \$	5,776 \$	112,068
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,580 \$	(15,775) \$	(7,946) \$	0 \$	(21,141)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0 \$	20,000 \$	0 \$	0 \$	20,000
Total Other Financing Sources (Uses)	\$ 0 \$	20,000 \$	0 \$	0 \$	20,000
Net Change in Fund Balances	\$ 2,580 \$	4,225 \$	(7,946) \$	0 \$	(1,141)
Fund Balance, July 1, 2012	878	11,813	14,857	0	27,548
Fund Balance, June 30, 2013	\$ 3,458 \$	16,038 \$	6,911 \$	0 \$	26,407

Exhibit F-3

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,103	\$ 3,000	\$ 3,000	\$ 103
Total Revenues	\$ 3,103	\$ 3,000	\$ 3,000	\$ 103
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 523	\$ 523	\$ 523	\$ 0
Total Expenditures	\$ 523	\$ 523	\$ 523	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,580	\$ 2,477	\$ 2,477	\$ 103
Net Change in Fund Balance	\$ 2,580	\$ 2,477	\$ 2,477	\$ 103
Fund Balance, July 1, 2012	878	878	878	0
Fund Balance, June 30, 2013	\$ 3,458	\$ 3,355	\$ 3,355	\$ 103

Exhibit F-4

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 32,618	\$ 32,455	\$ 32,455	\$ 163
Other Local Revenues	1,650	8,000	8,000	(6,350)
Other Governments and Citizens Groups	35,777	32,000	32,000	3,777
Total Revenues	<u>\$ 70,045</u>	<u>\$ 72,455</u>	<u>\$ 72,455</u>	<u>\$ (2,410)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 41,865	\$ 50,844	\$ 50,844	\$ 8,979
Other Waste Disposal	43,955	34,000	44,000	45
Total Expenditures	<u>\$ 85,820</u>	<u>\$ 84,844</u>	<u>\$ 94,844</u>	<u>\$ 9,024</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (15,775)</u>	<u>\$ (12,389)</u>	<u>\$ (22,389)</u>	<u>\$ 6,614</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Total Other Financing Sources	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 4,225	\$ 7,611	\$ (2,389)	\$ 6,614
Fund Balance, July 1, 2012	<u>11,813</u>	<u>9,652</u>	<u>9,652</u>	<u>2,161</u>
Fund Balance, June 30, 2013	<u>\$ 16,038</u>	<u>\$ 17,263</u>	<u>\$ 7,263</u>	<u>\$ 8,775</u>

Exhibit F-5

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,003	\$ 10,670	\$ 10,670	\$ 1,333
Total Revenues	\$ 12,003	\$ 10,670	\$ 10,670	\$ 1,333
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 19,949	\$ 10,000	\$ 19,951	\$ 2
Total Expenditures	\$ 19,949	\$ 10,000	\$ 19,951	\$ 2
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,946)	\$ 670	\$ (9,281)	\$ 1,335
Net Change in Fund Balance	\$ (7,946)	\$ 670	\$ (9,281)	\$ 1,335
Fund Balance, July 1, 2012	14,857	13,298	13,298	1,559
Fund Balance, June 30, 2013	\$ 6,911	\$ 13,968	\$ 4,017	\$ 2,894

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 476,256	\$ 442,066	\$ 442,066	\$ 34,190
Other Local Revenues	40,633	5,200	5,200	35,433
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 641,889</u>	<u>\$ 572,266</u>	<u>\$ 572,266</u>	<u>\$ 69,623</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 93,079	\$ 58,964	\$ 93,079	\$ 0
Education	234,000	55,000	234,000	0
<u>Interest on Debt</u>				
General Government	230,472	30,395	230,472	0
Education	217,989	263,579	217,989	0
<u>Other Debt Service</u>				
General Government	7,284	5,600	7,284	0
Education	269	2,035	351	82
Total Expenditures	<u>\$ 783,093</u>	<u>\$ 415,573</u>	<u>\$ 783,175</u>	<u>\$ 82</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (141,204)</u>	<u>\$ 156,693</u>	<u>\$ (210,909)</u>	<u>\$ 69,705</u>
Net Change in Fund Balance	\$ (141,204)	\$ 156,693	\$ (210,909)	\$ 69,705
Fund Balance, July 1, 2012	1,373,469	1,371,111	1,371,111	2,358
Fund Balance, June 30, 2013	<u>\$ 1,232,265</u>	<u>\$ 1,527,804</u>	<u>\$ 1,160,202</u>	<u>\$ 72,063</u>

Fiduciary Funds

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

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

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

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

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

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

Exhibit H-1

Lake County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	Agency Funds						Total
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency		
Cash	\$ 0	\$ 0	\$ 0	\$ 289,035	\$ 0	\$ 0	\$ 289,035
Equity in Pooled Cash and Investments	0	28,413	107,320	0	1,401	0	137,134
Due from Other Governments	32,000	0	0	0	0	0	32,000
Total Assets	\$ 32,000	\$ 28,413	\$ 107,320	\$ 289,035	\$ 1,401	\$ 1,401	\$ 458,169
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 32,000	\$ 28,413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,413
Due to Litigants, Heirs, and Others	0	0	107,320	289,035	1,401	1,401	397,756
Total Liabilities	\$ 32,000	\$ 28,413	\$ 107,320	\$ 289,035	\$ 1,401	\$ 1,401	\$ 458,169

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 178,672	\$ 178,672	\$ 0
Due from Other Governments	34,000	32,000	34,000	32,000
Total Assets	\$ 34,000	\$ 210,672	\$ 212,672	\$ 32,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 34,000	\$ 210,672	\$ 212,672	\$ 32,000
Total Liabilities	\$ 34,000	\$ 210,672	\$ 212,672	\$ 32,000
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 22,437	\$ 10,495	\$ 4,519	\$ 28,413
Total Assets	\$ 22,437	\$ 10,495	\$ 4,519	\$ 28,413
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 22,437	\$ 10,495	\$ 4,519	\$ 28,413
Total Liabilities	\$ 22,437	\$ 10,495	\$ 4,519	\$ 28,413
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 29,460	\$ 828,965	\$ 751,105	\$ 107,320
Due from Other Governments	39,005	0	39,005	0
Total Assets	\$ 68,465	\$ 828,965	\$ 790,110	\$ 107,320
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 68,465	\$ 828,965	\$ 790,110	\$ 107,320
Total Liabilities	\$ 68,465	\$ 828,965	\$ 790,110	\$ 107,320

(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	\$ 295,592	\$ 954,783	\$ 961,340	\$ 289,035
Investments	23,760	0	23,760	0
Total Assets	\$ 319,352	\$ 954,783	\$ 985,100	\$ 289,035
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 319,352	\$ 954,783	\$ 985,100	\$ 289,035
Total Liabilities	\$ 319,352	\$ 954,783	\$ 985,100	\$ 289,035
<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	\$ 295,592	\$ 954,783	\$ 961,340	\$ 289,035
Equity in Pooled Cash and Investments	53,298	1,018,132	934,296	137,134
Investments	23,760	0	23,760	0
Due from Other Governments	73,005	32,000	73,005	32,000
Total Assets	\$ 445,655	\$ 2,004,915	\$ 1,992,401	\$ 458,169
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 56,437	\$ 221,167	\$ 217,191	\$ 60,413
Due to Litigants, Heirs, and Others	389,218	1,783,748	1,775,210	397,756
Total Liabilities	\$ 445,655	\$ 2,004,915	\$ 1,992,401	\$ 458,169

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, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 5,247,558	\$ 0	\$ 495,553	\$ (4,752,005)
Support Services	2,749,260	0	322,005	(2,427,255)
Operation of Non-Instructional Services	870,799	81,689	801,161	12,051
Other Debt Service	125,000	0	0	(125,000)
Total Governmental Activities	\$ 8,992,617	\$ 81,689	\$ 1,618,719	\$ (7,292,209)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 821,235
Local Option Sales Taxes				323,741
Wheel Tax				42,146
Business Tax				3,539
Other Local Taxes				637
Grants and Contributions Not Restricted for Specific Programs				5,527,234
Miscellaneous				23,874
Total General Revenues				\$ 6,742,406
Change in Net Position				\$ (549,803)
Net Position, July 1, 2012				7,960,689
Net Position, June 30, 2013				<u><u>\$ 7,410,886</u></u>

