

ANNUAL FINANCIAL REPORT

LAKE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JAN PAGE, CPA, CFE
Audit Manager

B. KEITH RICE, CGFM
Auditor 4

GREG HOWELL
MELISSA DARBY, CPA, CFE
ELISHA CROWELL, CISA, CFE
State Auditors

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

LAKE COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Summary of Audit Findings		6
<u>INTRODUCTORY SECTION</u>		7
Lake County Officials		8
<u>FINANCIAL SECTION</u>		9
Independent Auditor's Report		10-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Position	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	25-26
Highway/Public Works Fund	C-6	27
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	28
Index and Notes to the Financial Statements		29-69
REQUIRED SUPPLEMENTARY INFORMATION:		70
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-1	71
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-2	72
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Lake County School Department	E-3	73
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Lake County School Department	E-4	74

	Exhibit	Page(s)
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Lake County School Department	E-5	75
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Lake County School Department	E-6	76
Notes to the Required Supplementary Information		77
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		78
Nonmajor Governmental Funds:		79
Combining Balance Sheet	F-1	80-81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	82
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Law Library Fund	F-3	83
Solid Waste/Sanitation Fund	F-4	84
Drug Control Fund	F-5	85
Major Governmental Fund:		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	87
Fiduciary Funds:		88
Combining Statement of Fiduciary Assets and Liabilities	H-1	89
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	90-91
Component Unit:		
Discretely Presented Lake County School Department:		92
Statement of Activities	I-1	93
Balance Sheet – Governmental Funds	I-2	94
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	95
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	96
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	97
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	98
School Federal Projects Fund	I-7	99
Statement of Fiduciary Net Position	I-8	100
Statement of Changes in Fiduciary Net Position	I-9	101

	Exhibit	Page(s)
Miscellaneous Schedules:		102
Schedule of Changes in Long-term Note, Capital Lease, and Bonds	J-1	103
Schedule of Long-term Debt Requirements by Year	J-2	104
Schedule of Transfers – Discretely Presented Lake County School Department	J-3	105
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Lake County School Department	J-4	106
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	107-118
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Lake County School Department	J-6	119-120
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	121-133
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Lake County School Department	J-8	134-141
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	142
 <u>SINGLE AUDIT SECTION</u>		 143
 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 144-145
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		 146-148
Schedule of Expenditures of Federal Awards and State Grants		149-150
Schedule of Audit Findings Not Corrected		151
Schedule of Findings and Questioned Costs		152-158
Best Practice		159
Auditee Reporting Responsibilities		160

Summary of Audit Findings

Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance at June 30, 2015.
- ◆ The office had deficiencies in budget operations.
- ◆ General Fund payroll liability accounts were not reconciled monthly.
- ◆ The office did not file a report on debt obligation with the state Comptroller's Office.
- ◆ Deficiencies were noted related to county fuel purchases.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department had deficiencies in budget operations.

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.

INTRODUCTORY SECTION

Lake County Officials

June 30, 2015

Officials

Denny Johnson, County Mayor
William Cantrell, Road Superintendent
Sherry Darnell, Director of Schools
Tammie Hopper, Trustee
Joyce Barnes, Assessor of Property
Jo Ann Mills, County Clerk
Deborah Beasley, Circuit, General Sessions, and Juvenile Courts Clerk
Nanette Cook, Clerk and Master
Claudia Adcock, Register of Deeds
Bryan Avery, Sheriff

Board of County Commissioners

Denny Johnson, County Mayor, Chairman	Terry Pierce
Wayne Hatley	Danny Tippit II
Nicky Hayes, Jr.	Timothy Windsor
Steve Jones	Brent Work
Joyce McCoy	Jimmy Yates

Highway Commission

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

Board of Education

Warren Douglas, Chairman	Andria Holder
Kristie Avery	Tony Hutcheson
Deborah Cox	Michael Parker
Melanie Greene	Vivian Windsor
Carolyn Hayes	

Audit Committee

Fred Wortman, 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
PHONE (615) 401-7841

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, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lake County, Tennessee, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Lake County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$372,869 and the discretely presented Lake County School Department net position by \$1,706,683 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to

supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plan on pages 71-77 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 October 13, 2015, 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

October 13, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government Governmental Activities	Component Unit Lake County School Department
<u>ASSETS</u>		
Cash	\$ 929	\$ 0
Equity in Pooled Cash and Investments	2,332,414	1,707,256
Accounts Receivable	824,844	354
Allowance for Uncollectibles	(403,464)	0
Due from Other Governments	353,225	317,132
Property Taxes Receivable	1,094,301	829,227
Allowance for Uncollectible Property Taxes	(18,198)	(14,709)
Cash Shortage	23,710	0
Net Pension Asset - Agent Plan	164,455	135,865
Net Pension Asset - Cost-sharing Plan	0	17,848
Capital Assets:		
Assets Not Depreciated:		
Land	2,364,669	67,365
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,271,174	4,782,739
Infrastructure	2,755,469	0
Other Capital Assets	920,740	374,765
Total Assets	<u>\$ 11,684,268</u>	<u>\$ 8,217,842</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 197,640	\$ 0
Pension Changes in Experience	0	43,333
Pension Other Deferrals	0	22,401
Pension Contributions After Measurement Date	107,580	373,527
Total Deferred Outflows of Resources	<u>\$ 305,220</u>	<u>\$ 439,261</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,913	\$ 106,761
Accrued Payroll	14,311	0
Payroll Deductions Payable	20,452	15,005
Due to State of Tennessee	223	0
Accrued Interest Payable	33,484	0
Noncurrent Liabilities:		
Due Within One Year	444,637	1,985
Due in More Than One Year (net of unamortized premium on debt)	10,618,156	990,362
Total Liabilities	<u>\$ 11,135,176</u>	<u>\$ 1,114,113</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Lake County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 1,049,822	\$ 791,833
Pension Changes in Experience	228,640	188,890
Pension Changes in Investment Earnings	250,190	1,677,341
Total Deferred Inflows of Resources	<u>\$ 1,528,652</u>	<u>\$ 2,658,064</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 3,230,670	\$ 5,224,869
Restricted for:		
Administration of Justice	10,666	0
Public Safety	17,855	0
Public Health and Welfare	350	0
Highway/Public Works	957,090	0
Debt Service	507,321	0
Education	0	31,218
Unrestricted	<u>(5,398,292)</u>	<u>(371,161)</u>
Total Net Position	<u>\$ (674,340)</u>	<u>\$ 4,884,926</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Lake County School Department	
Primary Government:							
Governmental Activities:							
General Government	\$ 556,409	\$ 82,012	\$ 146,410	\$ 0	\$ (327,987)	\$ 0	0
Finance	327,281	154,088	0	0	(173,193)	0	0
Administration of Justice	482,565	158,715	9,000	0	(314,850)	0	0
Public Safety	1,216,284	454,247	15,274	0	(746,763)	0	0
Public Health and Welfare	833,422	732,269	228,424	0	127,271	0	0
Social, Cultural, and Recreational Services	114,406	0	48,241	0	(66,165)	0	0
Agriculture and Natural Resources	11,046	0	0	0	(11,046)	0	0
Highways	1,356,149	18,001	1,240,150	214,014	116,016	0	0
Interest on Long-term Debt	415,771	0	2,136	0	(413,635)	0	0
Total Primary Government	\$ 5,313,333	\$ 1,599,332	\$ 1,689,635	\$ 214,014	\$ (1,810,352)	\$ 0	0
Component Unit:							
Lake County School Department	\$ 8,711,664	\$ 54,990	\$ 1,621,569	\$ 0	0	\$ (7,035,105)	
Total Component Unit	\$ 8,711,664	\$ 54,990	\$ 1,621,569	\$ 0	0	\$ (7,035,105)	

(Continued)

Exhibit B

Lake County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Lake County School Department	
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 1,036,499	\$	847,237
Property Taxes Levied for Debt Service				76,909		0
Local Option Sales Taxes				368,158		319,751
Hotel/Motel Tax				26,628		0
Wheel Tax				233,119		40,082
Litigation Tax				33,594		0
Business Tax				28,235		3,143
Other Local Taxes				16,168		844
Grants and Contributions Not Restricted to Specific Programs				69,688		5,645,585
Unrestricted Investment Income				49,391		0
Miscellaneous				30,882		34,659
Pension Income				58,494		59,899
Total General Revenues				\$ 2,027,765	\$	6,951,200
Change in Net Position				\$ 217,413	\$	(83,905)
Net Position, July 1, 2014				(518,884)		6,675,514
Restatement - Pension Liability (See Note I.D.8)				(372,869)		(1,706,683)
Net Position, June 30, 2015				\$ (674,340)	\$	4,884,926

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, 2015

	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	\$ 929	\$ 929	\$ 929
Equity in Pooled Cash and Investments	642,368	793,177	865,395	31,474	2,332,414	2,332,414
Accounts Receivable	824,261	22	0	561	824,844	824,844
Allowance for Uncollectibles	(403,464)	0	0	0	(403,464)	(403,464)
Due from Other Governments	61,343	229,089	62,793	0	353,225	353,225
Due from Other Funds	12,839	0	0	845	13,684	13,684
Property Taxes Receivable	968,874	25,070	75,287	25,070	1,094,301	1,094,301
Allowance for Uncollectible Property Taxes	(15,982)	(448)	(1,320)	(448)	(18,198)	(18,198)
Cash Shortage	23,710	0	0	0	23,710	23,710
Total Assets	\$ 2,113,949	\$ 1,046,910	\$ 1,002,155	\$ 58,431	\$ 4,221,445	\$ 4,221,445

LIABILITIES

Accounts Payable	\$ 250	\$ 3,663	\$ 0	\$ 0	\$ 3,913
Accrued Payroll	11,500	1,882	0	929	14,311
Payroll Deductions Payable	20,266	0	0	186	20,452
Due to Other Funds	845	0	0	12,839	13,684
Due to State of Tennessee	67	2	0	154	223
Total Liabilities	\$ 32,928	\$ 5,547	\$ 0	\$ 14,108	\$ 52,583
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 930,009	\$ 23,929	\$ 71,955	\$ 23,929	\$ 1,049,822
Deferred Delinquent Property Taxes	22,883	693	2,012	693	26,281
Other Deferred/Unavailable Revenue	375,773	118,177	30,000	0	523,950
Total Deferred Inflows of Resources	\$ 1,328,665	\$ 142,799	\$ 103,967	\$ 24,622	\$ 1,600,053

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
\$	1,096	0	0	9,570	\$	10,666
	3,222	0	0	14,633		17,855
	0	898,564	0	0		898,564
	0	0	310,034	0		310,034
	0	0	588,154	0		588,154
	748,038	0	0	(4,502)		743,536
	752,356	898,564	898,188	19,701	\$	2,568,809
	2,113,949	1,046,910	1,002,155	58,431	\$	4,221,445

FUND BALANCES

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

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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

Exhibit C-2

Lake County, Tennessee

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

June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,568,809
(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: infrastructure net of accumulated depreciation		1,271,174	
Add: buildings and improvements net of accumulated depreciation		2,755,469	
Add: other capital assets net of accumulated depreciation		<u>920,740</u>	7,312,052
(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	\$	(95,000)	
Less: capital lease payable		(75,421)	
Less: bonds payable		(10,650,000)	
Less: accrued interest on note, capital lease, and bonds		(33,484)	
Less: other deferred revenue - premium on debt		(45,097)	
Less: compensated absences payable		(197,275)	
Add: deferred amount on refunding		<u>197,640</u>	(10,898,637)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	107,580	
Less: deferred inflows of resources related to pensions		<u>(478,830)</u>	(371,250)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			164,455
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>550,231</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(674,340)</u></u>

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

Exhibit C-3

Lake County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,318,576	\$ 25,754	\$ 474,317	\$ 36,394	\$ 1,855,041	
Licenses and Permits	4,642	0	0	0	4,642	
Fines, Forfeitures, and Penalties	58,680	0	0	13,436	72,116	
Charges for Current Services	718,661	0	0	905	719,566	
Other Local Revenues	136,956	17,104	2,240	0	156,300	
Fees Received from County Officials	244,524	0	0	0	244,524	
State of Tennessee	557,933	1,454,164	0	0	2,012,097	
Federal Government	214,446	0	0	0	214,446	
Other Governments and Citizens Groups	84,693	0	125,000	33,124	242,817	
Total Revenues	\$ 3,339,111	\$ 1,497,022	\$ 601,557	\$ 83,859	\$ 5,521,549	
<u>Expenditures</u>						
Current:						
General Government	\$ 425,615	\$ 0	\$ 0	\$ 0	\$ 425,615	
Finance	338,535	0	0	0	338,535	
Administration of Justice	491,757	0	0	20	491,777	
Public Safety	1,189,146	0	0	8,531	1,197,677	
Public Health and Welfare	839,170	0	0	165,976	1,005,146	
Social, Cultural, and Recreational Services	116,622	0	0	0	116,622	
Agriculture and Natural Resources	9,293	0	0	0	9,293	
Other Operations	96,395	0	0	0	96,395	
Highways	0	1,420,965	0	0	1,420,965	
Debt Service:						
Principal on Debt	0	46,000	383,490	2,844	432,334	
Interest on Debt	0	2,313	397,706	883	400,902	
Other Debt Service	0	0	7,013	0	7,013	
Total Expenditures	\$ 3,506,533	\$ 1,469,278	\$ 788,209	\$ 178,254	\$ 5,942,274	

