

ANNUAL FINANCIAL REPORT
LAKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2017



DIVISION OF LOCAL GOVERNMENT AUDIT



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FOR THE YEAR ENDED JUNE 30, 2017

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

LAKE COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Lake County, Tennessee
For the Year Ended June 30, 2017

Scope

We have audited the basic financial statements of Lake County as of and for the year ended June 30, 2017.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General and General Debt Service funds required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.
- ◆ The office had deficiencies in the administration of payroll deductions and payroll liability accounts.
- ◆ General ledger cash accounts were not properly reconciled with county trustee reports.
- ◆ Accounting records were not closed on a timely basis, and receivables and payables were not recorded.
- ◆ The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance at June 30, 2017.
- ◆ The county commission violated the county's leave policy.

OFFICE OF ROAD SUPERINTENDENT

- ◆ Wages were not subjected to retirement withholdings and were not reported to the Tennessee Consolidated Retirement System.
-

OFFICE OF SHERIFF

- ◆ The sheriff did not obtain a letter of agreement or court decree to authorize deputy hires.

OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Lake County Officials

June 30, 2017

Officials

Denny Johnson, County Mayor
William Cantrell, Road Superintendent
Sherry Darnell, Director of Schools
Tammie Hopper, Trustee
Jaxon Neil, Assessor of Property
Crystal Horner, 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
James Burkett
Wayne Hatley
Nicky Hayes, Jr.
Joyce McCoy

Terry Pierce
Danny Tippit, II
Timothy Windsor
Brent Work
Jimmy Yates

Highway Commission

Ronald Snyder, Sr., Chairman
Shelby Barker
Clifford Berry, Jr.

Clifford Berry, Sr.
Doug Gant
Jimmy Leake

Board of Education

Warren Douglas, Chairman
Deborah Cox
Judy Fraley
Carolyn Hayes
Debra Holliman

Dianne Homra
Patricia Parks
Michael Parker
Jason Stanley

Audit Committee

Fred Wortman, Chairman
Mack Forrester
Albert Markham

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

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, 2017, 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, 2017, 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.

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, schedules of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 77-84 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 schedule

of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

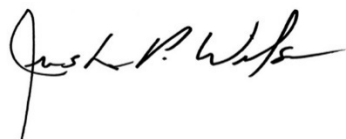
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Lake County School Department (a discretely presented component unit), miscellaneous schedules, and schedule of expenditures of federal awards 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), miscellaneous schedules, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 21, 2018

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Lake County, Tennessee
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities	Component Unit Lake County School Department
<u>ASSETS</u>		
Cash	\$ 819	\$ 0
Equity in Pooled Cash and Investments	1,647,250	1,749,957
Accounts Receivable	1,638,938	19,720
Allowance for Uncollectibles	(1,108,306)	0
Due from Other Governments	344,945	139,814
Property Taxes Receivable	1,522,301	889,070
Allowance for Uncollectible Property Taxes	(10,847)	(6,914)
Prepaid Items	40,000	0
Cash Shortage	21,245	0
Net Pension Asset - Agent Plan	29,468	32,965
Net Pension Asset - Teacher Retirement Plan	0	1,079
Capital Assets:		
Assets Not Depreciated:		
Land	2,364,669	67,365
Construction in Progress	0	26,143
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	1,050,899	4,166,686
Infrastructure	3,791,922	0
Other Capital Assets	988,782	270,937
Total Assets	<u>\$ 12,322,085</u>	<u>\$ 7,356,822</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amount on Refunding	\$ 228,644	\$ 0
Pension Changes in Experience	1,546	29,650
Pension Changes in Investment Earnings	121,601	874,177
Pension Other Deferrals	0	23,549
Pension Contributions After Measurement Date	120,151	342,524
Total Deferred Outflows of Resources	<u>\$ 471,942</u>	<u>\$ 1,269,900</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 45,849	\$ 81,811
Accrued Payroll	0	1,167
Payroll Deductions Payable	18,820	95,357
Due to State of Tennessee	3,581	0
Accrued Interest Payable	26,082	0
Capital Leases Payable - Current	3,308	0
Health Insurance Payments	3,444	0
Noncurrent Liabilities:		
Due Within One Year	477,004	1,897
Due in More Than One Year	9,784,307	1,878,849
Total Liabilities	<u>\$ 10,362,395</u>	<u>\$ 2,059,081</u>