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2013

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,102,229	\$ 33,518	\$ 2,135,747
Due from Other Governments	172,361	1,989	174,350
Property Taxes Receivable	823,910	0	823,910
Allowance for Uncollectible Property Taxes	(14,718)	0	(14,718)
Total Assets	<u>\$ 3,083,782</u>	<u>\$ 35,507</u>	<u>\$ 3,119,289</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 14,866	\$ 0	\$ 14,866
Accrued Payroll	15,000	0	15,000
Total Liabilities	<u>\$ 29,866</u>	<u>\$ 0</u>	<u>\$ 29,866</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 780,467	\$ 0	\$ 780,467
Deferred Delinquent Property Taxes	28,725	0	28,725
Other Deferred/Unavailable Revenue	30,000	0	30,000
Total Deferred Inflows of Resources	<u>\$ 839,192</u>	<u>\$ 0</u>	<u>\$ 839,192</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 35,507	\$ 35,507
Unassigned	2,214,724	0	2,214,724
Total Fund Balances	<u>\$ 2,214,724</u>	<u>\$ 35,507</u>	<u>\$ 2,250,231</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,083,782</u>	<u>\$ 35,507</u>	<u>\$ 3,119,289</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, 2013

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)		\$ 2,250,231
(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	5,398,792	
Add: other capital assets net of accumulated depreciation	<u>422,151</u>	5,888,308
(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	\$ (27,036)	
Less: other postemployment benefits liability	<u>(759,342)</u>	(786,378)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>58,725</u>
Net position of governmental activities (Exhibit A)		<u>\$ 7,410,886</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, 2013

	Major Funds		Total Governmental Funds
	General Purpose School	School Federal Projects	
<u>Revenues</u>			
Local Taxes	\$ 1,198,288	\$ 0	\$ 1,198,288
Licenses and Permits	476	0	476
Charges for Current Services	81,689	0	81,689
Other Local Revenues	23,874	0	23,874
State of Tennessee	5,744,004	0	5,744,004
Federal Government	474,672	926,801	1,401,473
Total Revenues	<u>\$ 7,523,003</u>	<u>\$ 926,801</u>	<u>\$ 8,449,804</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,049,527	\$ 739,264	\$ 4,788,791
Support Services	2,514,084	217,738	2,731,822
Operation of Non-Instructional Services	864,914	0	864,914
Capital Outlay	48,355	0	48,355
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,601,880</u>	<u>\$ 957,002</u>	<u>\$ 8,558,882</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (78,877)</u>	<u>\$ (30,201)</u>	<u>\$ (109,078)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 6,354	\$ 0	\$ 6,354
Transfers In	2,564	0	2,564
Transfers Out	0	(2,564)	(2,564)
Total Other Financing Sources (Uses)	<u>\$ 8,918</u>	<u>\$ (2,564)</u>	<u>\$ 6,354</u>
Net Change in Fund Balances	\$ (69,959)	\$ (32,765)	\$ (102,724)
Fund Balance, July 1, 2012	<u>2,284,683</u>	<u>68,272</u>	<u>2,352,955</u>
Fund Balance, June 30, 2013	<u>\$ 2,214,724</u>	<u>\$ 35,507</u>	<u>\$ 2,250,231</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, 2013

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)		\$ (102,724)
(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	\$ 80,983	
Less: current-year depreciation expense	<u>(384,696)</u>	(303,713)
(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, 2013	\$ 58,725	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(65,715)</u>	(6,990)
(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	\$ 8,205	
Change in other postemployment benefits liability	<u>(144,581)</u>	<u>(136,376)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (549,803)</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,198,288	\$ 1,249,715	\$ 1,279,167	\$ (80,879)
Licenses and Permits	476	400	400	76
Charges for Current Services	81,689	75,000	81,856	(167)
Other Local Revenues	23,874	19,573	26,349	(2,475)
State of Tennessee	5,744,004	5,583,460	5,678,835	65,169
Federal Government	474,672	472,436	514,097	(39,425)
Total Revenues	\$ 7,523,003	\$ 7,400,584	\$ 7,580,704	\$ (57,701)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,377,879	\$ 3,403,466	\$ 3,439,858	\$ 61,979
Special Education Program	431,547	441,360	441,360	9,813
Vocational Education Program	240,101	233,437	240,101	0
<u>Support Services</u>				
Attendance	41,935	40,342	41,938	3
Health Services	61,260	58,052	61,260	0
Other Student Support	196,190	198,568	198,569	2,379
Regular Instruction Program	256,425	269,389	269,390	12,965
Special Education Program	100,073	100,929	100,929	856
Other Programs	36,588	0	36,588	0
Board of Education	143,172	133,356	144,724	1,552
Director of Schools	146,112	162,997	168,310	22,198
Office of the Principal	483,034	486,183	486,182	3,148
Fiscal Services	68,684	71,538	71,538	2,854
Operation of Plant	637,592	634,957	670,765	33,173
Maintenance of Plant	112,730	145,270	145,270	32,540
Transportation	230,289	273,581	270,924	40,635
<u>Operation of Non-Instructional Services</u>				
Food Service	548,021	503,949	552,466	4,445
Early Childhood Education	316,893	316,893	316,893	0
<u>Capital Outlay</u>				
Regular Capital Outlay	48,355	175,000	50,000	1,645
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,601,880	\$ 7,649,267	\$ 7,832,065	\$ 230,185
Excess (Deficiency) of Revenues Over Expenditures	\$ (78,877)	\$ (248,683)	\$ (251,361)	\$ 172,484
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 6,354	\$ 0	\$ 3,207	\$ 3,147
Transfers In	2,564	3,000	3,000	(436)
Total Other Financing Sources	\$ 8,918	\$ 3,000	\$ 6,207	\$ 2,711
Net Change in Fund Balance	\$ (69,959)	\$ (245,683)	\$ (245,154)	\$ 175,195
Fund Balance, July 1, 2012	2,284,683	2,211,348	2,211,348	73,335
Fund Balance, June 30, 2013	\$ 2,214,724	\$ 1,965,665	\$ 1,966,194	\$ 248,530

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 926,801	\$ 625,004	\$ 1,094,799	\$ (167,998)
Total Revenues	\$ 926,801	\$ 625,004	\$ 1,094,799	\$ (167,998)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 447,231	\$ 98,471	\$ 491,806	\$ 44,575
Special Education Program	277,879	351,376	349,483	71,604
Vocational Education Program	14,154	12,356	14,157	3
<u>Support Services</u>				
Other Student Support	86,180	102,126	102,325	16,145
Regular Instruction Program	101,444	39,815	116,638	15,194
Special Education Program	29,122	15,000	14,751	(14,371)
Vocational Education Program	992	992	992	0
Total Expenditures	\$ 957,002	\$ 620,136	\$ 1,090,152	\$ 133,150
Excess (Deficiency) of Revenues Over Expenditures	\$ (30,201)	\$ 4,868	\$ 4,647	\$ (34,848)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (2,564)	\$ (4,868)	\$ (4,647)	\$ 2,083
Total Other Financing Sources	\$ (2,564)	\$ (4,868)	\$ (4,647)	\$ 2,083
Net Change in Fund Balance	\$ (32,765)	\$ 0	\$ 0	\$ (32,765)
Fund Balance, July 1, 2012	68,272	0	0	68,272
Fund Balance, June 30, 2013	\$ 35,507	\$ 0	\$ 0	\$ 35,507

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2013

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	<u>\$ 336,153</u>
<u>NET POSITION</u>	
Held in Trust for College Scholarships for Lake County Students	<u>\$ 336,153</u>

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, 2013

	<u>Other Trust Fund</u> <u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 3,702
Total Additions	<u>\$ 3,702</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 1,250
Contribution	<u>50,457</u>
Total Deductions	<u>\$ 51,707</u>
Change in Net Position	\$ (48,005)
Net Position, July 1, 2012	<u>384,158</u>
Net Position, June 30, 2013	<u><u>\$ 336,153</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
Schedule of Changes in Long-term Notes and Bonds
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or		
						Matured During Period	Outstanding 6-30-13	
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Sheriff Department Vehicles	\$ 24,710	4.25 %	3-24-10	3-24-13	\$ 8,589	\$ 8,589	\$ 0	
<u>Payable through Highway/Public Works Fund</u>								
Highway Department Equipment	230,000	1.96	8-31-11	8-01-16	\$ 230,000	\$ 44,000	\$ 186,000	
Total Notes Payable					\$ 238,589	\$ 52,589	\$ 186,000	
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Bonds, Series 2003	7,150,000	3.5 to 4.65	12-4-03	6-1-13	\$ 190,000	\$ 190,000	\$ 0	
General Obligation - Port Authority, Series 2007	2,750,000	5.5	1-3-07	6-1-36	2,655,000	50,000	2,605,000	
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	7,630,000	55,000	7,575,000	
Total Bonds Payable					\$ 11,640,000	\$ 295,000	\$ 11,345,000	