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ (167,422)	\$ 27,744	\$ (186,652)	\$ (94,395)	\$	(420,725)
Other Financing Sources (Uses)						
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 78,265	\$	78,265
Insurance Recovery	0	4,170	0	0	0	4,170
Total Other Financing Sources (Uses)	\$ 0	\$ 4,170	\$ 0	\$ 78,265	\$	82,435
Net Change in Fund Balances Fund Balance, July 1, 2014	\$ (167,422)	\$ 31,914	\$ (186,652)	\$ (16,130)	\$	(338,290)
Fund Balance, June 30, 2015	919,778	866,650	1,084,840	35,831		2,907,099
	\$ 752,356	\$ 898,564	\$ 898,188	\$ 19,701	\$	2,568,809

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

Exhibit C-4

Lake County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

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)		\$	(338,290)
(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		\$	577,875
Less: current-year depreciation expense			(454,554)
			<u>123,321</u>
(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, 2015		\$	550,231
Less: deferred delinquent property taxes and other deferred June 30, 2014			(601,664)
			<u>(51,433)</u>
(3) The issuance of long-term debt (e.g., notes, capital leases, bonds) provides 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:			
Less: capital lease proceeds		\$	(78,265)
Add: principal payment on note			46,000
Add: principal payment on capital lease			2,844
Add: principal payments on bonds			360,000
Less: change in deferred amount on refunding debt			(15,680)
Add: change in premium on debt issuance			2,136
			<u>317,035</u>
(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 compensated absences payable		\$	(105)
Change in accrued interest payable			811
Change in deferred outflows related to pensions			107,580
Change in deferred inflows related to pensions			(478,830)
Change in net pension asset			537,324
			<u>166,780</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>217,413</u></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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,318,576	\$ 1,266,130	\$ 1,266,130	\$ 52,446
Licenses and Permits	4,642	9,500	9,500	(4,858)
Fines, Forfeitures, and Penalties	58,680	47,110	47,110	11,570
Charges for Current Services	718,661	848,835	848,835	(130,174)
Other Local Revenues	136,956	89,400	89,400	47,556
Fees Received from County Officials	244,524	222,600	222,600	21,924
State of Tennessee	557,933	617,200	617,200	(59,267)
Federal Government	214,446	24,600	24,600	189,846
Other Governments and Citizens Groups	84,693	130,000	130,000	(45,307)
Total Revenues	\$ 3,339,111	\$ 3,255,375	\$ 3,255,375	\$ 83,736
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 22,488	\$ 30,930	\$ 30,930	\$ 8,442
County Mayor/Executive	131,675	131,240	131,240	(435)
County Attorney	13,780	9,000	9,000	(4,780)
Election Commission	96,439	98,646	98,646	2,207
Register of Deeds	80,915	81,930	81,930	1,015
Development	12,238	10,000	10,000	(2,238)
County Buildings	68,080	42,800	42,800	(25,280)
<u>Finance</u>				
Property Assessor's Office	109,011	113,339	113,339	4,328
County Trustee's Office	106,429	106,339	106,339	(90)
County Clerk's Office	123,095	122,959	122,959	(136)
<u>Administration of Justice</u>				
Circuit Court	238,511	306,232	306,232	67,721
General Sessions Court	110,360	111,230	111,230	870
Chancery Court	86,492	86,231	86,231	(261)
Juvenile Court	51,946	52,896	52,896	950
Other Administration of Justice	3,779	2,900	2,900	(879)
Courtroom Security	669	750	750	81
<u>Public Safety</u>				
Sheriff's Department	593,375	537,203	537,353	(56,022)
Jail	577,119	518,353	518,453	(58,666)
Civil Defense	18,652	20,000	20,436	1,784
<u>Public Health and Welfare</u>				
Local Health Center	32,957	54,036	54,036	21,079
Ambulance/Emergency Medical Services	782,822	639,762	656,771	(126,051)
Sanitation Management	23,391	26,354	26,354	2,963
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	91,595	97,740	97,740	6,145
Libraries	20,000	20,000	20,000	0
Other Social, Cultural, and Recreational	5,027	10,000	10,000	4,973

(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>Agriculture and Natural Resources</u>				
Agricultural Extension Service	\$ 9,293	\$ 25,754	\$ 25,754	\$ 16,461
<u>Other Operations</u>				
Tourism	36,058	33,000	33,000	(3,058)
Other Economic and Community Development	18,350	0	0	(18,350)
Other Charges	33,328	28,000	28,000	(5,328)
Contributions to Other Agencies	8,659	5,300	5,300	(3,359)
Total Expenditures	<u>\$ 3,506,533</u>	<u>\$ 3,322,924</u>	<u>\$ 3,340,619</u>	<u>\$ (165,914)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (167,422)</u>	<u>\$ (67,549)</u>	<u>\$ (85,244)</u>	<u>\$ (82,178)</u>
Net Change in Fund Balance	\$ (167,422)	\$ (67,549)	\$ (85,244)	\$ (82,178)
Fund Balance, July 1, 2014	<u>919,778</u>	<u>947,845</u>	<u>947,845</u>	<u>(28,067)</u>
Fund Balance, June 30, 2015	<u>\$ 752,356</u>	<u>\$ 880,296</u>	<u>\$ 862,601</u>	<u>\$ (110,245)</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 25,754	\$ 29,527	\$ 29,527	\$ (3,773)
Other Local Revenues	17,104	29,000	29,000	(11,896)
State of Tennessee	1,454,164	2,135,102	2,135,102	(680,938)
Federal Government	0	60,000	60,000	(60,000)
Other Governments and Citizens Groups	0	15,000	15,000	(15,000)
Total Revenues	\$ 1,497,022	\$ 2,268,629	\$ 2,268,629	\$ (771,607)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 203,642	\$ 209,828	\$ 239,005	\$ 35,363
Highway and Bridge Maintenance	686,637	1,363,000	1,419,472	732,835
Operation and Maintenance of Equipment	290,228	378,000	423,177	132,949
Other Charges	113,998	139,300	139,300	25,302
Employee Benefits	87,060	256,000	125,174	38,114
Capital Outlay	39,400	195,000	195,000	155,600
<u>Principal on Debt</u>				
Highways and Streets	46,000	46,000	46,000	0
<u>Interest on Debt</u>				
Highways and Streets	2,313	2,313	2,313	0
Total Expenditures	\$ 1,469,278	\$ 2,589,441	\$ 2,589,441	\$ 1,120,163
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,744	\$ (320,812)	\$ (320,812)	\$ 348,556
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,170	\$ 0	\$ 0	\$ 4,170
Total Other Financing Sources	\$ 4,170	\$ 0	\$ 0	\$ 4,170
Net Change in Fund Balance	\$ 31,914	\$ (320,812)	\$ (320,812)	\$ 352,726
Fund Balance, July 1, 2014	866,650	802,535	802,535	64,115
Fund Balance, June 30, 2015	\$ 898,564	\$ 481,723	\$ 481,723	\$ 416,841

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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 201,741
Equity in Pooled Cash and Investments	59,301
Due from Other Governments	<u>32,954</u>
Total Assets	<u>\$ 293,996</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 82,473
Due to Litigants, Heirs, and Others	<u>211,523</u>
Total Liabilities	<u>\$ 293,996</u>

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

LAKE COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note		Page(s)
I.	Summary of Significant Accounting Policies	
A.	Reporting Entity	30
B.	Government-wide and Fund Financial Statements	31
C.	Measurement Focus, Basis of Accounting, and Financial Statement Presentation	32
D.	Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
	1. Deposits and Investments	34
	2. Receivables and Payables	35
	3. Capital Assets	35
	4. Deferred Outflows/Inflows of Resources	36
	5. Compensated Absences	37
	6. Long-term Obligations	37
	7. Net Position and Fund Balance	38
	8. Restatement	40
E.	Pension Plans	40
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	40
B.	Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities	41
III.	Stewardship, Compliance, and Accountability	
A.	Budgetary Information	41
B.	Fund Deficit	42
C.	Cash Shortage - Prior Years	42
D.	Expenditures Exceeded Appropriations	42
IV.	Detailed Notes on All Funds	
A.	Deposits and Investments	43
B.	Capital Assets	44
C.	Interfund Receivables, Payables, and Transfers	46
D.	Capital Leases	47
E.	Long-term Obligations	47
F.	On-Behalf Payments	51
V.	Other Information	
A.	Risk Management	51
B.	Accounting Changes	52
C.	Contingent Liabilities	52
D.	Change in Administration	53
E.	Joint Ventures	53
F.	Retirement Commitments	54
G.	Other Postemployment Benefits (OPEB)	66
H.	Purchasing Laws	69

LAKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 nine-member board. As required by GAAP, these financial statements present Lake County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Lake County School Department operates the public school system in the county, and the voters of Lake County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Lake County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Lake County, and the Lake County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Lake County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion this omission is not material to the component units' opinion unit.

The Lake County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Lake County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Lake

County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Lake County issues all debt for the discretely presented Lake County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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 fund:

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.

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

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

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 one percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets

with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government 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 items are for the deferred charge on refunding, pension changes in experience and changes in proportionate share of contributions, and employer contributions made to the pension plan after the measurement date.

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, pension changes in experience and investment earnings, 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, 2015, Lake County had \$5,636,000 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

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement to decrease Lake County's and the Lake County School Department's beginning net position has been recognized in the Statement of Activities totaling (\$372,869) and (\$1,706,683), respectively.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lake County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lake County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Lake County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Lake County School Department

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

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

Primary Government

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

Discretely Presented Lake County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The Solid Waste/Sanitation Fund (special revenue fund) had a deficit unassigned fund balance of \$4,502 at June 30, 2015. This deficit unassigned fund balance resulted from expenditures exceeding restricted, committed, and assigned balances.

C. 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 \$12,135 restitution leaving an outstanding balance of \$23,709.63 due the county at June 30, 2015. As of the date of this report, an additional \$1,065 has been paid by the defendant subsequent to June 30.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the General, Solid Waste/Sanitation, and General Debt Service funds by \$165,914, \$12,215 and \$22,664, respectively. Also, expenditures exceeded total appropriations approved by the County Commission in the School Department's General Purpose School Fund by \$55,798. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances in the General, General Debt Service, and General Purpose School funds. As described in Note III.B., the Solid Waste/Sanitation Fund had a deficit unassigned fund balance and, as a result, the expenditures in excess of appropriations were not completely funded.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Lake County and the Lake County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase

agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government – Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets				
Not Depreciated:				
Land	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
Total Capital Assets				
Not Depreciated	\$ 2,364,669	\$ 0	\$ 0	\$ 2,364,669
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,719,247	\$ 0	\$ 0	\$ 3,719,247
Infrastructure	3,346,686	258,488	0	3,605,174
Other Capital Assets	4,013,976	319,387	(54,258)	4,279,105
Total Capital Assets				
Depreciated	\$ 11,079,909	\$ 577,875	\$ (54,258)	\$ 11,603,526
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 2,320,363	\$ 127,710	\$ 0	\$ 2,448,073
Infrastructure	697,496	152,209	0	849,705
Other Capital Assets	3,237,988	174,635	(54,258)	3,358,365
Total Accumulated				
Depreciation	\$ 6,255,847	\$ 454,554	\$ (54,258)	\$ 6,656,143
Total Capital Assets				
Depreciated, Net	\$ 4,824,062	\$ 123,321	\$ 0	\$ 4,947,383
Governmental Activities				
Capital Assets, Net	\$ 7,188,731	\$ 123,321	\$ 0	\$ 7,312,052

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

Governmental Activities:

General Government	\$ 12,660
Finance	2,576
Administration of Justice	7,762
Public Safety	92,384
Public Health and Welfare	107,559
Agriculture and Natural Resources	1,753
Highway/Public Works	<u>229,860</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 454,554</u></u>

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

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets				
Not Depreciated:				
Land	\$ 67,365	\$ 0	\$ 0	\$ 67,365
Total Capital Assets				
Not Depreciated	<u>\$ 67,365</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 67,365</u>
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 10,185,645	\$ 0	\$ 0	\$ 10,185,645
Other Capital Assets	1,465,198	82,795	(53,702)	1,494,291
Total Capital Assets				
Depreciated	<u>\$ 11,650,843</u>	<u>\$ 82,795</u>	<u>\$ (53,702)</u>	<u>\$ 11,679,936</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 5,094,879	\$ 308,027	\$ 0	\$ 5,402,906
Other Capital Assets	1,107,146	66,082	(53,702)	1,119,526
Total Accumulated				
Depreciation	<u>\$ 6,202,025</u>	<u>\$ 374,109</u>	<u>\$ (53,702)</u>	<u>\$ 6,522,432</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 5,448,818</u>	<u>\$ (291,314)</u>	<u>\$ 0</u>	<u>\$ 5,157,504</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 5,516,183</u>	<u>\$ (291,314)</u>	<u>\$ 0</u>	<u>\$ 5,224,869</u>

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

Governmental Activities:

Instruction	\$ 273,365
Support Services	99,960
Operation of Non-instructional Services	<u>784</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 374,109</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 12,839
Nonmajor governmental	General	845

These balances 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, 2015, consisted of the following amounts:

Discretely Presented Lake County School Department

<u>Transfer Out</u>	<u>Transfer In</u>
	General Purpose School Fund
Nonmajor governmental fund	\$ 751

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. Capital Leases

On April 15, 2015, Lake County entered into a four-year lease-purchase agreement for a landscape loader. The terms of the agreement require total lease payments of \$78,265 plus interest payments of seven percent. Title to the loader transfers to Lake County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

The asset acquired through the capital lease is as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 78,000
Less: Accumulated Depreciation	<u>(1,950)</u>
Total Book Value	<u>\$ 76,050</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2016	\$ 22,359
2017	22,359
2018	22,359
2019	<u>18,633</u>
Total Minimum Lease Payments	\$ 85,710
Less: Amount Representing Interest	<u>(10,289)</u>
Present Value of Minimum Lease Payments	<u>\$ 75,421</u>

E. Long-term Obligations

Primary Government

General Obligation Bonds and Note

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, 2015, will be retired from the Highway/Public Works and General Debt Service funds.