Exhibit A

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

	Primary Governmental Activities	Component Unit Lake County School Department
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 1,476,191	\$ 857,406
Pension Changes in Experience	169,179	989,579
Pension Other Deferrals	0	41,359
Total Deferred Inflows of Resources	<u>\$ 1,645,370</u>	<u>\$ 1,888,344</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 6,857,052	\$ 4,531,131
Restricted for:		
General Government	40,000	0
Administration of Justice	21,220	0
Public Safety	25,108	0
Public Health and Welfare	3,404	0
Highway/Public Works	932,299	0
Education	0	996
Debt Service	231,077	0
Pensions	29,468	34,044
Unrestricted	<u>(7,353,366)</u>	<u>113,126</u>
Total Net Position	<u>\$ 786,262</u>	<u>\$ 4,679,297</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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component
						Unit
						Lake County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 555,007	\$ 97,179	\$ 15,164	\$ 0	\$ (442,664)	\$ 0
Finance	345,583	154,566	0	0	(191,017)	0
Administration of Justice	449,321	174,901	9,500	0	(264,920)	0
Public Safety	1,309,023	463,683	126,012	0	(719,328)	0
Public Health and Welfare	962,111	864,517	48,025	0	(49,569)	0
Social, Cultural, and Recreational Services	112,349	0	47,136	33,723	(31,490)	0
Agriculture and Natural Resources	28,025	0	0	0	(28,025)	0
Highways	1,340,726	21,293	1,343,951	952,347	976,865	0
Interest on Long-term Debt	338,715	0	127,136	0	(211,579)	0
Total Primary Government	\$ 5,440,860	\$ 1,776,139	\$ 1,716,924	\$ 986,070	\$ (961,727)	\$ 0
Component Unit:						
Lake County School Department	\$ 8,798,553	\$ 58,813	\$ 1,661,137	\$ 0	\$ 0	\$ (7,078,603)
Total Component Unit	\$ 8,798,553	\$ 58,813	\$ 1,661,137	\$ 0	\$ 0	\$ (7,078,603)

(Continued)

Exhibit B

Lake County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component
						Unit
						Lake County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 1,269,528	\$ 924,015
Property Taxes Levied for Debt Service					45,917	0
Local Option Sales Taxes					355,860	308,436
Hotel/Motel Tax					28,769	0
Wheel Tax					234,133	43,656
Litigation Tax					31,553	0
Business Tax					30,167	3,398
Other Local Taxes					13,014	575
Grants and Contributions Not Restricted to Specific Programs					49,098	5,685,742
Unrestricted Investment Income					12,501	0
Miscellaneous					44,101	9,844
Total General Revenues					<u>\$ 2,114,641</u>	<u>\$ 6,975,666</u>
Change in Net Position					\$ 1,152,914	\$ (102,937)
Net Position, July 1, 2016					<u>(366,652)</u>	<u>4,782,234</u>
Net Position, June 30, 2017					<u><u>\$ 786,262</u></u>	<u><u>\$ 4,679,297</u></u>

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

Exhibit C-1

Lake County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 819	\$ 819
Equity in Pooled Cash and Investments	280,219	798,566	529,648	38,712	1,647,145
Accounts Receivable	1,637,720	0	0	1,218	1,638,938
Allowance for Uncollectibles	(1,108,306)	0	0	0	(1,108,306)
Due from Other Governments	56,737	229,805	58,403	0	344,945
Due from Other Funds	2,142	0	0	0	2,142
Property Taxes Receivable	1,380,578	26,750	43,204	71,769	1,522,301
Allowance for Uncollectible Property Taxes	(9,811)	(208)	(336)	(492)	(10,847)
Prepaid Items	40,000	0	0	0	40,000
Cash Shortage	21,245	0	0	0	21,245
Total Assets	<u>\$ 2,300,524</u>	<u>\$ 1,054,913</u>	<u>\$ 630,919</u>	<u>\$ 112,026</u>	<u>\$ 4,098,382</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 36,186	\$ 9,663	\$ 0	\$ 0	\$ 45,849
Payroll Deductions Payable	18,820	0	0	0	18,820
Due to Other Funds	0	0	0	2,037	2,037
Due to State of Tennessee	2,819	0	0	762	3,581
Accrued Interest Payable	0	0	0	419	419
Capital Leases Payable - Current	0	0	0	3,308	3,308
Health Insurance Payments	3,119	0	0	325	3,444
Total Liabilities	<u>\$ 60,944</u>	<u>\$ 9,663</u>	<u>\$ 0</u>	<u>\$ 6,851</u>	<u>\$ 77,458</u>

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,338,976	\$ 25,797	\$ 41,665	\$ 69,753	\$ 1,476,191
Deferred Delinquent Property Taxes	27,086	635	1,025	1,299	30,045
Other Deferred/Unavailable Revenue	454,487	118,962	27,071	0	600,520
Total Deferred Inflows of Resources	<u>\$ 1,820,549</u>	<u>\$ 145,394</u>	<u>\$ 69,761</u>	<u>\$ 71,052</u>	<u>\$ 2,106,756</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Prepaid Items	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 40,000
Restricted:					
Restricted for Administration of Justice	4,515	0	0	16,705	21,220
Restricted for Public Safety	4,332	0	0	20,776	25,108
Restricted for Highways/Public Works	0	899,856	0	0	899,856
Committed:					
Committed for Debt Service	0	0	561,158	0	561,158
Unassigned	370,184	0	0	(3,358)	366,826
Total Fund Balances	<u>\$ 419,031</u>	<u>\$ 899,856</u>	<u>\$ 561,158</u>	<u>\$ 34,123</u>	<u>\$ 1,914,168</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,300,524</u>	<u>\$ 1,054,913</u>	<u>\$ 630,919</u>	<u>\$ 112,026</u>	<u>\$ 4,098,382</u>