Exhibit J-2

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

Year Ending June 30	Note		Total
	Principal	Interest	
2014	\$ 45,000	\$ 3,205	\$ 48,205
2015	46,000	2,313	48,313
2016	47,000	1,401	48,401
2017	48,000	470	48,470
Total	\$ 186,000	\$ 7,389	\$ 193,389

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 335,000	\$ 406,359	\$ 741,359
2015	360,000	397,706	757,706
2016	370,000	388,376	758,376
2017	395,000	378,846	773,846
2018	410,000	368,639	778,639
2019	420,000	357,954	777,954
2020	435,000	346,891	781,891
2021	445,000	332,451	777,451
2022	460,000	317,459	777,459
2023	480,000	301,889	781,889
2024	490,000	285,441	775,441
2025	505,000	268,566	773,566
2026	520,000	250,739	770,739
2027	545,000	232,334	777,334
2028	565,000	212,499	777,499
2029	590,000	191,924	781,924
2030	615,000	169,884	784,884
2031	535,000	146,333	681,333
2032	555,000	124,532	679,532
2033	575,000	101,827	676,827
2034	600,000	77,295	677,295
2035	635,000	51,645	686,645
2036	350,000	23,300	373,300
2037	155,000	6,200	161,200
Total	\$ 11,345,000	\$ 5,739,089	\$ 17,084,089

Exhibit J-3

Lake County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ <u>20,000</u>
Total Transfers Primary Government			\$ <u>20,000</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>2,564</u>
Total Transfers Discretely Presented Lake County School Department			\$ <u>2,564</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 63,291 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, TCA	59,163	100,000	"
Director of Schools:				
Amy Floyd (7-1-12 through 8-31-12)	State Board of Education and Lake County Board of Education	17,977 (2)	50,000	"
Howard Todd (9-1-12 through 10-31-12)	State Board of Education and Lake County Board of Education	5,314	50,000	"
Corwin Robinson (11-1-12 through 6-30-13)	Lake County Board of Education and State Board of Education	61,096 (3)	150,000	Tennessee Risk Management Trust
Trustee	Lake County Board of Education			
Assessor of Property	Section 8-24-102, TCA	53,239	359,302	Traveler's Casualty and Surety Company of America
County Clerk	Section 8-24-102, TCA	53,239	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	53,239	25,000	"
Clerk and Master	Section 8-24-102, TCA	53,239	25,000	"
Register of Deeds	Section 8-24-102, TCA	53,239	50,000	RLI Insurance Company
Sheriff	Section 8-24-102, TCA	58,563 (4)	15,000	Traveler's Casualty and Surety Company of America
			25,000	"
<u>Blanket Bond:</u>				
County and Highway Employees			150,000	Local Government Property and Casualty Fund
Director of School's Office			150,000	Tennessee Risk Management Trust

- (1) Includes \$1,800 for serving as chairman of the County Commission.
- (2) Does not include an \$800 vehicle allowance or \$1,877 in health, vision, and dental insurance premiums.
- (3) Includes a chief executive officer training supplement of \$1,000. Does not include a \$3,200 vehicle allowance or \$6,814 in health, vision, and dental insurance premiums.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Lake County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
Local Taxes									
<u>County Property Taxes</u>									
Current Property Tax	\$ 790,644	\$ 0	\$ 23,978	\$ 0	\$ 0	\$ 23,978	\$ 69,574	\$ 908,174	
Trustee's Collections - Prior Year	31,156	0	1,044	0	0	1,044	3,033	36,277	
Circuit/Clerk & Master Collections - Prior Years	2,158	0	130	0	0	130	288	2,706	
Interest and Penalty	6,844	0	227	0	0	227	660	7,958	
Payments in-Lieu-of Taxes - Other	15,291	0	0	0	0	0	0	15,291	
<u>County Local Option Taxes</u>									
Local Option Sales Tax	65,170	0	0	0	0	0	323,744	388,914	
Hotel/Motel Tax	28,249	0	0	0	0	0	0	28,249	
Wheel Tax	127,543	0	7,239	0	0	0	72,675	207,457	
Litigation Tax - General	9,837	0	0	0	0	0	9,837	9,837	
Litigation Tax - Special Purpose	564	3,103	0	0	0	0	0	3,667	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	4,400	4,400	
Litigation Tax - Courtroom Security	13,643	0	0	0	0	0	0	13,643	
Business Tax	29,827	0	0	0	0	0	1,882	31,709	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	1,073	0	0	0	0	0	0	1,073	
Wholesale Beer Tax	13,663	0	0	0	0	0	0	13,663	
Interstate Telecommunications Tax	140	0	0	0	0	0	0	140	
Total Local Taxes	\$ 1,135,802	\$ 3,103	\$ 32,618	\$ 0	\$ 0	\$ 25,379	\$ 476,256	\$ 1,673,158	
<u>Licenses and Permits</u>									
Animal Registration	557	0	0	0	0	0	0	557	
Cable TV Franchise	7,137	0	0	0	0	0	0	7,137	
Permits									
Building Permits	1,589	0	0	0	0	0	0	1,589	
Other Permits	585	0	0	0	0	0	0	585	
Total Licenses and Permits	\$ 9,868	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,868	
<u>Fines, Forfeitures, and Penalties</u>									
Circuit Court									
Officers Costs	8,710	0	0	0	0	0	0	8,710	
Drug Control Fines	5,842	0	1,116	0	0	0	0	6,958	
Drug Court Fees	66	0	700	0	0	0	0	766	
Data Entry Fee - Circuit Court	530	0	0	0	0	0	0	530	

(Continued)

Exhibit J-5

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Fines	3,149	0	0	0	0	0	0	0	3,149
Fines for Littering	95	0	0	0	0	0	0	0	95
Officers Costs	7,311	0	0	0	0	0	0	0	7,311
Game and Fish Fines	25	0	0	0	0	0	0	0	25
Drug Court Fees	803	0	0	0	0	0	0	0	803
Jail Fees	15,465	0	0	0	0	0	0	0	15,465
DUI Treatment Fines	950	0	0	0	0	0	0	0	950
Data Entry Fee - General Sessions Court	1,794	0	0	0	0	0	0	0	1,794
Courtroom Security Fee	93	0	0	0	0	0	0	0	93
<u>Juvenile Court</u>									
Fines	753	0	0	0	0	0	0	0	753
Officers Costs	68	0	0	0	0	0	0	0	68
Jail Fees	300	0	0	0	0	0	0	0	300
Data Entry Fee - Juvenile Court	36	0	0	0	0	0	0	0	36
<u>Chancery Court</u>									
Officers Costs	590	0	0	0	0	0	0	0	590
Data Entry Fee - Chancery Court	368	0	0	0	0	0	0	0	368
Courtroom Security Fee	23	0	0	0	0	0	0	0	23
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	400	0	0	10,187	0	0	0	0	10,587
Total Fines, Forfeitures, and Penalties	\$ 47,371	\$ 0	\$ 0	\$ 12,003	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,374
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	690,465	0	0	0	0	0	0	0	690,465
<u>Fees</u>									
Copy Fees	8	0	0	0	0	0	0	0	8
Archives and Records Management Fee - County Clerk	2,534	0	0	0	0	0	0	0	2,534
Telephone Commissions	5,140	0	0	0	0	0	0	0	5,140
Constitutional Officers' Fees and Commissions	0	0	0	0	5,776	0	0	0	5,776
Data Processing Fee - Register	1,502	0	0	0	0	0	0	0	1,502
Data Processing Fee - Sheriff	648	0	0	0	0	0	0	0	648
Sexual Offender Registration Fees - Sheriff	650	0	0	0	0	0	0	0	650
Data Processing Fee - County Clerk	68	0	0	0	0	0	0	0	68
Total Charges for Current Services	\$ 701,015	\$ 0	\$ 0	\$ 0	\$ 5,776	\$ 0	\$ 0	\$ 0	\$ 706,791

(Continued)