General obligation bonds, the capital outlay note, and the capital lease outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	2 to 5.5 %	6-1-36	\$ 3,915,000	\$ 3,605,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	7,630,000	7,045,000
Capital Outlay Note	1.96	8-1-16	230,000	95,000
Capital Lease	7	3-6-19	78,265	75,421

The annual requirements to amortize all general obligation bonds and the note outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2021-2025	2,380,000	1,505,806	3,885,806
2026-2030	2,835,000	1,057,379	3,892,379
2031-2035	2,900,000	501,633	3,401,633
2036-2037	505,000	29,500	534,500
Total	\$ 10,650,000	\$ 4,935,024	\$ 15,585,024

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 47,000	\$ 1,401	\$ 48,401
2017	48,000	470	48,470
Total	<u>\$ 95,000</u>	<u>\$ 1,871</u>	<u>\$ 96,871</u>

There is \$898,188 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, the note, and the capital lease totaled \$1,382, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Note	Capital Lease
Balance, July 1, 2014	\$ 11,010,000	\$ 141,000	\$ 0
Additions	0	0	78,265
Reductions	(360,000)	(46,000)	(2,844)
Balance, June 30, 2015	<u>\$ 10,650,000</u>	<u>\$ 95,000</u>	<u>\$ 75,421</u>
Balance Due Within One Year	<u>\$ 370,000</u>	<u>\$ 47,000</u>	<u>\$ 17,773</u>

	Compensated Absences
Balance, July 1, 2014	\$ 197,170
Additions	89,550
Reductions	(89,445)
Balance, June 30, 2015	<u>\$ 197,275</u>
Balance Due Within One Year	<u>\$ 9,864</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 11,017,696
Less: Due Within One Year	(444,637)
Add: Unamortized Premium on Debt	<u>45,097</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,618,156</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, 2015, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 21,379	\$ 849,454
Additions	26,334	163,875
Reductions	(8,007)	(60,688)
Balance, June 30, 2015	<u>\$ 39,706</u>	<u>\$ 952,641</u>
Balance Due Within One Year	<u>\$ 1,985</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 992,347
Less: Due Within One Year	<u>(1,985)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 990,362</u>

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

F. 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, 2015, were \$9,866 and \$14,282, 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.

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

Discretely Presented Lake County School Department

The discretely presented Lake County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the

state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Contingent Liabilities

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

As described in Note V.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, 2014, Macie Roberson left the Office of County Mayor and was succeeded by Denny Johnson.

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

Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Lake County and non-certified employees of the discretely presented Lake County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 54.76 percent and the non-certified employees of the discretely present School Department comprise 45.24 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	59
Inactive Employees Entitled to But Not Yet Receiving Benefits	133
Active Employees	<u>126</u>
 Total	 <u><u>318</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Lake County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Lake County were \$196,457 based on a rate of 5.81 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lake County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Lake County’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.50%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and

that contributions from Lake County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 7,063,474	\$ 6,215,537	\$ 847,937
Changes for the Year:			
Service Cost	\$ 188,457	\$ 0	\$ 188,457
Interest	534,699	0	534,699
Differences Between Expected and Actual Experience	(521,913)	0	(521,913)
Contributions-Employer	0	167,023	(167,023)
Contributions-Employees	0	147,505	(147,505)
Net Investment Income	0	1,039,693	(1,039,693)
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(245,220)	0
Administrative Expense	0	(4,721)	4,721
Net Changes	<u>\$ (43,977)</u>	<u>\$ 1,104,280</u>	<u>\$ (1,148,257)</u>
Balance, June 30, 2014	<u>\$ 7,019,497</u>	<u>\$ 7,319,817</u>	<u>\$ (300,320)</u>

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	54.76%	\$ 3,843,877	\$ 4,008,332	\$ (164,455)
School Department	45.24%	<u>3,175,620</u>	<u>3,311,485</u>	<u>(135,865)</u>
Total		<u>\$ 7,019,497</u>	<u>\$ 7,319,817</u>	<u>\$ (300,320)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Lake County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
<u>Lake County</u>			
Net Pension Liability	\$ 516,722	\$ (300,320)	\$ (990,599)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Income. For the year ended June 30, 2015, Lake County recognized pension income of \$106,819.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Lake County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 417,530
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	456,885
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>196,457</u>	<u>N/A</u>
Total	<u>\$ 196,457</u>	<u>\$ 874,415</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 107,580	\$ 478,830
School Department	88,877	395,585
Total	<u>\$ 196,457</u>	<u>\$ 874,415</u>

Amounts reported as deferred outflows of resources, with the exceptions of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (218,604)
2017	(218,604)
2018	(218,604)
2019	(218,603)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Lake County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Lake County and non-certified employees of the discretely presented Lake County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 54.76 percent and the non-certified employees of the discretely present School Department comprise 45.24 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Lake County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$10,486, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Lake County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Lake County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 10,486	N/A

The Lake County School Department’s employer contributions of \$10,486 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Lake County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefits plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may

intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Lake County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$274,164, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Lake County School Department reported an asset of \$17,848 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Lake County School Department’s proportion of the net pension asset was based on the Lake County School Department’s employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all participating LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Lake County School Department’s proportion was .109843 percent. The proportion measured at June 30, 2013, was .108255 percent.

Pension Income. For the year ended June 30, 2015, the Lake County School Department recognized a pension income of \$11,574.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Lake County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Differences Between Expected and Actual Experience	\$ 43,333	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,470,646
Changes in Proportion of Net Pension Liability	22,401	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>274,164</u>	<u>N/A</u>
Total	<u><u>\$ 339,898</u></u>	<u><u>\$ 1,470,646</u></u>

The Lake County School Department's employer contributions of \$274,164 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (356,706)
2017	(356,706)
2018	(356,706)
2019	(356,706)
2020	10,956
Thereafter	10,956

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the

TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Lake County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Lake County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 3,010,441	\$ (17,849)	\$ (2,524,945)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

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 plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to the Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department makes a

contribution toward the health insurance premium of the group medical plan for employees who retire with 30 years of service. This contribution continues until the employee reaches age 65 and is Medicare eligible. During the year, the School Department paid \$225 per month for each retiree. Retirees' contributions vary depending on the insurance options they select. The Lake County School Department contributed a total of \$60,688 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<u>Plan</u>
ARC	\$ 163,000
Interest on the NOPEBO	33,978
Adjustment to the ARC	<u>(33,103)</u>
Annual OPEB cost	\$ 163,875
Less: Amount of contribution	<u>(60,688)</u>
Increase/decrease in NOPEBO	\$ 103,187
Net OPEB obligation, 7-1-14	<u>849,454</u>
Net OPEB obligation, 6-30-15	<u><u>\$ 952,641</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 195,488	26%	\$ 759,342
6-30-14	"	157,783	43	849,454
6-30-15	"	163,875	37	952,641

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Lake County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 188,457
Interest	534,699
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(521,913)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(245,220)</u>
Net Change in Total Pension Liability (Asset)	\$ (43,977)
Total Pension Liability (Asset), Beginning	<u>7,063,474</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 7,019,497</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 167,023
Contributions - Employee	147,505
Net Investment Income	1,039,693
Benefit Payments, Including Refunds of Employee Contributions	(245,220)
Administrative Expense	<u>(4,721)</u>
Net Change in Plan Fiduciary Net Position	\$ 1,104,280
Plan Fiduciary Net Position, Beginning	<u>6,215,537</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 7,319,817</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (300,320)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 104.28%
Covered Employee Payroll	\$ 2,869,787
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	10.46%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-2

Lake County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 167,023	\$ 196,457
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(167,023)</u>	<u>(196,457)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,869,787	\$ 3,827,532
Contributions as a Percentage of Covered Employee Payroll	5.82%	5.13%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-3

Lake County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Lake County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 6,554
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(10,486)</u>
Contribution Deficiency (Excess)	<u>\$ (3,932)</u>
Covered Employee Payroll	\$ 262,150
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Lake County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Lake County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 382,847	\$ 274,164
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(382,847)</u>	<u>(274,164)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,311,336	\$ 3,045,139
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.00%

Note: ten years of data will be presented when available.

Exhibit E-5

Lake County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Lake County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.109843%
School Department's Proportionate Share of the Net Pension Asset	\$ 17,848
Covered Employee Payroll	\$ 4,311,336
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Lake County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Lake County School Department
June 30, 2015

(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	7-1-10	\$ 0	\$ 1,676	\$ 1,676	0 %	\$ 4,753	35 %
"	7-1-11	0	1,539	1,539	0	4,808	32
"	7-1-13	0	1,257	1,257	0	4,841	26

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Eight Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement

**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 of deeds, and sheriff.

Exhibit F-1

Lake County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
\$	0 \$	0 \$	0 \$	929 \$	929
Equity in Pooled Cash and Investments	9,570	8,116	13,788	0	31,474
Accounts Receivable	0	5	0	556	561
Due from Other Funds	0	0	845	0	845
Property Taxes Receivable	0	25,070	0	0	25,070
Allowance for Uncollectible Property Taxes	0	(448)	0	0	(448)
Total Assets	9,570 \$	32,743 \$	14,633 \$	1,485 \$	58,431

ASSETS

Cash	0 \$
Equity in Pooled Cash and Investments	9,570
Accounts Receivable	0
Due from Other Funds	0
Property Taxes Receivable	0
Allowance for Uncollectible Property Taxes	0
Total Assets	9,570 \$

LIABILITIES

Accrued Payroll	0 \$	929 \$	0 \$	0 \$	929
Payroll Deductions Payable	0	186	0	0	186
Due to Other Funds	0	11,354	0	1,485	12,839
Due to State of Tennessee	0	154	0	0	154
Total Liabilities	0 \$	12,623 \$	0 \$	1,485 \$	14,108

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	0 \$	23,929 \$	0 \$	0 \$	23,929
Deferred Delinquent Property Taxes	0	693	0	0	693
Total Deferred Inflows of Resources	0 \$	24,622 \$	0 \$	0 \$	24,622

(Continued)

Exhibit F-1

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees		
\$	9,570	0	0	0	0	9,570
	0	0	14,633		0	14,633
	0	(4,502)	0		0	(4,502)
\$	9,570	(4,502)	14,633		0	19,701
\$	9,570	32,743	14,633		1,485	58,431

FUND BALANCES

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

Exhibit F-2

Lake County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 3,311	\$ 33,083	\$ 0	\$ 36,394
Fines, Forfeitures, and Penalties	0	0	13,436	13,436
Charges for Current Services	0	905	0	905
Other Governments and Citizens Groups	0	33,124	0	33,124
Total Revenues	<u>\$ 3,311</u>	<u>\$ 67,112</u>	<u>\$ 13,436</u>	<u>\$ 83,859</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 20	\$ 0	\$ 0	\$ 20
Public Safety	0	0	8,531	8,531
Public Health and Welfare	0	165,976	0	165,976
Debt Service:				
Principal on Debt	0	2,844	0	2,844
Interest on Debt	0	883	0	883
Total Expenditures	<u>\$ 20</u>	<u>\$ 169,703</u>	<u>\$ 8,531</u>	<u>\$ 178,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,291</u>	<u>\$ (102,591)</u>	<u>\$ 4,905</u>	<u>\$ (94,395)</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 0	\$ 78,265	\$ 0	\$ 78,265
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 78,265</u>	<u>\$ 0</u>	<u>\$ 78,265</u>
Net Change in Fund Balances	\$ 3,291	\$ (24,326)	\$ 4,905	\$ (16,130)
Fund Balance, July 1, 2014	6,279	19,824	9,728	35,831
Fund Balance, June 30, 2015	<u>\$ 9,570</u>	<u>\$ (4,502)</u>	<u>\$ 14,633</u>	<u>\$ 19,701</u>

Exhibit F-3

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,311	\$ 0	\$ 0	\$ 3,311
Total Revenues	\$ 3,311	\$ 0	\$ 0	\$ 3,311
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 20	\$ 550	\$ 550	\$ 530
Total Expenditures	\$ 20	\$ 550	\$ 550	\$ 530
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,291	\$ (550)	\$ (550)	\$ 3,841
Net Change in Fund Balance	\$ 3,291	\$ (550)	\$ (550)	\$ 3,841
Fund Balance, July 1, 2014	6,279	6,824	6,824	(545)
Fund Balance, June 30, 2015	\$ 9,570	\$ 6,274	\$ 6,274	\$ 3,296

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 33,083	\$ 32,877	\$ 32,877	\$ 206
Charges for Current Services	905	0	0	905
Other Local Revenues	0	1,000	1,000	(1,000)
Other Governments and Citizens Groups	33,124	32,000	32,000	1,124
Total Revenues	<u>\$ 67,112</u>	<u>\$ 65,877</u>	<u>\$ 65,877</u>	<u>\$ 1,235</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 132,181	\$ 49,754	\$ 125,407	\$ (6,774)
Other Waste Disposal	33,795	17,000	28,354	(5,441)
<u>Principal on Debt</u>				
General Government	2,844	0	2,844	0
<u>Interest on Debt</u>				
General Government	883	0	883	0
Total Expenditures	<u>\$ 169,703</u>	<u>\$ 66,754</u>	<u>\$ 157,488</u>	<u>\$ (12,215)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (102,591)</u>	<u>\$ (877)</u>	<u>\$ (91,611)</u>	<u>\$ (10,980)</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 78,265	0	\$ 78,265	0
Total Other Financing Sources	<u>\$ 78,265</u>	<u>0</u>	<u>\$ 78,265</u>	<u>0</u>
Net Change in Fund Balance	\$ (24,326)	\$ (877)	\$ (13,346)	\$ (10,980)
Fund Balance, July 1, 2014	19,824	16,701	16,701	3,123
Fund Balance, June 30, 2015	<u>\$ (4,502)</u>	<u>\$ 15,824</u>	<u>\$ 3,355</u>	<u>\$ (7,857)</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 13,436	\$ 9,000	\$ 9,000	\$ 4,436
Total Revenues	\$ 13,436	\$ 9,000	\$ 9,000	\$ 4,436
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 8,531	\$ 9,000	\$ 9,000	\$ 469
Total Expenditures	\$ 8,531	\$ 9,000	\$ 9,000	\$ 469
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,905	\$ 0	\$ 0	\$ 4,905
Net Change in Fund Balance	\$ 4,905	\$ 0	\$ 0	\$ 4,905
Fund Balance, July 1, 2014	9,728	15,907	15,907	(6,179)
Fund Balance, June 30, 2015	\$ 14,633	\$ 15,907	\$ 15,907	\$ (1,274)

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 474,317	\$ 448,819	\$ 448,819	\$ 25,498
Other Local Revenues	2,240	67,433	67,433	(65,193)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 601,557</u>	<u>\$ 641,252</u>	<u>\$ 641,252</u>	<u>\$ (39,695)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 183,490	\$ 110,000	\$ 110,000	\$ (73,490)
Education	200,000	250,000	250,000	50,000
<u>Interest on Debt</u>				
General Government	216,761	171,763	171,763	(44,998)
Education	180,945	226,182	226,182	45,237
<u>Other Debt Service</u>				
General Government	7,013	5,600	5,600	(1,413)
Education	0	2,000	2,000	2,000
Total Expenditures	<u>\$ 788,209</u>	<u>\$ 765,545</u>	<u>\$ 765,545</u>	<u>\$ (22,664)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (186,652)</u>	<u>\$ (124,293)</u>	<u>\$ (124,293)</u>	<u>\$ (62,359)</u>
Net Change in Fund Balance	\$ (186,652)	\$ (124,293)	\$ (124,293)	\$ (62,359)
Fund Balance, July 1, 2014	<u>1,084,840</u>	<u>1,426,114</u>	<u>1,426,114</u>	<u>(341,274)</u>
Fund Balance, June 30, 2015	<u>\$ 898,188</u>	<u>\$ 1,301,821</u>	<u>\$ 1,301,821</u>	<u>\$ (403,633)</u>

Fiduciary Funds

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

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

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

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

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

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

Exhibit H-1

Lake County, Tennessee
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 June 30, 2015

	Agency Funds						
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	Total	
	\$ 0	\$ 0	\$ 0	\$ 201,741	\$ 0	\$ 201,741	
	0	49,519	8,381	0	1,401	59,301	
	32,954	0	0	0	0	32,954	
	\$ 32,954	\$ 49,519	\$ 8,381	\$ 201,741	\$ 1,401	\$ 293,996	
	\$ 32,954	\$ 49,519	\$ 0	\$ 0	\$ 0	\$ 82,473	
	0	0	8,381	201,741	1,401	211,523	
	\$ 32,954	\$ 49,519	\$ 8,381	\$ 201,741	\$ 1,401	\$ 293,996	

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Due from Other Governments
 Total Assets

LIABILITIES

Due to Other Taxing Units
 Due to Litigants, Heirs, and Others
 Total Liabilities

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 186,023	\$ 186,023	\$ 0
Due from Other Governments	32,439	32,954	32,439	32,954
Total Assets	\$ 32,439	\$ 218,977	\$ 218,462	\$ 32,954
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 32,439	\$ 218,977	\$ 218,462	\$ 32,954
Total Liabilities	\$ 32,439	\$ 218,977	\$ 218,462	\$ 32,954
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 50,078	\$ 5,502	\$ 6,061	\$ 49,519
Total Assets	\$ 50,078	\$ 5,502	\$ 6,061	\$ 49,519
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 50,078	\$ 5,502	\$ 6,061	\$ 49,519
Total Liabilities	\$ 50,078	\$ 5,502	\$ 6,061	\$ 49,519
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 10,989	\$ 0	\$ 2,608	\$ 8,381
Total Assets	\$ 10,989	\$ 0	\$ 2,608	\$ 8,381
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 10,989	\$ 0	\$ 2,608	\$ 8,381
Total Liabilities	\$ 10,989	\$ 0	\$ 2,608	\$ 8,381

(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	\$ 305,670	\$ 1,098,808	\$ 1,202,737	\$ 201,741
Total Assets	<u>\$ 305,670</u>	<u>\$ 1,098,808</u>	<u>\$ 1,202,737</u>	<u>\$ 201,741</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 305,670	\$ 1,098,808	\$ 1,202,737	\$ 201,741
Total Liabilities	<u>\$ 305,670</u>	<u>\$ 1,098,808</u>	<u>\$ 1,202,737</u>	<u>\$ 201,741</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Assets	<u>\$ 1,401</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,401</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Liabilities	<u>\$ 1,401</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,401</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 305,670	\$ 1,098,808	\$ 1,202,737	\$ 201,741
Equity in Pooled Cash and Investments	62,468	191,525	194,692	59,301
Due from Other Governments	32,439	32,954	32,439	32,954
Total Assets	<u>\$ 400,577</u>	<u>\$ 1,323,287</u>	<u>\$ 1,429,868</u>	<u>\$ 293,996</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 82,517	\$ 224,479	\$ 224,523	\$ 82,473
Due to Litigants, Heirs, and Others	318,060	1,098,808	1,205,345	211,523
Total Liabilities	<u>\$ 400,577</u>	<u>\$ 1,323,287</u>	<u>\$ 1,429,868</u>	<u>\$ 293,996</u>

Lake County School Department

This section presents combining and individual fund financial statements for the Lake County School Department, a discretely presented component unit. The 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, 2015

Functions/Programs	Program Revenues		Charges for Services	Expenses	Contributions	Net (Expense) Revenue and Changes in Net Position
	Operating Grants and	Total				
Governmental Activities:						
Instruction		\$ 442,825	\$ 0	\$ 5,071,492	\$ 442,825	\$ (4,628,667)
Support Services		340,441	0	2,643,979	340,441	(2,303,538)
Operation of Non-instructional Services		838,303	54,990	996,193	838,303	(102,900)
Total Governmental Activities		<u>1,621,569</u>	<u>54,990</u>	<u>8,711,664</u>	<u>1,621,569</u>	<u>\$ (7,035,105)</u>
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes						\$ 847,237
Local Option Sales Taxes						319,651
Wheel Tax						40,082
Business Tax						3,143
Other Local Taxes						944
Grants and Contributions Not Restricted for Specific Programs						5,645,585
Miscellaneous						34,659
Pension Income						59,899
Total General Revenues						<u>\$ 6,951,200</u>
Change in Net Position						\$ (83,905)
Net Position, July 1, 2014						6,675,514
Restatement - Pension Liability (See Note I.D.8)						<u>(1,706,683)</u>
Net Position, June 30, 2015						<u><u>\$ 4,884,926</u></u>

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,674,794	\$ 32,462	\$ 1,707,256
Accounts Receivable	354	0	354
Due from Other Governments	317,132	0	317,132
Property Taxes Receivable	829,227	0	829,227
Allowance for Uncollectible Property Taxes	(14,709)	0	(14,709)
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,806,798	\$ 32,462	\$ 2,839,260
<u>LIABILITIES</u>			
Accounts Payable	\$ 95,031	\$ 11,730	\$ 106,761
Payroll Deductions Payable	15,005	0	15,005
Total Liabilities	<hr/>	<hr/>	<hr/>
	\$ 110,036	\$ 11,730	\$ 121,766
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 791,833	\$ 0	\$ 791,833
Deferred Delinquent Property Taxes	22,685	0	22,685
Other Deferred/Unavailable Revenue	28,100	0	28,100
Total Deferred Inflows of Resources	<hr/>	<hr/>	<hr/>
	\$ 842,618	\$ 0	\$ 842,618
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 20,732	\$ 20,732
Unassigned	1,854,144	0	1,854,144
Total Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 1,854,144	\$ 20,732	\$ 1,874,876
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 2,806,798	\$ 32,462	\$ 2,839,260

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, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 1,874,876
(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	4,782,739	
Add: other capital assets net of accumulated depreciation	<u>374,765</u>	5,224,869
(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	\$ (39,706)	
Less: other postemployment benefits liability	<u>(952,641)</u>	(992,347)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 439,261	
Less: deferred inflows of resources related to pensions	<u>(1,866,231)</u>	(1,426,970)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: Net pension asset - agent plan	\$ 135,865	
Add: Net pension asset - cost-sharing plan	<u>17,848</u>	153,713
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>50,785</u>
Net position of governmental activities (Exhibit A)		<u>\$ 4,884,926</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, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	<u>Total</u>
	General Purpose School	School Federal Projects	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,211,809	\$ 0	\$ 1,211,809
Licenses and Permits	473	0	473
Charges for Current Services	54,990	0	54,990
Other Local Revenues	37,659	0	37,659
State of Tennessee	6,062,131	0	6,062,131
Federal Government	520,606	680,944	1,201,550
Total Revenues	\$ 7,887,668	\$ 680,944	\$ 8,568,612
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,204,086	\$ 566,931	\$ 4,771,017
Support Services	2,584,151	114,548	2,698,699
Operation of Non-instructional Services	1,028,461	0	1,028,461
Capital Outlay	49,186	0	49,186
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	\$ 7,990,884	\$ 681,479	\$ 8,672,363
Excess (Deficiency) of Revenues Over Expenditures	\$ (103,216)	\$ (535)	\$ (103,751)
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 751	\$ 0	\$ 751
Transfers Out	0	(751)	(751)
Total Other Financing Sources (Uses)	\$ 751	\$ (751)	\$ 0
Net Change in Fund Balances	\$ (102,465)	\$ (1,286)	\$ (103,751)
Fund Balance, July 1, 2014	1,956,609	22,018	1,978,627
Fund Balance, June 30, 2015	\$ 1,854,144	\$ 20,732	\$ 1,874,876

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, 2015

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)		\$ (103,751)
(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	\$ 82,795	
Less: current-year depreciation expense	<u>(374,109)</u>	(291,314)
(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, 2015	\$ 50,785	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(51,537)</u>	(752)
(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	\$ (18,327)	
Change in other postemployment benefits liability	(103,187)	
Change in deferred outflows related to pensions	439,261	
Change in deferred inflows related to pensions	(1,866,231)	
Change in net pension asset - agent plan	443,910	
Change in net pension asset - cost-sharing plan	<u>1,416,486</u>	<u>311,912</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (83,905)</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,211,809	\$ 1,159,963	\$ 1,159,963	\$ 51,846
Licenses and Permits	473	300	300	173
Charges for Current Services	54,990	72,700	72,700	(17,710)
Other Local Revenues	37,659	5,000	5,000	32,659
State of Tennessee	6,062,131	5,976,469	6,000,617	61,514
Federal Government	520,606	416,806	451,741	68,865
Total Revenues	\$ 7,887,668	\$ 7,631,238	\$ 7,690,321	\$ 197,347
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,578,648	\$ 3,774,712	\$ 3,609,713	\$ 31,065
Special Education Program	452,121	472,919	472,920	20,799
Vocational Education Program	173,317	138,353	138,352	(34,965)
<u>Support Services</u>				
Attendance	44,466	43,106	43,106	(1,360)
Health Services	91,983	70,323	95,323	3,340
Other Student Support	192,823	196,001	196,001	3,178
Regular Instruction Program	305,481	318,778	318,778	13,297
Special Education Program	96,382	122,549	122,549	26,167
Other Programs	24,148	0	24,148	0
Board of Education	156,764	151,033	151,033	(5,731)
Director of Schools	190,620	164,855	164,855	(25,765)
Office of the Principal	498,198	477,083	477,083	(21,115)
Fiscal Services	66,807	66,817	66,817	10
Operation of Plant	651,602	656,008	656,007	4,405
Maintenance of Plant	111,788	110,775	110,776	(1,012)
Transportation	153,089	160,115	160,115	7,026
<u>Operation of Non-instructional Services</u>				
Food Service	574,200	460,594	495,527	(78,673)
Community Services	137,577	0	140,000	2,423
Early Childhood Education	316,684	316,983	316,983	299
<u>Capital Outlay</u>				
Regular Capital Outlay	49,186	175,000	50,000	814
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,990,884	\$ 7,876,004	\$ 7,935,086	\$ (55,798)
Excess (Deficiency) of Revenues Over Expenditures	\$ (103,216)	\$ (244,766)	\$ (244,765)	\$ 141,549
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 751	\$ 0	\$ 0	\$ 751
Total Other Financing Sources	\$ 751	\$ 0	\$ 0	\$ 751
Net Change in Fund Balance	\$ (102,465)	\$ (244,766)	\$ (244,765)	\$ 142,300
Fund Balance, July 1, 2014	1,956,609	1,364,864	1,364,864	591,745
Fund Balance, June 30, 2015	\$ 1,854,144	\$ 1,120,098	\$ 1,120,099	\$ 734,045