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 58,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,545
Lease/Rentals	19,800	0	0	0	0	0	40,633	0	60,433
Sale of Materials and Supplies	0	0	1,650	0	0	0	0	0	1,650
Commissary Sales	2,545	0	0	0	0	0	0	0	2,545
Miscellaneous Refunds	4,463	0	0	0	0	0	0	0	4,463
<u>Nonrecurring Items</u>									
Sale of Equipment	0	0	0	0	0	46,418	0	0	46,418
Sale of Property	2,350	0	0	0	0	0	0	0	2,350
<u>Other Local Revenues</u>									
Total Other Local Revenues	\$ 97,488	\$ 0	\$ 1,650	\$ 0	\$ 0	\$ 46,418	\$ 40,633	\$ 0	\$ 186,189
<u>Fees Received from County Officials</u>									
<u>Fees in-Lieu-of Salary</u>									
County Clerk	\$ 51,941	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,941
Circuit Court Clerk	36,496	0	0	0	0	0	0	0	36,496
General Sessions Court Clerk	25,405	0	0	0	0	0	0	0	25,405
Clerk and Master	14,249	0	0	0	0	0	0	0	14,249
Juvenile Court Clerk	3,846	0	0	0	0	0	0	0	3,846
Register	17,646	0	0	0	0	0	0	0	17,646
Sheriff	2,876	0	0	0	0	0	0	0	2,876
Trustee	84,112	0	0	0	0	0	0	0	84,112
Total Fees Received from County Officials	\$ 236,571	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 236,571
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	54,371	0	0	0	0	0	0	0	54,371
Public Safety Grants									
Law Enforcement Training Programs	6,000	0	0	0	0	0	0	0	6,000
Other Public Safety Grants	5,000	0	0	0	0	0	0	0	5,000
Health and Welfare Grants									
Health Department Programs	23,936	0	0	0	0	0	0	0	23,936
Public Works Grants									
State Aid Program	0	0	0	0	0	449,065	0	0	449,065
Litter Program	20,989	0	0	0	0	0	0	0	20,989

(Continued)

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

	Special Revenue Funds						Debt Service Fund		Total
	General	Law Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues</u>									
Income Tax	\$ 3,572	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,572
Beer Tax	18,586	0	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	16,736	0	0	0	0	0	0	0	16,736
Contracted Prisoner Boarding	443,853	0	0	0	0	0	0	0	443,853
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,209,024	0	0	1,209,024
Petroleum Special Tax	0	0	0	0	0	5,651	0	0	5,651
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	15,164
Total State of Tennessee	\$ 617,207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,663,740	\$ 0	\$ 0	\$ 2,280,947
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	\$ 206,229	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 206,229
Civil Defense Reimbursement	10,000	0	0	0	0	0	0	0	10,000
Homeland Security Grants	57,102	0	0	0	0	0	0	0	57,102
Direct Federal Revenue	1,400	0	0	0	0	0	0	0	1,400
Other Direct Federal Revenue	274,731	0	0	0	0	0	0	0	274,731
Total Federal Government	\$ 549,862	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 549,862
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,125	\$ 0	\$ 0	\$ 3,125
Contributions	0	0	35,777	0	0	0	125,000	0	160,777
Contracted Services	116,097	0	0	0	0	0	0	0	116,097
Total Other Governments and Citizens Groups	\$ 116,097	\$ 0	\$ 35,777	\$ 0	\$ 0	\$ 3,125	\$ 125,000	\$ 0	\$ 279,999
Total	\$ 3,236,150	\$ 3,103	\$ 70,045	\$ 12,003	\$ 5,776	\$ 1,738,662	\$ 641,889	\$ 0	\$ 5,707,628

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, 2013

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 784,156	\$ 0	\$ 784,156
Trustee's Collections - Prior Year	34,189	0	34,189
Circuit/Clerk & Master Collections - Prior Years	2,446	0	2,446
Interest and Penalty	7,434	0	7,434
<u>County Local Option Taxes</u>			
Local Option Sales Tax	323,741	0	323,741
Wheel Tax	42,146	0	42,146
Business Tax	3,539	0	3,539
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	637	0	637
Total Local Taxes	\$ 1,198,288	\$ 0	\$ 1,198,288
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 352	\$ 0	\$ 352
<u>Permits</u>			
Other Permits	124	0	124
Total Licenses and Permits	\$ 476	\$ 0	\$ 476
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 81,689	\$ 0	\$ 81,689
Total Charges for Current Services	\$ 81,689	\$ 0	\$ 81,689
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Refund of Telecommunication & Internet Fees (E-Rate)	\$ 14,976	\$ 0	\$ 14,976
Miscellaneous Refunds	2,325	0	2,325
<u>Nonrecurring Items</u>			
Sale of Equipment	3,050	0	3,050
Damages Recovered from Individuals	400	0	400
<u>Other Local Revenues</u>			
Other Local Revenues	3,123	0	3,123
Total Other Local Revenues	\$ 23,874	\$ 0	\$ 23,874
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-Behalf Contributions for OPEB	\$ 36,588	\$ 0	\$ 36,588
<u>State Education Funds</u>			
Basic Education Program	4,899,522	0	4,899,522
Early Childhood Education	316,893	0	316,893
School Food Service	8,514	0	8,514
Energy Efficient School Initiative	16,985	0	16,985
Other State Education Funds	170,826	0	170,826
Career Ladder Program	57,621	0	57,621
Career Ladder - Extended Contract	19,400	0	19,400
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	217,655	0	217,655
Total State of Tennessee	\$ 5,744,004	\$ 0	\$ 5,744,004
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 299,361	\$ 0	\$ 299,361
USDA - Commodities	32,661	0	32,661
Breakfast	113,476	0	113,476

(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>Federal Government (Cont.)</u>			
<u>Federal Through State (Cont.)</u>			
USDA - Other	\$ 11,995	\$ 0	\$ 11,995
Vocational Education - Basic Grants to States	0	19,848	19,848
Title I Grants to Local Education Agencies	0	409,705	409,705
Special Education - Grants to States	0	257,406	257,406
Special Education Preschool Grants	0	10,061	10,061
Rural Education	0	18,647	18,647
Eisenhower Professional Development State Grants	3,936	89,933	93,869
Race-to-the-Top - ARRA	0	121,201	121,201
Other Federal through State	13,243	0	13,243
Total Federal Government	<u>\$ 474,672</u>	<u>\$ 926,801</u>	<u>\$ 1,401,473</u>
Total	<u>\$ 7,523,003</u>	<u>\$ 926,801</u>	<u>\$ 8,449,804</u>

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	1,800	
Other Per Diem and Fees		21,600	
Social Security		1,790	
State Retirement		506	
Unemployment Compensation		138	
Total County Commission			\$ 25,834

County Mayor/Executive

County Official/Administrative Officer	\$	61,491	
Secretary(ies)		29,486	
Longevity Pay		87	
Other Salaries and Wages		418	
Social Security		6,998	
State Retirement		4,669	
Unemployment Compensation		211	
Communication		5,137	
Data Processing Services		7,982	
Postal Charges		1,241	
Printing, Stationery, and Forms		484	
Rentals		592	
Travel		254	
Electricity		689	
Natural Gas		356	
Office Supplies		2,215	
Water and Sewer		70	
Total County Mayor/Executive			122,380

County Attorney

County Official/Administrative Officer	\$	1,800	
Legal Services		7,587	
Total County Attorney			9,387

Election Commission

County Official/Administrative Officer	\$	47,925	
Election Commission		2,876	
Election Workers		7,230	
Social Security		3,666	
State Retirement		2,789	
Communication		562	
Data Processing Services		7,154	
Legal Notices, Recording, and Court Costs		96	
Maintenance and Repair Services - Equipment		811	
Postal Charges		1,461	
Printing, Stationery, and Forms		6,401	
Travel		437	
Natural Gas		1,732	
Office Supplies		1,090	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			85,190

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		7,389	
Longevity Pay		96	
Social Security		4,645	
State Retirement		3,098	
Unemployment Compensation		67	
Communication		551	
Data Processing Services		1,440	
Postal Charges		299	
Printing, Stationery, and Forms		379	
Rentals		980	
Electricity		481	
Natural Gas		249	
Office Supplies		713	
Water and Sewer		49	
Building and Contents Insurance		699	
Workers' Compensation Insurance		30	
Total Register of Deeds			\$ 74,404