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 680,944	\$ 829,665	\$ 830,441	\$ (149,497)
Total Revenues	\$ 680,944	\$ 829,665	\$ 830,441	\$ (149,497)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 373,892	\$ 391,943	\$ 400,197	\$ 26,305
Special Education Program	177,774	194,039	217,818	40,044
Vocational Education Program	15,265	15,557	15,265	0
<u>Support Services</u>				
Other Student Support	4,127	60,966	8,283	4,156
Regular Instruction Program	97,538	128,598	116,391	18,853
Special Education Program	12,407	37,585	71,085	58,678
Vocational Education Program	476	977	476	0
Total Expenditures	\$ 681,479	\$ 829,665	\$ 829,515	\$ 148,036
Excess (Deficiency) of Revenues Over Expenditures	\$ (535)	\$ 0	\$ 926	\$ (1,461)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (751)	\$ 0	\$ (925)	\$ 174
Total Other Financing Sources	\$ (751)	\$ 0	\$ (925)	\$ 174
Net Change in Fund Balance	\$ (1,286)	\$ 0	\$ 1	\$ (1,287)
Fund Balance, July 1, 2014	22,018	0	0	22,018
Fund Balance, June 30, 2015	\$ 20,732	\$ 0	\$ 1	\$ 20,731

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2015

	<u>Other Trust Fund</u> Private Purpose Trust
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 336,854
<u>NET POSITION</u>	
Held in Trust for College Scholarships for Lake County Students	\$ 336,854

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, 2015

	Other Trust Fund
	<u>Private Purpose Trust</u>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 3,509
Total Additions	<u>\$ 3,509</u>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 3,500
Total Deductions	<u>\$ 3,500</u>
Change in Net Position	\$ 9
Net Position, July 1, 2014	<u>336,845</u>
Net Position, June 30, 2015	<u><u>\$ 336,854</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Lake County, Tennessee
Schedule of Changes in Long-term Note, Capital Lease, and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	%	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
NOTE PAYABLE									
Payable through Highway/Public Works Fund									
Highway Department Equipment	\$ 230,000	1.96		8-31-11	8-1-16	\$ 141,000	0 \$	46,000 \$	95,000
Total Note Payable						\$ 141,000	0 \$	46,000 \$	95,000
CAPITAL LEASE PAYABLE									
Payable through Solid Waste/Sanitation Fund									
Landscape Loader	78,265	7		4-15-15	3-6-19	\$ 0	78,265 \$	2,844 \$	75,421
Total Capital Lease Payable						\$ 0	78,265 \$	2,844 \$	75,421
BONDS PAYABLE									
Payable through General Debt Service Fund									
General Obligation - Port Authority, Series 2007	2,750,000	5.5		1-3-07	6-1-36	\$ 2,550,000	0 \$	60,000 \$	2,490,000
General Obligation Bonds, Series 2012	1,165,000	2 to 3.125		1-25-12	6-1-30	1,165,000	0	50,000	1,115,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4		4-12-12	6-1-37	7,295,000	0	250,000	7,045,000
Total Bonds Payable						\$ 11,010,000	0 \$	360,000 \$	10,650,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2016	\$ 47,000	\$ 1,401	\$ 48,401
2017	48,000	470	48,470
Total	\$ 95,000	\$ 1,871	\$ 96,871

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2016	\$ 17,773	\$ 4,586	\$ 22,359
2017	19,058	3,301	22,359
2018	20,436	1,923	22,359
2019	18,154	479	18,633
Total	\$ 75,421	\$ 10,289	\$ 85,710

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 10,650,000	\$ 4,935,024	\$ 15,585,024

Exhibit J-3

Lake County, Tennessee
Schedule of Transfers
Discretely Presented Lake County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 751</u>
Total Transfers			<u><u>\$ 751</u></u>

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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Macie Roberson (7-1-14 through 8-31-14)	Section 8-24-102, TCA	\$ 11,681 (1)	\$ 25,000	Traveler's Casualty and Surety Company of America
Denny Johnson (9-1-14 through 6-30-15)	Section 8-24-102, TCA	56,155	100,000	"
Road Superintendent	Section 8-24-102, TCA	76,071 (2)	100,000	"
Director of Schools				
Trustee	State Board of Education and Lake County Board of Education	96,072 (3)	50,000	"
Assessor of Property	Section 8-24-102, TCA	58,343	364,151	"
County Clerk	Section 8-24-102, TCA	58,343	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	58,343	50,000	"
Clerk and Master	Section 8-24-102, TCA	58,343	50,000	RLI Insurance Company
Register of Deeds	Section 8-24-102, TCA	58,343	50,000	Traveler's Casualty and Surety Company of America
Sheriff	Section 8-24-102, TCA	64,178 (4)	100,000	"
Blanket Bond:				
County and Highway Employees			150,000	Local Government Property and Casualty Fund
Director of Schools			150,000	Tennessee Risk Management Trust

(1) Includes \$450 for serving as chairman of the County Commission.

(2) Includes \$11,294 paid as health insurance stipend.

(3) Does not include contract buy out payments of \$25,000 for the former director of schools. Includes a chief executive officer training supplement of \$1,000. Does not include a \$4,800 vehicle allowance or \$7,117 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, 2015

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 952,276	\$ 0	\$ 24,516	\$ 0	\$ 24,516
Trustee's Collections - Prior Year	24,519	0	718	0	734
Circuit/Clerk and Master Collections - Prior Years	8,063	0	270	0	270
Interest and Penalty	5,492	0	159	0	160
Payments in-Lieu-of Taxes - Local Utilities	2,433	0	74	0	74
Payments in-Lieu-of Taxes - Other	25,209	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	51,206	0	0	0	0
Hotel/Motel Tax	26,628	0	0	0	0
Wheel Tax	151,838	0	7,346	0	0
Litigation Tax - General	9,722	0	0	0	0
Litigation Tax - Special Purpose	1,959	3,311	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courthouse Security	14,054	0	0	0	0
Business Tax	26,693	0	0	0	0
Mixed Drink Tax	1,981	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	2,316	0	0	0	0
Wholesale Beer Tax	14,031	0	0	0	0
Interstate Telecommunications Tax	156	0	0	0	0
Total Local Taxes	\$ 1,318,576	\$ 3,311	\$ 33,083	\$ 0	\$ 25,754
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 151	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	3,911	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Licenses and Permits (Cont.)</u>					
<u>Permits</u>					
Building Permits	\$ 550	\$ 0	\$ 0	\$ 0	\$ 0
Other Permits	30	0	0	0	0
Total Licenses and Permits	<u>\$ 4,642</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Officers Costs	\$ 4,805	\$ 0	\$ 0	\$ 0	\$ 0
Drug Control Fines	9,854	0	0	0	0
Drug Court Fees	561	0	0	0	0
Data Entry Fee - Circuit Court	470	0	0	0	0
<u>Criminal Court</u>					
DUI Treatment Fines	95	0	0	0	0
<u>General Sessions Court</u>					
Fines					
Officers Costs	8,292	0	0	0	0
Game and Fish Fines	8,494	0	0	0	0
Drug Control Fines	50	0	0	0	0
Drug Court Fees	0	0	0	1,795	0
Jail Fees	1,284	0	0	0	0
DUI Treatment Fines	17,900	0	0	0	0
Data Entry Fee - General Sessions Court	1,781	0	0	0	0
Courtroom Security Fee	2,028	0	0	0	0
Juvenile Court	29	0	0	0	0
Fines	641	0	0	0	0
Officers Costs	21	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court (Cont.)</u>					
Jail Fees	\$ 350	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Juvenile Court	24	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	742	0	0	0	0
Data Entry Fee - Chancery Court	622	0	0	0	0
Courtroom Security Fee	137	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	1,502	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	500	0	0	10,139	0
Total Fines, Forfeitures, and Penalties	\$ 58,680	\$ 0	\$ 0	\$ 13,436	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Waste Tire Disposal	\$ 0	\$ 0	\$ 905	\$ 0	\$ 0
Patient Charges	701,603	0	0	0	0
<u>Fees</u>					
Copy Fees	157	0	0	0	0
Archives and Records Management Fee - County Clerk	2,762	0	0	0	0
Telephone Commissions	11,560	0	0	0	0
Data Processing Fee - Register	1,374	0	0	0	0
Data Processing Fee - Sheriff	636	0	0	0	0
Sexual Offender Registration Fee - Sheriff	500	0	0	0	0
Data Processing Fee - County Clerk	69	0	0	0	0
Total Charges for Current Services	\$ 718,661	\$ 0	\$ 905	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 49,391	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	60,689	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	295
Commissary Sales	4,272	0	0	0	0
Miscellaneous Refunds	13,933	0	0	0	16,809
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	140	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	8,531	0	0	0	0
Total Other Local Revenues	\$ 136,956	\$ 0	\$ 0	\$ 0	\$ 17,104
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 60,069	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	24,928	0	0	0	0
General Sessions Court Clerk	29,703	0	0	0	0
Clerk and Master	18,331	0	0	0	0
Juvenile Court Clerk	5,106	0	0	0	0
Register	15,331	0	0	0	0
Sheriff	2,108	0	0	0	0
Trustee	88,948	0	0	0	0
Total Fees Received from County Officials	\$ 244,524	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	9,000 \$	0 \$	0 \$	0 \$	0
Aging Programs	48,241	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	4,800	0	0	0	0
Health and Welfare Grants	3,632	0	0	0	0
<u>Health Department Programs</u>					
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	214,014
Litter Program	24,817	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	3,220	0	0	0	0
Beer Tax	18,055	0	0	0	0
Alcoholic Beverage Tax	18,307	0	0	0	0
Contracted Prisoner Boarding	404,048	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,234,499
Petroleum Special Tax	0	0	0	0	5,651
Registrar's Salary Supplement	11,373	0	0	0	0
Other State Revenues	12,440	0	0	0	0
Total State of Tennessee	557,933 \$	0 \$	0 \$	0 \$	1,454,164
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	197,572 \$	0 \$	0 \$	0 \$	0
Civil Defense Reimbursement	15,274	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	\$ 1,600	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 214,446	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 33,124	\$ 0	\$ 0
Contracted Services	84,693	0	0	0	0
Total Other Governments and Citizens Groups	\$ 84,693	\$ 0	\$ 33,124	\$ 0	\$ 0
Total	\$ 3,339,111	\$ 3,311	\$ 67,112	\$ 13,436	\$ 1,497,022

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

	<u>Debt Service</u>		
	<u>Fund</u>		
	General	Debt	Total
	Service	Service	
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	73,926	\$	1,075,234
Trustee's Collections - Prior Year	2,157		28,128
Circuit/Clerk and Master Collections - Prior Years	806		9,409
Interest and Penalty	451		6,262
Payments in-Lieu-of Taxes - Local Utilities	0		2,581
Payments in-Lieu-of Taxes - Other	0		25,209
<u>County Local Option Taxes</u>			
Local Option Sales Tax	316,952		368,158
Hotel/Motel Tax	0		26,628
Wheel Tax	73,935		233,119
Litigation Tax - General	0		9,722
Litigation Tax - Special Purpose	0		5,270
Litigation Tax - Jail, Workhouse, or Courthouse	4,548		4,548
Litigation Tax - Courthouse Security	0		14,054
Business Tax	1,542		28,235
Mixed Drink Tax	0		1,981
<u>Statutory Local Taxes</u>			
Bank Excise Tax	0		2,316
Wholesale Beer Tax	0		14,031
Interstate Telecommunications Tax	0		156
Total Local Taxes	474,317	\$	1,855,041
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Animal Registration	0	\$	151
Cable TV Franchise	0		3,911

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Licenses and Permits (Cont.)</u>			
<u>Permits</u>			
Building Permits	0 \$		550
Other Permits	0		30
Total Licenses and Permits	0 \$		4,642
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Officers Costs	0 \$		4,805
Drug Control Fines	0		9,854
Drug Court Fees	0		561
Data Entry Fee - Circuit Court	0		470
<u>Criminal Court</u>			
DUI Treatment Fines	0		95
<u>General Sessions Court</u>			
<u>Fines</u>			
Officers Costs	0		8,292
Game and Fish Fines	0		8,494
Drug Control Fines	0		50
Drug Court Fees	0		1,795
Jail Fees	0		1,284
DUI Treatment Fines	0		17,900
Data Entry Fee - General Sessions Court	0		1,781
Courtroom Security Fee	0		2,028
<u>Juvenile Court</u>			
<u>Fines</u>			
Officers Costs	0		29
Officers Costs	0		641
Officers Costs	0		21

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court (Cont.)</u>			
Jail Fees	0 \$		350
Data Entry Fee - Juvenile Court	0		24
<u>Chancery Court</u>			
Officers Costs	0		742
Data Entry Fee - Chancery Court	0		622
Courtroom Security Fee	0		137
<u>Judicial District Drug Program</u>			
Drug Task Force Forfeitures and Seizures	0		1,502
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0		10,639
Total Fines, Forfeitures, and Penalties	<u>0 \$</u>		<u>72,116</u>
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Surcharge - Waste Tire Disposal	0 \$		905
Patient Charges	0		701,603
<u>Fees</u>			
Copy Fees	0		157
Archives and Records Management Fee - County Clerk	0		2,762
Telephone Commissions	0		11,560
Data Processing Fee - Register	0		1,374
Data Processing Fee - Sheriff	0		636
Sexual Offender Registration Fee - Sheriff	0		500
Data Processing Fee - County Clerk	0		69
Total Charges for Current Services	<u>0 \$</u>		<u>719,566</u>