Development

Other Contracted Services	\$	11,124	
Total Development			11,124

County Buildings

Communication	\$	2,232	
Maintenance and Repair Services - Buildings		9,033	
Maintenance and Repair Services - Equipment		2,480	
Pest Control		2,572	
Custodial Supplies		2,971	
Electricity		7,713	
Natural Gas		3,601	
Water and Sewer		1,161	
Building and Contents Insurance		7,036	
Workers' Compensation Insurance		4,412	
Heating and Air Conditioning Equipment		2,800	
Total County Buildings			46,011

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	53,239	
Secretary(ies)		19,511	
Longevity Pay		552	
Other Salaries and Wages		9,964	
Social Security		6,354	
State Retirement		4,263	
Unemployment Compensation		319	
Communication		401	
Postal Charges		559	
Rentals		359	
Travel		1,120	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Contracted Services	\$	6,761	
Electricity		347	
Natural Gas		179	
Office Supplies		565	
Water and Sewer		32	
Building and Contents Insurance		690	
Workers' Compensation Insurance		90	
Total Property Assessor's Office			\$ 105,305

County Trustee's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		19,511	
Longevity Pay		336	
Social Security		5,591	
State Retirement		4,234	
Unemployment Compensation		290	
Communication		723	
Data Processing Services		5,742	
Postal Charges		1,633	
Printing, Stationery, and Forms		364	
Rentals		1,365	
Electricity		369	
Natural Gas		191	
Office Supplies		5,303	
Water and Sewer		37	
Building and Contents Insurance		966	
Workers' Compensation Insurance		65	
Total County Trustee's Office			99,959

County Clerk's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		19,511	
Part-time Personnel		5,075	
Longevity Pay		432	
Other Salaries and Wages		25	
Social Security		5,989	
State Retirement		4,260	
Unemployment Compensation		274	
Communication		717	
Postal Charges		1,631	
Printing, Stationery, and Forms		548	
Other Contracted Services		1,870	
Electricity		1,924	
Natural Gas		356	
Office Supplies		1,243	
Water and Sewer		607	
Other Supplies and Materials		151	
Building and Contents Insurance		1,006	
Workers' Compensation Insurance		100	
Total County Clerk's Office			98,958

(Continued)

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		58,532	
Longevity Pay		312	
Other Salaries and Wages		350	
Jury and Witness Expense		5,337	
Social Security		8,574	
State Retirement		5,006	
Unemployment Compensation		475	
Communication		1,230	
Data Processing Services		9,764	
Postal Charges		2,164	
Printing, Stationery, and Forms		441	
Rentals		3,625	
Electricity		3,916	
Natural Gas		2,025	
Office Supplies		4,055	
Water and Sewer		396	
Building and Contents Insurance		6,900	
Workers' Compensation Insurance		200	
Total Circuit Court			\$ 166,541

General Sessions Court

Judge(s)	\$	88,231	
Other Salaries and Wages		2,200	
Social Security		6,679	
State Retirement		5,135	
Communication		632	
Postal Charges		386	
Travel		1,447	
Other Contracted Services		1,495	
Electricity		241	
Natural Gas		125	
Office Supplies		120	
Water and Sewer		24	
Building and Contents Insurance		425	
Workers' Compensation Insurance		150	
Total General Sessions Court			107,290

Chancery Court

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		9,754	
Longevity Pay		360	
Social Security		4,847	
State Retirement		3,098	
Unemployment Compensation		227	
Communication		370	
Data Processing Services		3,764	
Postal Charges		562	
Printing, Stationery, and Forms		915	
Electricity		440	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Natural Gas	\$	227	
Office Supplies		1,102	
Water and Sewer		44	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			\$ 79,864

Juvenile Court

County Official/Administrative Officer	\$	27,984	
Other Salaries and Wages		100	
Social Security		2,148	
State Retirement		1,634	
Unemployment Compensation		154	
Communication		698	
Data Processing Services		2,000	
Postal Charges		238	
Travel		1,002	
Other Contracted Services		12,103	
Electricity		305	
Natural Gas		158	
Office Supplies		955	
Water and Sewer		31	
Other Supplies and Materials		343	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			50,465

Other Administration of Justice

Library Books/Media	\$	2,518	
Total Other Administration of Justice			2,518

Courtroom Security

Other Contracted Services	\$	2,159	
Law Enforcement Supplies		372	
Total Courtroom Security			2,531

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	58,563	
Deputy(ies)		235,036	
Salary Supplements		5,400	
Dispatchers/Radio Operators		102	
Secretary(ies)		22,433	
Bonus Payments		12,379	
Other Salaries and Wages		10,170	
In-Service Training		640	
Social Security		26,223	
State Retirement		19,023	
Unemployment Compensation		1,667	
Communication		13,826	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Contracts with Government Agencies	\$	670	
Data Processing Services		3,125	
Maintenance and Repair Services - Vehicles		12,499	
Postal Charges		825	
Printing, Stationery, and Forms		418	
Rentals		2,880	
Travel		3,054	
Electricity		2,897	
Gasoline		35,024	
Natural Gas		10,508	
Office Supplies		6,310	
Uniforms		5,074	
Water and Sewer		4,346	
Other Supplies and Materials		682	
Building and Contents Insurance		30,747	
Workers' Compensation Insurance		7,659	
Total Sheriff's Department			\$ 532,180

Jail

Dispatchers/Radio Operators	\$	210,155	
Guards		17,074	
Part-time Personnel		29,872	
Bonus Payments		10,569	
In-Service Training		1,074	
Social Security		20,453	
State Retirement		13,413	
Unemployment Compensation		2,496	
Maintenance and Repair Services - Buildings		3,504	
Maintenance and Repair Services - Equipment		8,870	
Medical and Dental Services		66,243	
Custodial Supplies		16,562	
Electricity		24,548	
Food Supplies		101,606	
Natural Gas		3,551	
Uniforms		1,750	
Water and Sewer		7,387	
Other Supplies and Materials		6,132	
Building and Contents Insurance		15,000	
Workers' Compensation Insurance		6,487	
Heating and Air Conditioning Equipment		854	
Total Jail			567,600

Civil Defense

Social Security	\$	765	
State Retirement		582	
Unemployment Compensation		36	
Other Contracted Services		6,538	
Other Charges		62,917	
Total Civil Defense			70,838

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	23,125	
Social Security		1,769	
Unemployment Compensation		167	
Communication		962	
Contracts with Government Agencies		3,327	
Maintenance and Repair Services - Buildings		4,129	
Postal Charges		85	
Travel		118	
Other Contracted Services		6,540	
Custodial Supplies		595	
Electricity		5,534	
Natural Gas		1,672	
Office Supplies		397	
Water and Sewer		1,546	
Building and Contents Insurance		3,000	
Workers' Compensation Insurance		700	
Total Local Health Center			\$ 53,666

Ambulance/Emergency Medical Services

Supervisor/Director	\$	33,756	
Medical Personnel		294,078	
Secretary(ies)		19,479	
Bonus Payments		10,893	
Social Security		27,384	
State Retirement		7,460	
Unemployment Compensation		3,761	
Ambulance Services		1,875	
Communication		2,788	
Licenses		280	
Maintenance and Repair Services - Vehicles		11,527	
Postal Charges		1,362	
Rentals		1,006	
Travel		1,314	
Other Contracted Services		6,102	
Drugs and Medical Supplies		24,876	
Electricity		5,326	
Gasoline		32,913	
Natural Gas		1,525	
Office Supplies		3,082	
Uniforms		1,189	
Water and Sewer		956	
Other Supplies and Materials		2,082	
Building and Contents Insurance		6,779	
Workers' Compensation Insurance		25,271	
Total Ambulance/Emergency Medical Services			527,064

Sanitation Management

Deputy(ies)	\$	15,317	
Education Media Personnel		3,710	
Social Security		1,172	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Unemployment Compensation	\$	309	
Maintenance and Repair Services - Vehicles		484	
Gasoline		2,061	
Other Charges		316	
Total Sanitation Management			\$ 23,369

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	22,167	
Supervisor/Director		16,390	
Social Security		3,975	
State Retirement		2,244	
Unemployment Compensation		480	
Communication		3,026	
Maintenance and Repair Services - Buildings		698	
Postal Charges		47	
Travel		2,180	
Other Contracted Services		29,839	
Custodial Supplies		69	
Electricity		3,734	
Natural Gas		997	
Office Supplies		2,197	
Water and Sewer		1,209	
Other Supplies and Materials		1,851	
Total Senior Citizens Assistance			91,103