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	0	0	49,391
Lease/Rentals	2,240	0	62,929
Sale of Materials and Supplies	0	0	295
Commissary Sales	0	0	4,272
Miscellaneous Refunds	0	0	30,742
<u>Nonrecurring Items</u>			
Damages Recovered from Individuals	0	0	140
<u>Other Local Revenues</u>			
Other Local Revenues	0	0	8,531
Total Other Local Revenues	2,240	0	156,300
<u>Fees Received from County Officials</u>			
<u>Fees in-Lieu-of Salary</u>			
County Clerk	0	0	60,069
Circuit Court Clerk	0	0	24,928
General Sessions Court Clerk	0	0	29,703
Clerk and Master	0	0	18,331
Juvenile Court Clerk	0	0	5,106
Register	0	0	15,331
Sheriff	0	0	2,108
Trustee	0	0	88,948
Total Fees Received from County Officials	0	0	244,524

(Continued)

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

	Debt Service Fund		Total
	General Debt Service		
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$ 9,000	
Aging Programs	0	48,241	
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0	4,800	
Health and Welfare Grants			
Health Department Programs	0	3,632	
<u>Public Works Grants</u>			
Bridge Program	0	214,014	
Litter Program	0	24,817	
<u>Other State Revenues</u>			
Income Tax	0	3,220	
Beer Tax	0	18,055	
Alcoholic Beverage Tax	0	18,307	
Contracted Prisoner Boarding	0	404,048	
Gasoline and Motor Fuel Tax	0	1,234,499	
Petroleum Special Tax	0	5,651	
Registrar's Salary Supplement	0	11,373	
Other State Revenues	0	12,440	
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 2,012,097</u>	
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 0	\$ 197,572	
Civil Defense Reimbursement	0	15,274	

(Continued)

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

	Debt Service Fund	General Debt Service	Total
<u>Federal Government (Cont.)</u>			
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	0	\$	1,600
Total Federal Government	0	\$	214,446
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions		\$	158,124
Contracted Services		0	84,693
Total Other Governments and Citizens Groups	\$	125,000	\$ 242,817
Total	\$	601,557	\$ 5,521,549

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, 2015

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 813,632	\$ 0	\$ 813,632
Trustee's Collections - Prior Year	24,306	0	24,306
Circuit/Clerk and Master Collections - Prior Years	8,848	0	8,848
Interest and Penalty	5,303	0	5,303
<u>County Local Option Taxes</u>			
Local Option Sales Tax	315,651	0	315,651
Wheel Tax	40,082	0	40,082
Business Tax	3,143	0	3,143
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	844	0	844
Total Local Taxes	<u>\$ 1,211,809</u>	<u>\$ 0</u>	<u>\$ 1,211,809</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 380	\$ 0	\$ 380
<u>Permits</u>			
Other Permits	93	0	93
Total Licenses and Permits	<u>\$ 473</u>	<u>\$ 0</u>	<u>\$ 473</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 54,990	\$ 0	\$ 54,990
Total Charges for Current Services	<u>\$ 54,990</u>	<u>\$ 0</u>	<u>\$ 54,990</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
E-Rate Funding	\$ 23,087	\$ 0	\$ 23,087
Miscellaneous Refunds	10,292	0	10,292
<u>Nonrecurring Items</u>			
Sale of Equipment	1,250	0	1,250
Damages Recovered from Individuals	30	0	30
Contributions and Gifts	3,000	0	3,000
Total Other Local Revenues	<u>\$ 37,659</u>	<u>\$ 0</u>	<u>\$ 37,659</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 24,148	\$ 0	\$ 24,148
<u>State Education Funds</u>			
Basic Education Program	5,060,821	0	5,060,821

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
Early Childhood Education	\$ 316,685	\$ 0	\$ 316,685
School Food Service	5,141	0	5,141
Energy Efficient School Initiative	3,000	0	3,000
Other State Education Funds	244,601	0	244,601
Coordinated School Health	93,356	0	93,356
Family Resource Centers	29,612	0	29,612
Career Ladder Program	38,309	0	38,309
Career Ladder - Extended Contract	15,370	0	15,370
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	222,148	0	222,148
Other State Grants	3,000	0	3,000
Safe Schools	5,940	0	5,940
Total State of Tennessee	<u>\$ 6,062,131</u>	<u>\$ 0</u>	<u>\$ 6,062,131</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 352,215	\$ 0	\$ 352,215
USDA - Commodities	34,935	0	34,935
Breakfast	111,259	0	111,259
USDA - Other	5,537	0	5,537
Vocational Education - Basic Grants to States	0	19,868	19,868
Title I Grants to Local Education Agencies	0	362,236	362,236
Special Education - Grants to States	0	181,263	181,263
Special Education Preschool Grants	0	7,735	7,735
Rural Education	0	11,621	11,621
Eisenhower Professional Development State Grants	0	57,345	57,345
Race-to-the-Top - ARRA	0	40,876	40,876
Other Federal through State	16,660	0	16,660
Total Federal Government	<u>\$ 520,606</u>	<u>\$ 680,944</u>	<u>\$ 1,201,550</u>
Total	<u>\$ 7,887,668</u>	<u>\$ 680,944</u>	<u>\$ 8,568,612</u>

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

County Official/Administrative Officer	\$	450	
Other Per Diem and Fees		19,975	
Social Security		1,549	
Pensions		323	
Unemployment Compensation		191	
Total County Commission			\$ 22,488

County Mayor/Executive

County Official/Administrative Officer	\$	67,386	
Secretary(ies)		20,957	
Longevity Pay		72	
Other Salaries and Wages		9,040	
Social Security		7,455	
Pensions		2,094	
Unemployment Compensation		498	
Communication		2,224	
Data Processing Services		8,174	
Postal Charges		1,097	
Printing, Stationery, and Forms		3,056	
Rentals		332	
Travel		2,065	
Electricity		665	
Natural Gas		461	
Office Supplies		3,392	
Water and Sewer		369	
Building and Contents Insurance		996	
Premiums on Corporate Surety Bonds		1,252	
Workers' Compensation Insurance		90	
Total County Mayor/Executive			131,675

County Attorney

County Official/Administrative Officer	\$	4,500	
Legal Services		9,280	
Total County Attorney			13,780

Election Commission

County Official/Administrative Officer	\$	52,509	
Other Salaries and Wages		300	
Election Commission		2,900	
Election Workers		7,500	
Social Security		4,007	
Pensions		3,051	
Communication		1,315	
Data Processing Services		6,495	
Legal Notices, Recording, and Court Costs		1,050	
Maintenance and Repair Services - Equipment		1,781	
Postal Charges		1,470	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Printing, Stationery, and Forms	\$	8,202	
Rentals		319	
Travel		1,326	
Natural Gas		1,827	
Office Supplies		1,427	
Building and Contents Insurance		835	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 96,439

Register of Deeds

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		7,618	
Longevity Pay		568	
Social Security		4,768	
Pensions		3,390	
Unemployment Compensation		58	
Communication		1,072	
Data Processing Services		1,460	
Postal Charges		329	
Printing, Stationery, and Forms		249	
Rentals		490	
Electricity		465	
Natural Gas		268	
Office Supplies		428	
Water and Sewer		111	
Building and Contents Insurance		699	
Premiums on Corporate Surety Bonds		569	
Workers' Compensation Insurance		30	
Total Register of Deeds			80,915

Development

Board and Committee Members Fees	\$	2,250	
Other Contracted Services		9,988	
Total Development			12,238

County Buildings

Maintenance and Repair Services - Buildings	\$	24,807	
Maintenance and Repair Services - Equipment		3,476	
Pest Control		2,650	
Custodial Supplies		4,133	
Electricity		8,425	
Natural Gas		6,685	
Water and Sewer		1,568	
Building and Contents Insurance		8,000	
Workers' Compensation Insurance		7,000	
Heating and Air Conditioning Equipment		1,336	
Total County Buildings			68,080

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Secretary(ies)		19,511	
Longevity Pay		1,898	
Other Salaries and Wages		9,754	
Board and Committee Members Fees		590	
Social Security		6,847	
Pensions		4,613	
Unemployment Compensation		313	
Communication		1,040	
Postal Charges		336	
Printing, Stationery, and Forms		153	
Rentals		196	
Travel		673	
Other Contracted Services		3,048	
Electricity		335	
Natural Gas		193	
Office Supplies		308	
Water and Sewer		80	
Building and Contents Insurance		690	
Workers' Compensation Insurance		90	
Total Property Assessor's Office			\$ 109,011

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		19,638	
Longevity Pay		1,086	
Social Security		6,049	
Pensions		4,585	
Unemployment Compensation		168	
Communication		1,428	
Data Processing Services		6,820	
Postal Charges		2,057	
Printing, Stationery, and Forms		339	
Rentals		1,043	
Travel		975	
Electricity		356	
Natural Gas		205	
Office Supplies		953	
Water and Sewer		85	
Building and Contents Insurance		966	
Premiums on Corporate Surety Bonds		1,268	
Workers' Compensation Insurance		65	
Total County Trustee's Office			106,429

County Clerk's Office

County Official/Administrative Officer	\$	58,343
Deputy(ies)		19,611

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Part-time Personnel	\$	12,469	
Longevity Pay		1,480	
Social Security		7,031	
Pensions		4,780	
Unemployment Compensation		428	
Communication		1,096	
Postal Charges		1,200	
Printing, Stationery, and Forms		158	
Other Contracted Services		9,623	
Electricity		2,177	
Natural Gas		530	
Office Supplies		2,024	
Water and Sewer		679	
Building and Contents Insurance		966	
Premiums on Corporate Surety Bonds		400	
Workers' Compensation Insurance		100	
Total County Clerk's Office			\$ 123,095

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		56,177	
Longevity Pay		1,112	
Other Salaries and Wages		775	
Jury and Witness Expense		70,162	
Social Security		8,878	
Pensions		6,763	
Unemployment Compensation		616	
Communication		2,121	
Data Processing Services		11,054	
Postal Charges		1,829	
Printing, Stationery, and Forms		949	
Rentals		960	
Travel		155	
Electricity		3,780	
Natural Gas		2,311	
Office Supplies		4,005	
Water and Sewer		1,021	
Building and Contents Insurance		6,900	
Premiums on Corporate Surety Bonds		400	
Workers' Compensation Insurance		200	
Total Circuit Court			238,511

General Sessions Court

Judge(s)	\$	91,435	
Other Salaries and Wages		1,930	
Social Security		6,924	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Pensions	\$	5,312	
Communication		1,134	
Postal Charges		264	
Travel		998	
Other Contracted Services		1,229	
Electricity		233	
Natural Gas		134	
Office Supplies		136	
Water and Sewer		56	
Building and Contents Insurance		425	
Workers' Compensation Insurance		150	
Total General Sessions Court			\$ 110,360

Chancery Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		9,755	
Longevity Pay		198	
Social Security		5,225	
Pensions		3,390	
Unemployment Compensation		157	
Communication		1,336	
Data Processing Services		4,350	
Postal Charges		472	
Printing, Stationery, and Forms		1,143	
Electricity		425	
Natural Gas		245	
Office Supplies		436	
Water and Sewer		102	
Building and Contents Insurance		690	
Workers' Compensation Insurance		225	
Total Chancery Court			86,492

Juvenile Court

County Official/Administrative Officer	\$	28,284	
Longevity Pay		500	
Other Salaries and Wages		300	
Social Security		2,225	
Pensions		1,690	
Unemployment Compensation		154	
Communication		1,499	
Data Processing Services		678	
Postal Charges		254	
Travel		1,148	
Other Contracted Services		12,928	
Electricity		295	
Natural Gas		170	
Office Supplies		1,138	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Water and Sewer	\$	71	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			\$ 51,946

Other Administration of Justice

Library Books/Media	\$	3,779	
Total Other Administration of Justice			3,779

Courtroom Security

Other Contracted Services	\$	324	
Law Enforcement Supplies		345	
Total Courtroom Security			669

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,178	
Deputy(ies)		260,550	
Salary Supplements		7,300	
Secretary(ies)		22,693	
Other Salaries and Wages		9,056	
In-service Training		2,078	
Social Security		28,651	
Pensions		18,459	
Unemployment Compensation		2,134	
Communication		13,000	
Contracts with Government Agencies		75	
Data Processing Services		4,104	
Maintenance and Repair Services - Vehicles		14,560	
Medical and Dental Services		150	
Postal Charges		922	
Printing, Stationery, and Forms		872	
Rentals		2,401	
Towing Services		300	
Travel		3,193	
Gasoline		28,714	
Natural Gas		10,340	
Office Supplies		7,405	
Uniforms		4,790	
Water and Sewer		3,528	
Other Supplies and Materials		4,677	
Building and Contents Insurance		27,448	
Premiums on Corporate Surety Bonds		797	
Workers' Compensation Insurance		10,050	
Law Enforcement Equipment		4,046	
Motor Vehicles		36,904	
Total Sheriff's Department			593,375

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Dispatchers/Radio Operators	\$	224,105	
Guards		22,450	
Part-time Personnel		33,798	
In-service Training		2,180	
Social Security		21,362	
Pensions		13,654	
Unemployment Compensation		2,371	
Maintenance and Repair Services - Buildings		7,437	
Maintenance and Repair Services - Equipment		10,098	
Medical and Dental Services		78,910	
Custodial Supplies		13,307	
Electricity		26,503	
Food Supplies		84,870	
Natural Gas		2,898	
Uniforms		1,579	
Water and Sewer		7,200	
Other Supplies and Materials		3,953	
Building and Contents Insurance		13,324	
Workers' Compensation Insurance		6,487	
Heating and Air Conditioning Equipment		633	
Total Jail			\$ 577,119

Civil Defense

Supervisor/Director	\$	10,385	
Social Security		794	
Pensions		603	
Unemployment Compensation		31	
Other Charges		6,839	
Total Civil Defense			18,652

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	2,296	
Social Security		176	
Unemployment Compensation		51	
Communication		994	
Contracts with Government Agencies		2,995	
Maintenance and Repair Services - Buildings		4,856	
Postal Charges		10	
Travel		161	
Other Contracted Services		6,268	
Custodial Supplies		241	
Drugs and Medical Supplies		1,093	
Electricity		5,887	
Natural Gas		1,927	
Office Supplies		607	
Water and Sewer		1,695	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Building and Contents Insurance	\$	3,000	
Workers' Compensation Insurance		700	
Total Local Health Center			\$ 32,957

Ambulance/Emergency Medical Services

Supervisor/Director	\$	35,616	
Medical Personnel		354,129	
Secretary(ies)		21,033	
Social Security		31,316	
Pensions		8,536	
Unemployment Compensation		3,976	
Ambulance Services		1,984	
Communication		4,387	
Licenses		1,750	
Maintenance and Repair Services - Vehicles		13,402	
Postal Charges		1,245	
Rentals		731	
Travel		721	
Other Contracted Services		5,575	
Drugs and Medical Supplies		17,936	
Electricity		6,518	
Gasoline		27,177	
Natural Gas		2,174	
Office Supplies		1,435	
Uniforms		1,196	
Water and Sewer		816	
Other Supplies and Materials		1,602	
Building and Contents Insurance		6,779	
Workers' Compensation Insurance		27,880	
Other Charges		12,071	
Other Capital Outlay		192,837	
Total Ambulance/Emergency Medical Services			782,822

Sanitation Management

Deputy(ies)	\$	16,555	
Education Media Personnel		3,470	
Social Security		1,266	
Unemployment Compensation		275	
Maintenance and Repair Services - Vehicles		97	
Gasoline		1,637	
Other Charges		91	
Total Sanitation Management			23,391

Social, Cultural, and Recreational Services

Senior Citizens Assistance

County Official/Administrative Officer	\$	22,167	
Supervisor/Director		16,390	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Social Security	\$	3,982	
Pensions		2,240	
Unemployment Compensation		455	
Communication		3,727	
Contributions		1,430	
Maintenance and Repair Services - Buildings		575	
Travel		1,675	
Other Contracted Services		27,486	
Electricity		3,537	
Natural Gas		1,279	
Office Supplies		3,175	
Water and Sewer		2,273	
Other Supplies and Materials		1,204	
Total Senior Citizens Assistance			\$ 91,595

Libraries

Contributions	\$	20,000	
Total Libraries			20,000

Other Social, Cultural, and Recreational

Other Charges	\$	5,027	
Total Other Social, Cultural, and Recreational			5,027

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$	3,860	
Secretary(ies)		1,925	
Communication		2,751	
Maintenance and Repair Services - Office Equipment		200	
Office Supplies		557	
Total Agricultural Extension Service			9,293

Other Operations

Tourism

Contributions	\$	36,058	
Total Tourism			36,058

Other Economic and Community Development

Matching Share	\$	18,350	
Total Other Economic and Community Development			18,350

Other Charges

Trustee's Commission	\$	33,328	
Total Other Charges			33,328

Contributions to Other Agencies

Contributions	\$	8,659	
Total Contributions to Other Agencies			8,659

Total General Fund \$ 3,506,533

(Continued)

Exhibit J-7

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

Law Library Fund

Administration of Justice

Other Administration of Justice

Trustee's Commission	\$ 20	
Total Other Administration of Justice		\$ 20

Total Law Library Fund \$ 20

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Incinerator

Foremen	\$ 25,857	
Social Security	1,901	
Unemployment Compensation	154	
Contracts with Government Agencies	444	
Maintenance and Repair Services - Buildings	631	
Maintenance and Repair Services - Equipment	6,106	
Diesel Fuel	6,649	
Electricity	11,559	
Trustee's Commission	602	
Workers' Compensation Insurance	13	
Solid Waste Equipment	78,265	
Total Waste Incinerator		\$ 132,181

Other Waste Disposal

Consultants	\$ 1,492	
Contracts with Government Agencies	13,259	
Other Contracted Services	19,044	
Total Other Waste Disposal		33,795

Principal on Debt

General Government

Principal on Capital Leases	\$ 2,844	
Total General Government		2,844

Interest on Debt

General Government

Interest on Capital Leases	\$ 883	
Total General Government		883

Total Solid Waste/Sanitation Fund 169,703

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,000	
Law Enforcement Supplies	6,414	
Trustee's Commission	117	
Total Drug Enforcement		\$ 8,531

Total Drug Control Fund 8,531

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	76,071	
Accountants/Bookkeepers		47,086	
Secretary(ies)		31,940	
Board and Committee Members Fees		13,800	
Communication		5,362	
Data Processing Services		5,889	
Dues and Memberships		2,829	
Maintenance and Repair Services - Buildings		3,428	
Postal Charges		392	
Printing, Stationery, and Forms		141	
Travel		572	
Drugs and Medical Supplies		707	
Electricity		5,385	
Natural Gas		5,760	
Office Supplies		2,526	
Water and Sewer		1,754	
Total Administration			\$ 203,642

Highway and Bridge Maintenance

Equipment Operators	\$	262,541	
Engineering Services		7,475	
Other Contracted Services		500	
Asphalt - Cold Mix		1,624	
Asphalt - Liquid		107,381	
Crushed Stone		50,927	
Pipe - Metal		10,386	
Road Signs		4,302	
Wood Products		439	
Chemicals		24,479	
Bridge Construction		216,583	
Total Highway and Bridge Maintenance			686,637

Operation and Maintenance of Equipment

Foremen	\$	47,970	
Mechanic(s)		104,174	
Laundry Service		7,373	
Custodial Supplies		211	
Diesel Fuel		34,244	
Equipment and Machinery Parts		59,419	
Garage Supplies		6,577	
Gasoline		8,143	
Lubricants		5,663	
Propane Gas		1,292	
Tires and Tubes		15,162	
Total Operation and Maintenance of Equipment			290,228

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Building and Contents Insurance	\$	5,000	
Liability Insurance		15,800	
Trustee's Commission		12,931	
Vehicle and Equipment Insurance		23,734	
Workers' Compensation Insurance		50,137	
Other Charges		6,396	
Total Other Charges			\$ 113,998

Employee Benefits

Social Security	\$	44,279	
Pensions		25,778	
Employee and Dependent Insurance		16,659	
Unemployment Compensation		344	
Total Employee Benefits			87,060

Capital Outlay

Building Improvements	\$	11,700	
Communication Equipment		6,348	
Furniture and Fixtures		600	
Highway Equipment		19,950	
Office Equipment		802	
Total Capital Outlay			39,400

Principal on Debt

Highways and Streets

Principal on Notes	\$	46,000	
Total Highways and Streets			46,000

Interest on Debt

Highways and Streets

Interest on Notes	\$	2,313	
Total Highways and Streets			2,313

Total Highway/Public Works Fund \$ 1,469,278

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	160,000	
Principal on Notes		23,490	
Total General Government			\$ 183,490

Education

Principal on Bonds	\$	200,000	
Total Education			200,000

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$	<u>216,761</u>	
Total General Government			\$ 216,761
 <u>Education</u>			
Interest on Bonds	\$	<u>180,945</u>	
Total Education			180,945
 <u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	5,529	
Other Debt Service		<u>1,484</u>	
Total General Government			<u>7,013</u>
Total General Debt Service Fund			<u>\$ 788,209</u>
Total Governmental Funds - Primary Government			<u><u>\$ 5,942,274</u></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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,369,152	
Career Ladder Program	15,800	
Career Ladder Extended Contracts	12,155	
Homebound Teachers	2,028	
Educational Assistants	114,142	
Non-certified Substitute Teachers	29,996	
Social Security	146,511	
Pensions	239,839	
Life Insurance	2,740	
Medical Insurance	322,584	
Unemployment Compensation	5,774	
Employer Medicare	34,721	
Other Contracted Services	19,497	
Instructional Supplies and Materials	163,843	
Textbooks	40,330	
Regular Instruction Equipment	59,536	
Total Regular Instruction Program		\$ 3,578,648

Special Education Program

Teachers	\$ 277,782	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	1,440	
Educational Assistants	17,352	
Non-certified Substitute Teachers	1,438	
Social Security	16,991	
Pensions	26,518	
Medical Insurance	43,949	
Employer Medicare	3,974	
Instructional Supplies and Materials	50,361	
Special Education Equipment	9,316	
Total Special Education Program		452,121

Vocational Education Program

Teachers	\$ 130,155	
Non-certified Substitute Teachers	1,410	
Social Security	7,368	
Pensions	8,192	
Medical Insurance	23,498	
Employer Medicare	1,723	
Instructional Supplies and Materials	971	
Total Vocational Education Program		173,317

Support Services

Attendance

Supervisor/Director	\$ 32,736	
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.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	1,965	
Pensions		3,050	
Medical Insurance		4,952	
Employer Medicare		459	
Travel		304	
Total Attendance			\$ 44,466

Health Services

Medical Personnel	\$	45,839	
Educational Assistants		7,470	
Social Security		2,936	
Pensions		4,651	
Medical Insurance		12,552	
Employer Medicare		687	
Other Fringe Benefits		1,286	
Travel		2,430	
Other Contracted Services		260	
Drugs and Medical Supplies		262	
Other Supplies and Materials		13,610	
Total Health Services			91,983

Other Student Support

Guidance Personnel	\$	86,323	
School Resource Officer		28,095	
Other Salaries and Wages		32,736	
Social Security		8,923	
Pensions		13,312	
Medical Insurance		13,472	
Employer Medicare		2,087	
Travel		2,748	
Other Contracted Services		3,461	
Other Supplies and Materials		30	
In Service/Staff Development		1,636	
Total Other Student Support			192,823

Regular Instruction Program

Supervisor/Director	\$	32,167	
Career Ladder Program		2,800	
Librarians		124,236	
Instructional Computer Personnel		51,066	
Social Security		11,399	
Pensions		18,479	
Medical Insurance		41,963	
Employer Medicare		2,692	
Travel		2,175	
Library Books/Media		11,998	

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Regular Instruction Program (Cont.)</u>		
In Service/Staff Development	\$ 5,011	
Other Equipment	1,495	
Total Regular Instruction Program		\$ 305,481
<u>Special Education Program</u>		
Supervisor/Director	\$ 31,177	
Bus Drivers	9,430	
Clerical Personnel	14,788	
Social Security	3,360	
Pensions	4,530	
Medical Insurance	2,219	
Employer Medicare	786	
Travel	1,115	
Other Contracted Services	28,977	
Total Special Education Program		96,382
<u>Other Programs</u>		
On-behalf Payments to OPEB	\$ 24,148	
Total Other Programs		24,148
<u>Board of Education</u>		
Board and Committee Members Fees	\$ 5,400	
Social Security	335	
Pensions	322	
Employer Medicare	78	
Dues and Memberships	5,351	
Legal Services	20,962	
Travel	7,464	
Other Contracted Services	2,546	
Liability Insurance	18,775	
Trustee's Commission	37,378	
Workers' Compensation Insurance	48,761	
Other Charges	9,392	
Total Board of Education		156,764
<u>Director of Schools</u>		
County Official/Administrative Officer	\$ 120,072	
Career Ladder Program	1,000	
Secretary(ies)	18,782	
Social Security	8,039	
Pensions	10,210	
Medical Insurance	10,821	
Employer Medicare	1,880	
Other Fringe Benefits	4,800	
Communication	3,683	
Dues and Memberships	1,075	

(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.)

Director of Schools (Cont.)

Postal Charges	\$	1,760	
Travel		5,096	
Other Contracted Services		2,203	
Office Supplies		814	
Administration Equipment		385	
Total Director of Schools			\$ 190,620

Office of the Principal

Principals	\$	198,055	
Career Ladder Program		2,000	
Accountants/Bookkeepers		39,664	
Assistant Principals		102,186	
Secretary(ies)		37,719	
Social Security		22,588	
Pensions		32,107	
Medical Insurance		32,490	
Employer Medicare		5,283	
Communication		18,621	
Dues and Memberships		60	
Maintenance and Repair Services - Equipment		4,270	
Travel		2,821	
Office Supplies		334	
Total Office of the Principal			498,198

Fiscal Services

Accountants/Bookkeepers	\$	41,005	
Clerical Personnel		4,908	
Social Security		2,574	
Pensions		2,667	
Medical Insurance		7,016	
Employer Medicare		602	
Data Processing Services		694	
Travel		138	
Other Contracted Services		6,553	
Data Processing Supplies		650	
Total Fiscal Services			66,807

Operation of Plant

Supervisor/Director	\$	16,432	
Custodial Personnel		142,658	
Social Security		8,715	
Pensions		8,376	
Medical Insurance		3,531	
Employer Medicare		2,276	
Other Contracted Services		3,428	
Custodial Supplies		32,780	

(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.)

Operation of Plant (Cont.)