Libraries

Contributions	\$	19,000	
Total Libraries			19,000

Other Social, Cultural, and Recreational

Other Charges	\$	10,756	
Total Other Social, Cultural, and Recreational			10,756

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	11,574	
Secretary(ies)		5,776	
Communication		757	
Office Supplies		792	
Total Agriculture Extension Service			18,899

Other Operations

Tourism

Contributions	\$	36,055	
Total Tourism			36,055

Other Economic and Community Development

Matching Share	\$	2,500	
Other Capital Outlay		230,794	
Total Other Economic and Community Development			233,294

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Trustee's Commission	\$	29,265	
Total Other Charges			\$ 29,265

Total General Fund \$ 3,300,850

Law Library Fund

Administration of Justice

Other Administration of Justice

Library Books/Media	\$	492	
Trustee's Commission		31	
Total Other Administration of Justice			\$ 523

Total Law Library Fund 523

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$	21,795	
Social Security		1,667	
Maintenance and Repair Services - Buildings		137	
Maintenance and Repair Services - Equipment		7,265	
Diesel Fuel		7,913	
Electricity		2,502	
Trustee's Commission		586	
Total Waste Incinerator			\$ 41,865

Other Waste Disposal

Contracts with Government Agencies	\$	43,955	
Total Other Waste Disposal			43,955

Total Solid Waste/Sanitation Fund 85,820

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,600	
Law Enforcement Supplies		11,866	
Trustee's Commission		120	
Other Charges		5,363	
Total Drug Enforcement			\$ 19,949

Total Drug Control Fund 19,949

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	463	
Total Register of Deeds			\$ 463

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Finance

<u>County Trustee's Office</u>			
Constitutional Officers' Operating Expenses	\$	3,249	
Total County Trustee's Office			\$ 3,249

<u>County Clerk's Office</u>			
Constitutional Officers' Operating Expenses	\$	629	
Total County Clerk's Office			629

Administration of Justice

<u>Chancery Court</u>			
Constitutional Officers' Operating Expenses	\$	402	
Total Chancery Court			402

<u>Juvenile Court Clerk</u>			
Constitutional Officers' Operating Expenses	\$	643	
Total Juvenile Court Clerk			643

Public Safety

<u>Sheriff's Department</u>			
Constitutional Officers' Operating Expenses	\$	390	
Total Sheriff's Department			<u>390</u>

Total Constitutional Officers - Fees Fund \$ 5,776

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,163	
Accountants/Bookkeepers		35,526	
Secretary(ies)		33,568	
Board and Committee Members Fees		13,800	
Advertising		408	
Communication		5,821	
Data Processing Services		5,490	
Dues and Memberships		2,829	
Legal Services		1,540	
Maintenance and Repair Services - Buildings		220	
Postal Charges		161	
Travel		359	
Drugs and Medical Supplies		347	
Electricity		5,495	
Natural Gas		4,721	
Office Supplies		571	
Water and Sewer		1,545	
Total Administration		<u>171,564</u>	\$ 171,564

Highway and Bridge Maintenance

Equipment Operators	\$	226,695	
Engineering Services		5,626	
Other Contracted Services		120,514	
Asphalt - Cold Mix		1,985	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Hot Mix	\$	451,751	
Asphalt - Liquid		93,170	
Crushed Stone		55,978	
Pipe - Metal		7,078	
Road Signs		2,349	
Wood Products		19	
Chemicals		26,835	
Total Highway and Bridge Maintenance			\$ 992,000

Operation and Maintenance of Equipment

Foremen	\$	36,356	
Mechanic(s)		68,993	
Laundry Service		6,949	
Custodial Supplies		435	
Diesel Fuel		54,396	
Equipment and Machinery Parts		43,507	
Garage Supplies		9,965	
Gasoline		14,141	
Lubricants		3,754	
Propane Gas		188	
Tires and Tubes		9,519	
Total Operation and Maintenance of Equipment			248,203

Other Charges

Building and Contents Insurance	\$	4,000	
Liability Insurance		16,661	
Premiums on Corporate Surety Bonds		2,519	
Trustee's Commission		12,598	
Vehicle and Equipment Insurance		23,734	
Workers' Compensation Insurance		44,770	
Other Charges		9,633	
Total Other Charges			113,915

Employee Benefits

Social Security	\$	35,963	
State Retirement		27,572	
Employee and Dependent Insurance		247,127	
Unemployment Compensation		347	
Total Employee Benefits			311,009

Capital Outlay

Building Improvements	\$	8,167	
Communication Equipment		9,630	
Furniture and Fixtures		850	
Highway Equipment		9,358	
Motor Vehicles		43,752	
Office Equipment		1,028	
Other Capital Outlay		4,000	
Total Capital Outlay			76,785

(Continued)

Exhibit J-7

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Principal on Debt</u>		
<u>Highways and Streets</u>		
Principal on Notes	\$ 44,000	
Total Highways and Streets		\$ 44,000
 <u>Interest on Debt</u>		
<u>Highways and Streets</u>		
Interest on Notes	\$ 4,077	
Total Highways and Streets		<u>4,077</u>
Total Highway/Public Works Fund		\$ 1,961,553
 <u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 61,000	
Principal on Notes	32,079	
Total General Government		\$ 93,079
 <u>Education</u>		
Principal on Bonds	\$ 234,000	
Total Education		234,000
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 230,068	
Interest on Notes	404	
Total General Government		230,472
 <u>Education</u>		
Interest on Bonds	\$ 217,989	
Total Education		217,989
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 5,942	
Other Debt Service	1,342	
Total General Government		7,284
 <u>Education</u>		
Other Debt Service	\$ 269	
Total Education		<u>269</u>
Total General Debt Service Fund		<u>783,093</u>
Total Governmental Funds - Primary Government		<u>\$ 6,157,564</u>

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, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,216,299	
Career Ladder Program		30,400	
Career Ladder Extended Contracts		14,070	
Homebound Teachers		2,456	
Educational Assistants		58,088	
Certified Substitute Teachers		844	
Non-certified Substitute Teachers		32,129	
Social Security		135,600	
State Retirement		200,345	
Life Insurance		2,880	
Medical Insurance		330,369	
Unemployment Compensation		7,129	
Employer Medicare		32,504	
Other Contracted Services		14,590	
Instructional Supplies and Materials		156,354	
Textbooks		41,973	
Regular Instruction Equipment		101,849	
Total Regular Instruction Program	\$		3,377,879

Special Education Program

Teachers	\$	305,287	
Career Ladder Program		2,000	
Homebound Teachers		1,201	
Educational Assistants		16,297	
Certified Substitute Teachers		55	
Non-certified Substitute Teachers		3,207	
Social Security		19,180	
State Retirement		28,342	
Medical Insurance		42,907	
Unemployment Compensation		153	
Employer Medicare		4,072	
Instructional Supplies and Materials		4,880	
Special Education Equipment		3,966	
Total Special Education Program			431,547

Vocational Education Program

Teachers	\$	180,497	
Career Ladder Program		4,000	
Non-certified Substitute Teachers		2,848	
Social Security		11,232	
State Retirement		16,383	
Medical Insurance		20,639	
Unemployment Compensation		70	
Employer Medicare		2,627	
Instructional Supplies and Materials		1,805	
Total Vocational Education Program			240,101

(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	\$	31,553	
Social Security		1,797	
State Retirement		2,802	
Medical Insurance		4,645	
Unemployment Compensation		26	
Employer Medicare		420	
Travel		692	
Total Attendance			\$ 41,935

Health Services

Medical Personnel	\$	46,850	
Social Security		2,539	
State Retirement		4,160	
Medical Insurance		6,851	
Unemployment Compensation		52	
Employer Medicare		594	
Drugs and Medical Supplies		214	
Total Health Services			61,260

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		92,016	
School Resource Officer		26,410	
Other Salaries and Wages		31,553	
Social Security		8,922	
State Retirement		13,407	
Medical Insurance		10,778	
Unemployment Compensation		55	
Employer Medicare		2,083	
Evaluation and Testing		752	
Travel		3,640	
Other Supplies and Materials		3,167	
In Service/Staff Development		1,801	
Other Charges		606	
Total Other Student Support			196,190

Regular Instruction Program

Supervisor/Director	\$	32,363	
Career Ladder Program		3,000	
Librarians		126,377	
Instructional Computer Personnel		26,053	
Social Security		9,908	
State Retirement		14,267	
Medical Insurance		22,881	
Unemployment Compensation		78	
Employer Medicare		2,515	
Travel		2,038	
Library Books/Media		12,000	
In Service/Staff Development		1,643	
Other Equipment		3,302	
Total Regular Instruction Program			256,425

(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	\$	29,691	
Career Ladder Program		1,000	
Clerical Personnel		6,787	
Social Security		2,188	
State Retirement		3,050	
Medical Insurance		5,020	
Unemployment Compensation		55	
Employer Medicare		512	
Contracts with Private Agencies		51,500	
Travel		270	
Total Special Education Program			\$ 100,073

Other Programs

On-Behalf Payments to OPEB	\$	36,588	
Total Other Programs			36,588

Board of Education

Board and Committee Members Fees	\$	5,200	
Social Security		322	
State Retirement		285	
Employer Medicare		75	
Dues and Memberships		1,964	
Legal Services		20,712	
Travel		8,393	
Other Supplies and Materials		158	
Liability Insurance		8,270	
Trustee's Commission		36,892	
Workers' Compensation Insurance		41,723	
Other Charges		19,178	
Total Board of Education			143,172

Director of Schools

County Official/Administrative Officer	\$	83,387	
Career Ladder Program		1,000	
Secretary(ies)		18,234	
Social Security		2,295	
State Retirement		8,367	
Medical Insurance		8,401	
Unemployment Compensation		55	
Employer Medicare		537	
Other Fringe Benefits		4,000	
Communication		2,427	
Dues and Memberships		2,969	
Postal Charges		3,162	
Travel		4,114	
Other Contracted Services		2,000	
Office Supplies		2,242	
Judgments		20,000	
Administration Equipment		2,922	
Total Director of Schools			166,112

(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	\$	190,794	
Career Ladder Program		3,000	
Accountants/Bookkeepers		37,039	
Assistant Principals		105,000	
Secretary(ies)		33,161	
Social Security		21,083	
State Retirement		30,315	
Medical Insurance		37,514	
Unemployment Compensation		183	
Employer Medicare		4,931	
Communication		11,000	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		2,980	
Travel		3,472	
Office Supplies		562	
Total Office of the Principal			\$ 483,034

Fiscal Services

Accountants/Bookkeepers	\$	39,811	
Clerical Personnel		10,879	
Social Security		2,899	
State Retirement		2,950	
Medical Insurance		2,700	
Unemployment Compensation		55	
Employer Medicare		678	
Data Processing Services		251	
Travel		475	
Other Contracted Services		7,143	
Data Processing Supplies		843	
Total Fiscal Services			68,684

Operation of Plant

Supervisor/Director	\$	2,790	
Custodial Personnel		135,525	
Social Security		8,352	
State Retirement		7,888	
Unemployment Compensation		93	
Employer Medicare		2,066	
Travel		614	
Other Contracted Services		6,041	
Custodial Supplies		34,000	
Electricity		208,649	
Natural Gas		138,159	
Water and Sewer		40,948	
Boiler Insurance		1,252	
Building and Contents Insurance		36,523	
Plant Operation Equipment		4,692	
Total Operation of Plant			627,592

(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

Supervisor/Director	\$	33,132	
Other Salaries and Wages		33,132	
Social Security		4,093	
State Retirement		3,857	
Unemployment Compensation		55	
Employer Medicare		957	
Maintenance and Repair Services - Buildings		15,269	
Maintenance and Repair Services - Equipment		8,270	
Other Supplies and Materials		6,340	
Maintenance Equipment		7,625	
Total Maintenance of Plant			\$ 112,730

Transportation

Supervisor/Director	\$	2,790	
Bus Drivers		60,003	
Other Salaries and Wages		8,936	
Social Security		4,153	
State Retirement		4,768	
Unemployment Compensation		100	
Employer Medicare		1,084	
Maintenance and Repair Services - Vehicles		5,474	
Diesel Fuel		45,054	
Gasoline		5,901	
Tires and Tubes		309	
Vehicle Parts		734	
Transportation Equipment		80,983	
Total Transportation			220,289

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	56,178	
Social Security		3,227	
State Retirement		4,989	
Medical Insurance		12,816	
Unemployment Compensation		28	
Employer Medicare		755	
Payments to Schools - Breakfast		113,476	
Payments to Schools - Lunch		299,361	
Payments to Schools - Other		21,116	
Travel		880	
USDA - Commodities		32,661	
Other Supplies and Materials		115	
Other Charges		2,419	
Total Food Service			548,021

Early Childhood Education

County Official/Administrative Officer	\$	29,791	
Teachers		127,865	
Career Ladder Program		1,000	

(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	\$	65,015	
Non-certified Substitute Teachers		4,009	
Social Security		13,000	
State Retirement		18,171	
Medical Insurance		31,491	
Unemployment Compensation		583	
Employer Medicare		3,000	
Travel		300	
Food Supplies		3,692	
Instructional Supplies and Materials		10,880	
Other Equipment		8,096	
Total Early Childhood Education			\$ 316,893

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	24,159	
Other Capital Outlay		24,196	
Total Regular Capital Outlay			48,355

Other Debt Service

Education

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

Total General Purpose School Fund \$ 7,601,880

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	337,607	
Educational Assistants		12,611	
Non-certified Substitute Teachers		1,410	
Social Security		19,653	
State Retirement		28,956	
Medical Insurance		30,058	
Unemployment Compensation		311	
Employer Medicare		4,883	
Maintenance and Repair Services - Equipment		524	
Instructional Supplies and Materials		8,098	
Regular Instruction Equipment		3,120	
Total Regular Instruction Program			\$ 447,231

Special Education Program

Teachers	\$	44,237	
Educational Assistants		187,053	
Non-certified Substitute Teachers		5,834	
Social Security		14,312	
State Retirement		14,815	
Medical Insurance		2,700	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	414	
Employer Medicare		3,347	
Instructional Supplies and Materials		4,582	
Other Supplies and Materials		585	
Total Special Education Program			\$ 277,879

Vocational Education Program

Social Security	\$	62	
State Retirement		88	
Medical Insurance		2	
Employer Medicare		14	
Instructional Supplies and Materials		13,988	
Total Vocational Education Program			14,154

Support Services

Other Student Support

Assessment Personnel	\$	50,241	
Social Security		2,735	
State Retirement		4,461	
Medical Insurance		7,055	
Employer Medicare		848	
Travel		4,699	
Other Contracted Services		15,145	
Other Supplies and Materials		996	
Total Other Student Support			86,180

Regular Instruction Program

Supervisor/Director	\$	32,187	
Secretary(ies)		13,107	
Other Salaries and Wages		4,440	
Social Security		2,898	
State Retirement		3,706	
Employer Medicare		678	
Maintenance and Repair Services - Equipment		4,405	
Travel		22,758	
Instructional Supplies and Materials		480	
In Service/Staff Development		15,825	
Other Charges		960	
Total Regular Instruction Program			101,444

Special Education Program

Travel	\$	8,849	
Other Contracted Services		20,273	
Total Special Education Program			29,122

Vocational Education Program

Supervisor/Director	\$	992	
Total Vocational Education Program			992

Total School Federal Projects Fund \$ 957,002

Total Governmental Funds - Lake County School Department \$ 8,558,882

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, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 178,672
Total Cash Receipts	<u>\$ 178,672</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 176,885
Trustee's Commission	1,787
Total Cash Disbursements	<u>\$ 178,672</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<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, 2013, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated February 18, 2014. Our report includes a reference to other auditors who audited the financial statements of the Lake County Emergency Communications District, as described in our report on Lake County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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: 2013-001 and 2013-012.

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: 2013-003, 2013-010, 2013-011(A,B), and 2013-013.

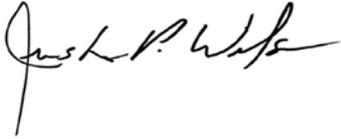
Compliance and Other Matters

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 2013-002, 2013-004, 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, and 2013-011(C).

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,

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

February 18, 2014

JPW/yu



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, 2013. 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 a 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, 2013.

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.