Electricity	\$	192,770	
Natural Gas		148,353	
Water and Sewer		49,355	
Boiler Insurance		2,275	
Building and Contents Insurance		40,540	
Plant Operation Equipment		113	
Total Operation of Plant			\$ 651,602

Maintenance of Plant

Supervisor/Director	\$	33,985	
Other Salaries and Wages		32,636	
Social Security		4,112	
Pensions		3,809	
Employer Medicare		962	
Maintenance and Repair Services - Buildings		17,597	
Maintenance and Repair Services - Equipment		10,205	
Other Supplies and Materials		8,482	
Total Maintenance of Plant			111,788

Transportation

Supervisor/Director	\$	16,432	
Bus Drivers		57,956	
Social Security		3,517	
Pensions		4,443	
Employer Medicare		1,061	
Maintenance and Repair Services - Vehicles		24,390	
Diesel Fuel		35,543	
Gasoline		3,800	
Tires and Tubes		4,039	
Vehicle Parts		1,908	
Total Transportation			153,089

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	36,050	
Social Security		2,077	
Pensions		2,094	
Medical Insurance		6,548	
Employer Medicare		486	
Payments to Schools - Breakfast		111,259	
Payments to Schools - Lunch		352,215	
Payments to Schools - Other		15,686	
Travel		1,515	
Other Contracted Services		9,224	
USDA - Commodities		34,935	
Other Charges		2,111	
Total Food Service			574,200

(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.)

Community Services

Supervisor/Director	\$	28,750	
Teachers		33,226	
Educational Assistants		11,469	
Other Salaries and Wages		2,165	
Social Security		4,399	
Pensions		6,129	
Employer Medicare		1,028	
Travel		1,675	
Other Contracted Services		10,636	
Food Supplies		70	
Instructional Supplies and Materials		32,400	
Other Supplies and Materials		2,615	
In Service/Staff Development		225	
Other Charges		2,790	
Total Community Services			\$ 137,577

Early Childhood Education

County Official/Administrative Officer	\$	31,177	
Teachers		126,216	
Career Ladder Program		2,000	
Educational Assistants		53,574	
Non-certified Substitute Teachers		3,429	
Social Security		12,088	
Pensions		17,480	
Medical Insurance		33,262	
Employer Medicare		2,827	
Travel		1,683	
Food Supplies		3,813	
Instructional Supplies and Materials		28,996	
Other Equipment		139	
Total Early Childhood Education			316,684

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	25,097	
Other Capital Outlay		24,089	
Total Regular Capital Outlay			49,186

Other Debt Service

Education

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

Total General Purpose School Fund \$ 7,990,884

(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

Instruction

Regular Instruction Program

Teachers	\$	251,058	
Educational Assistants		20,119	
Other Salaries and Wages		5,000	
Non-certified Substitute Teachers		1,629	
Social Security		16,096	
Pensions		23,865	
Medical Insurance		26,721	
Unemployment Compensation		432	
Employer Medicare		3,764	
Instructional Supplies and Materials		16,931	
Other Supplies and Materials		320	
Regular Instruction Equipment		7,957	
Total Regular Instruction Program			\$ 373,892

Special Education Program

Teachers	\$	42,399	
Educational Assistants		89,306	
Non-certified Substitute Teachers		2,126	
Social Security		8,178	
Pensions		9,022	
Medical Insurance		3,182	
Unemployment Compensation		432	
Employer Medicare		1,913	
Instructional Supplies and Materials		3,406	
Other Supplies and Materials		1,961	
Special Education Equipment		15,849	
Total Special Education Program			177,774

Vocational Education Program

Instructional Supplies and Materials	\$	6,127	
Vocational Instruction Equipment		9,138	
Total Vocational Education Program			15,265

Support Services

Other Student Support

Travel	\$	4,127	
Total Other Student Support			4,127

Regular Instruction Program

Supervisor/Director	\$	32,202	
Clerical Personnel		15,000	
Other Salaries and Wages		4,000	
Social Security		2,928	
Pensions		3,783	
Unemployment Compensation		54	
Employer Medicare		684	

(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.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Maintenance and Repair Services - Equipment	\$	5,493	
Postal Charges		1,000	
Travel		13,726	
In Service/Staff Development		17,896	
Other Charges		772	
Total Regular Instruction Program			\$ 97,538

Special Education Program

Travel	\$	4,113	
Other Contracted Services		6,905	
In Service/Staff Development		1,389	
Total Special Education Program			12,407

Vocational Education Program

Travel	\$	476	
Total Vocational Education Program			476

Total School Federal Projects Fund \$ 681,479

Total Governmental Funds - Lake County School Department \$ 8,672,363

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, 2015

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 186,023
Total Cash Receipts	<u>\$ 186,023</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 184,163
Trustee's Commission	<u>1,860</u>
Total Cash Disbursements	<u>\$ 186,023</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<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, 2015, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated October 13, 2015.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001, 2015-003, 2015-005(B,C), 2015-006(A), and 2015-007.

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 2015-002, 2015-004, 2015-005(A), and 2015-006(B,C).

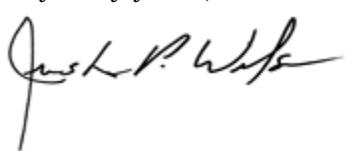
Lake County's Response to Findings

Lake County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lake County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 13, 2015

JPW/sb



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

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Lake County's compliance with the types of compliance requirements described in the *OMB 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, 2015. 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, 2015.

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.

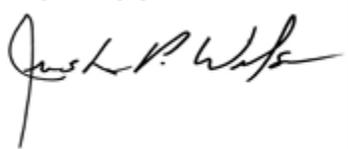
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2015, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated October 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 13, 2015

JPW/sb

Lake County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 111,259
National School Lunch Program	10.555	N/A	357,752 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	34,935 (3)
Total U.S. Department of Agriculture			<u>\$ 503,946</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)	\$ 197,572
Total U.S. Department of Housing and Urban Development			<u>\$ 197,572</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 13,881
Total U.S. Department of the Interior			<u>\$ 13,881</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/WIOA Youth Activities	17.259	(2)	\$ 16,660
Total U.S. Department of Labor			<u>\$ 16,660</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 362,225
Special Education Cluster:			
Special Education - Grants to States	84.027	(2)	182,445
Special Education - Preschool Grants	84.173	N/A	7,735
Career and Technical Education - Basic Grants to States	84.048	N/A	19,868
Twenty-first Century Community Learning Centers	84.287	N/A	134,553
Rural Education	84.358	N/A	11,621
Improving Teacher Quality State Grants	84.367	N/A	57,288
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	41,048
Total U.S. Department of Education			<u>\$ 816,783</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)	\$ 48,241
Passed-through State Department of Health: Affordable Care Act (ACA) Abstinence Education Program	93.235	(2)	<u>53,158</u>
Total U.S. Department of Health and Human Services			<u>\$ 101,399</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military: Emergency Management Performance Grants	97.042	(2)	\$ 11,989
Homeland Security Grant Program	97.067	(2)	<u>3,285</u>
Total U.S. Department of Homeland Security			<u>\$ 15,274</u>
Total Federal Awards			<u>\$ 1,674,515</u>
		<u>Contract Number</u>	
<u>State Grants:</u>			
Local Health Services - State Department of Health	N/A	(2)	\$ 3,632
Litter Program - State Department of Transportation	N/A	(2)	24,817
Early Childhood Education - State Department of Education	N/A	(2)	316,685
Energy Efficient School Initiative - State Department of Education	N/A	(2)	3,000
ARTS Ticket Subsidy - State Department of Education	N/A	(2)	3,000
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,056
After School Program Grant - State Department of Education	N/A	(2)	10,000
Connect Tennessee - State Department of Education	N/A	(2)	2,444
Safe Schools - State Department of Education	N/A	(2)	5,940
Coordinated School Health - State Department of Education	N/A	(2)	93,356
Family Resource Center - State Department of Education	N/A	(2)	<u>29,612</u>
Total State Grants			<u>\$ 493,542</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 \$392,687.

Lake County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-003	140	The office had deficiencies in budget operations
2014-004	141	Payroll liability accounts were not reconciled monthly

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-007	142	Expenditures exceeded appropriations

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-011	146	Duties were not segregated adequately

LAKE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

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. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Lake County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555) and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Lake County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county clerk provided a written response on one finding, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2015-001 **THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2015**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance of \$4,502 at June 30, 2015. This deficit occurred because a payable of \$11,354 to the General Fund at June 30, 2014, was not liquidated during the year and had not been recorded in the financial statements. Audit adjustments were posted to reflect the due to/from other funds amount in the financial statements of the General and Solid Waste/Sanitation funds at June 30, 2015.

RECOMMENDATION

Officials should ensure all financial activity is recorded in the financial statements and should liquidate the payable to the General Fund and the deficit in unassigned fund balance in the Solid Waste/Sanitation Fund.

FINDING 2015-002 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in budget operations:

- A. Expenditures exceeded total appropriations approved by the County Commission in the General, Solid Waste/Sanitation, and General Debt Service funds by \$165,914, \$12,215, and \$22,664, respectively.
- B. Salaries exceeded appropriations in 23 of 62 salary line items of the General and Solid Waste/Sanitation funds by amounts ranging from \$100 to \$46,285. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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

RECOMMENDATION

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

FINDING 2015-003

GENERAL FUND 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 reports and payments. As a result, unidentified balances accumulated in the liability accounts for social security, income tax, retirement, insurance, garnishments, credit union deductions, and annuities. Sound business practices dictate that these reconciliations be performed monthly. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

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

FINDING 2015-004

THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER’S OFFICE

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller’s Office for a \$78,265 lease-purchase agreement that was entered into on April 15, 2015. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller’s Office certain information, such as a description of the purchase for which the debt was issued, a description of the debt obligation, and an itemized description of the costs of issuance. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance.

FINDING 2015-005

DEFICIENCIES WERE NOTED RELATED TO COUNTY FUEL PURCHASES

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

We noted the following deficiencies related to county fuel purchases. These deficiencies can be attributed to the failure of management to adequately monitor fuel usage and a lack of understanding of state and federal regulations, internal controls, and sound business practices.

- A. We were advised by County Mayor Macie Roberson, who left office on August 31, 2014, that he had allowed an employee of the Solid Waste Department to purchase gasoline for the employee's personal vehicle with the county fuel card. The mayor stated that this was done because the employee used a personal vehicle for frequent job-related travel. Since there were no records of fuel purchases and usage maintained by the county, we were unable to determine the amount of gasoline purchased by the county that was used in personal vehicles. It should be noted that the fuel purchased by the county is tax exempt, and both state and federal regulations strictly prohibit the use of government purchased non-taxed fuel in personal vehicles.
- B. County Mayor Denny Johnson, who took office September 1, 2014, was not aware that the Solid Waste Department employee was purchasing gasoline for a private vehicle with the county's fuel card until it was brought to his attention through a citizen's complaint. The mayor then took the fuel card from the employee and began paying the employee a fuel allowance of \$100 every two weeks. This allowance, which was classified as Diesel Fuel in the Solid Waste/Sanitation Fund, was intended as reimbursement for any fuel purchased by the employee for use in county vehicles and for the use of a personal vehicle for county business. However, the employee was not required to remit documentation of miles traveled or invoices for fuel purchased to support the reimbursed amount. This reimbursement totaled \$900 for the period of February 25 through June 30, 2015. Allowing employees to be reimbursed for purchases without requiring supporting documentation increases the risks of fraud and abuse.
- C. The County Commission has not adopted written guidelines governing the use of fuel cards. Sound business practices dictate that management should provide written guidance by identifying those who are entitled to use the fuel cards and the purposes for which the fuel cards can be used. The lack of a formal policy increases the risk of abuse.

RECOMMENDATION

County officials should ensure that employees do not put county purchased fuel in their personal vehicles since it is a violation of both state and federal laws. Instead, employees who are required to travel for county business should either use county vehicles or should be reimbursed for the use of their personal vehicles based upon the actual miles driven through a county approved employee travel reimbursement plan. The County Commission should adopt written guidelines governing the use of fuel cards. These guidelines should identify those who are entitled to use the fuel cards and the purposes for which the fuel cards can be used.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2015-006

THE SCHOOL DEPARTMENT HAD DEFICIENCIES IN BUDGET OPERATIONS

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

We noted the following deficiencies in budget operations:

- A. Several budget amendments between major categories were posted in the General Purpose School Fund that were not approved by the County Commission until after June 30, 2015. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have recognized only those budget amendments that were properly approved before the end of the fiscal year in the financial statements of this report.
- B. Total expenditures exceeded total appropriations by \$55,798 in the General Purpose School Fund.
- C. Salaries in seven of 53 line items exceeded appropriations in the General Purpose School Fund by amounts ranging from \$519 to \$45,839. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

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

These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Budget amendments should be accurately posted to the accounting records after appropriate approval by the County Commission and/or Board of Education within the fiscal year. Expenditures should be held within appropriations approved by the County Commission.

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 2015-007

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 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.

MANAGEMENT'S RESPONSE – COUNTY CLERK

I believe I have done all I can do to comply with the segregation of duties requirement in my office. Everyone in my office has a separate work station complete with cash registers in which they handle their transactions. Each employee compiles their totals and reconciles their cash drawer daily. I then put all the paperwork together, reconcile all monies collected, prepare the deposit slips, and one of the deputies takes the deposit to the bank. My chief deputy does the reports and prepares the checks, which I review and sign. I also reconcile the bank statement. However, after discussions with the auditors on how to best segregate the office, I will begin in October 2015 having one of the deputies reconcile the bank account. This should further segregate the receipting, depositing, and reconciling functions and correct the segregation of duties finding for the year ended June 30, 2016.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

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

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Lake County.

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

Lake County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

LAKE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015

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