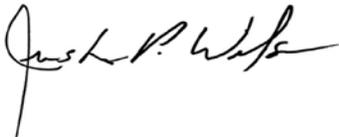
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2013, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated February 18, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 18, 2014

JPW/yu

Lake County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 113,476
National School Lunch Program	10.555	N/A	299,361 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	32,661 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	11,995
Total U.S. Department of Agriculture			<u>\$ 457,493</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)	\$ 206,229
Total U.S. Department of Housing and Urban Development			<u>\$ 206,229</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 15,291
Total U.S. Department of the Interior			<u>\$ 15,291</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)	\$ 9,000
Total U.S. Department of Justice			<u>\$ 9,000</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(2)	\$ 6,446
Total U.S. Department of Labor			<u>\$ 6,446</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	\$ 403,397
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	299,440
Special Education - Preschool Grants	84.173	N/A	7,519
Career and Technical Education - Basic Grants to States	84.048	N/A	19,845
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	(2)	601
Educational Technology State Grants, Recovery Act	84.386	N/A	20
Rural Education	84.358	N/A	17,462
Improving Teacher Quality State Grants	84.367	N/A	92,809
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	122,409
Total U.S. Department of Education			<u>\$ 963,502</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)	\$ 54,371
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(2)	<u>37,321</u>
Total U.S. Department of Health and Human Services			<u>\$ 91,692</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	(2)	\$ 10,000
Homeland Security Grant Program	97.067	(2)	<u>57,102</u>
Total U.S. Department of Homeland Security			<u>\$ 67,102</u>
Total Federal Awards			<u>\$ 1,821,755</u>
		<u>Contract Number</u>	
<u>State Grants:</u>			
Local Health Services - State Department of Health	N/A	(2)	\$ 23,936
Litter Program - State Department of Transportation	N/A	(2)	20,989
Energy Efficient School Initiative - State Department of Education	N/A	(2)	16,985
Connectenn - State Department of Education	N/A	(2)	2,893
Family Resource Center - State Department of Education	N/A	(2)	29,612
Coordinated School Health - State Department of Education	N/A	(2)	101,000
Early Childhood Education - State Department of Education	N/A	(2)	<u>316,893</u>
Total State Grants			<u>\$ 512,308</u>

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Total for CFDA No. 10.555 is \$332,022.

Lake County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
12.01	135	Material audit adjustments were required for proper financial statement presentation
12.03	136	Payroll liability accounts were not reconciled monthly
12.04	136	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
12.06	137	Expenditures exceeded appropriations

LAKE COUNTY

Finding Number	Page Number	Subject
12.08	138	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
12.09	139	Duties were not segregated adequately

LAKE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

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), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lake County 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 and the annual monitoring of assessors of property by the state Division of Property Assessments, 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 2013-001

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

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

At June 30, 2013, certain general ledger account balances in the General Fund were not materially correct, and audit adjustments totaling \$456,198 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 2013-002

EXPENDITURES EXCEEDED APPROPRIATIONS

(Noncompliance Under *Government Auditing Standards*)

Salaries in 12 of 55 line-items exceeded appropriations in the General Fund by amounts ranging from \$50 to \$17,074. 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 of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission. This deficiency

exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

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

FINDING 2013-003

PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY

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

General ledger payroll liability accounts for the General Fund were not reconciled on a monthly basis with payroll records and payments. As a result, unidentified balances accumulated in the liability accounts for social security, income tax, insurance, garnishments, 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 2013-004

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

(Noncompliance Under *Government Auditing Standards*)

During the year, General Fund monies were used to purchase auto repairs/maintenance (\$2,255) 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 \$24,383 for 2008-13 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.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2013-005

COMPETITIVE BIDS WERE NOT PROPERLY SOLICITED AND AWARDED

(Noncompliance Under *Government Auditing Standards*)

Our audit disclosed the following deficiencies in soliciting and awarding competitive bids for purchases of the Highway Department:

- A. Competitive bids were not solicited through public advertisement for the purchase of chemicals (\$26,752), liquid asphalt (\$93,170), and crushed stone (\$27,666); however, price quotes were received for these purchases. The Uniform Road Law, Section 54-7-113, *Tennessee Code Annotated*, requires that competitive bids be solicited through public advertisement on all purchases estimated to exceed \$10,000.
- B. Competitive bids were properly solicited by the department for the purchase of a truck, and two bids totaling \$33,824 and \$37,883 were received. However, the truck was ultimately purchased from the high bidder for \$36,888. There was no documentation maintained supporting the decision to reject the lowest bidder. In *Owen of Georgia, Inc., versus Shelby County*, 442F. Supp. 314 (w.b. Tenn. 1977), the court stated that “to reject the bid of the lowest bidder there must be such evidence of the irresponsibility of the bidder as would cause fair-minded and reasonable men to believe that it was not for the best interest of the municipality to award the contract to the lowest bidder.”

These deficiencies are the result of a lack of oversight by management and a lack of understanding of state statutes. The failure to properly solicit and award competitive bids could result in the department paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited by public advertisement as required by state statute. Purchases should be made from the vendor with the lowest price that meets bid specifications unless adequate documentation is on file supporting the decision to reject the lowest bid.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-006

EXPENDITURES EXCEEDED APPROPRIATIONS

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in one of eight major appropriation categories (the legal level of control) of the School Federal Projects Fund: Support Services – Special Education Program by \$14,371. Section 5-9-401,

Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct budgetary deficiencies noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 2013-007

THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES

(Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated* provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management’s failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in May 2013.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-008

THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATION

(Noncompliance Under *Government Auditing Standards*)

The assessor did not maintain an adequate program of sales verification. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to maintain an adequate program of real property sales verifications in accordance with procedures and rules established by the state Board of Equalization. This deficiency can be attributed to the failure of management to maintain adequate records of sales and rejections in analyzing reappraisals, sales ratio studies, current value update programs, and other reporting

services. This resulted in a lack of sufficient documentation to verify sales during reappraisals, sales ratio studies, and current value update programs.

RECOMMENDATION

The assessor should maintain an adequate program of sales verifications as required by state statute.

FINDING 2013-009

THE ASSESSOR DID NOT PRORATE PROPERTIES THAT TRANSFERRED BETWEEN TAX EXEMPT AND NONEXEMPT STATUS

(Noncompliance Under *Government Auditing Standards*)

The assessor did not properly prorate properties that transferred between tax exempt and nonexempt status. Section 67-5-203, *Tennessee Code Annotated*, provides for properties that are transferred from property tax exempt status to a taxable status, the nonexempt taxpayer shall be liable for taxes to/from the date of the transfer. This deficiency can be attributed to management's failure to properly comply with this statute and resulted in over or under assessing the affected properties.

RECOMMENDATION

The assessor should properly prorate properties transferred between tax exempt and nonexempt status.

OFFICE OF COUNTY CLERK

FINDING 2013-010

SOME EMPLOYEE'S PROCESSED TRANSACTIONS USING ANOTHER EMPLOYEE'S USERNAME

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

A unique username and password for accessing the office's accounting software had not been assigned to all employees. Instead, some employees processed transactions using another employee's username. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because multiple employees processed transactions using the same account. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight. This practice was discontinued in May 2013. All employees have been assigned unique usernames and passwords and no longer process transactions using another employee's username.

RECOMMENDATION

Management should ensure that each employee processing transactions use his/her unique username and password so transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared by employees.

OFFICE OF SHERIFF

FINDING 2013-011

THE OFFICE HAD ACCOUNTING DEFICIENCIES

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

The following deficiencies were noted during our examination of the accounting records:

- A. A cash journal had not been maintained to record financial transactions of the office since June 30, 2012. 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.
- B. The office had attempted to reconcile bank statements and prepare outstanding check lists. However, since a cash journal was not maintained, the statements were not reconciled with the accounting records, and outstanding check lists were not accurate. The reconciliation of bank statements with the accounting records is a necessary procedure to ensure that all cash collections and disbursements are recorded accurately.
- C. The office did not prepare an annual financial report. Section 5-8-505, *Tennessee Code Annotated*, states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”

These deficiencies are the result of a lack of management oversight and a lack of understanding of internal controls, generally accepting accounting principles, and sound business practices. Cash receipts and disbursements for this office were determined by substantive testing and alternative auditing procedures.

RECOMMENDATION

An official cash journal, which accurately reflects all financial operations of the Sheriff's Department, should be maintained. Bank statements should be reconciled monthly with

cash journal accounts, and accurate lists of outstanding checks should be prepared. The office should prepare an annual financial report as required by state statute.

LAKE COUNTY

FINDING 2013-012 **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>
2013-001,12.01, 11.01	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.

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 2013-013 **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.

BEST PRACTICE

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

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

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

There were no findings and questioned costs for federal awards.

LAKE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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