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, 2017

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)		\$	1,914,168
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,364,669	
Add: buildings and improvements net of accumulated depreciation		1,050,899	
Add: infrastructure net of accumulated depreciation		3,791,922	
Add: other capital assets net of accumulated depreciation		<u>988,782</u>	8,196,272
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital lease payable	\$	(36,941)	
Less: bonds payable		(9,965,000)	
Less: accrued interest on bonds and capital lease		(26,082)	
Add: accrued interest on capital lease paid late at fund level		419	
Less: other deferred revenue - premium on debt		(40,825)	
Add: deferred charges - discount on debt issued		10,436	
Less: compensated absences payable		(228,981)	
Add: deferred amount on refunding		<u>228,644</u>	(10,058,330)
(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	\$	243,298	
Less: deferred inflows of resources related to pensions		<u>(169,179)</u>	74,119
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			29,468
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>630,565</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>786,262</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, 2017

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>					
Local Taxes	\$ 1,494,648	\$ 27,575	\$ 439,324	\$ 67,348	\$ 2,028,895
Licenses and Permits	9,050	0	0	0	9,050
Fines, Forfeitures, and Penalties	56,691	0	0	25,486	82,177
Charges for Current Services	896,496	0	0	1,156	897,652
Other Local Revenues	107,103	25,937	1,180	927	135,147
Fees Received From County Officials	261,412	0	0	0	261,412
State of Tennessee	474,894	2,277,807	0	0	2,752,701
Federal Government	144,385	0	0	0	144,385
Other Governments and Citizens Groups	125,123	20,668	125,000	33,124	303,915
Total Revenues	\$ 3,569,802	\$ 2,351,987	\$ 565,504	\$ 128,041	\$ 6,615,334
<u>Expenditures</u>					
Current:					
General Government	\$ 450,527	\$ 0	\$ 0	\$ 0	\$ 450,527
Finance	362,936	0	0	0	362,936
Administration of Justice	469,415	0	0	9	469,424
Public Safety	1,209,763	0	0	16,800	1,226,563
Public Health and Welfare	851,858	0	0	87,184	939,042
Social, Cultural, and Recreational Services	147,814	0	0	0	147,814
Agriculture and Natural Resources	27,532	0	0	0	27,532
Other Operations	126,625	0	0	0	126,625
Highways	0	2,073,794	0	0	2,073,794
Debt Service:					
Principal on Debt	0	48,000	449,219	19,169	516,388
Interest on Debt	0	470	315,656	3,191	319,317
Other Debt Service	0	0	5,435	0	5,435
Total Expenditures	\$ 3,646,470	\$ 2,122,264	\$ 770,310	\$ 126,353	\$ 6,665,397

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,668)	\$ 229,723	\$ (204,806)	\$ 1,688	\$ (50,063)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 47,418	\$ 0	\$ 0	\$ 0	\$ 47,418
Transfers In	0	0	0	2,500	2,500
Transfers Out	(2,500)	0	0	0	(2,500)
Total Other Financing Sources (Uses)	\$ 44,918	\$ 0	\$ 0	\$ 2,500	\$ 47,418
Net Change in Fund Balances	\$ (31,750)	\$ 229,723	\$ (204,806)	\$ 4,188	\$ (2,645)
Fund Balance, July 1, 2016	450,781	670,133	765,964	29,935	1,916,813
Fund Balance, June 30, 2017	\$ 419,031	\$ 899,856	\$ 561,158	\$ 34,123	\$ 1,914,168

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, 2017

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)		\$	(2,645)
(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	\$	1,144,928	
Less: current-year depreciation expense		(543,103)	601,825
(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, 2017	\$	630,565	
Less: deferred delinquent property taxes and other deferred June 30, 2016		(654,261)	(23,696)
(3) The issuance of long-term debt (e.g., notes, capital leases, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect on 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 net effect of these differences in the treatment of long-term debt and related items.			
Add: principal payment on note	\$	48,000	
Add: principal payment on capital lease		19,169	
Add: principal payments on bonds		430,000	
Less: change in deferred amount on refunding debt		(20,132)	
Add: change in premium on debt issuance		2,136	
Less: change in discount on debt issuance		(552)	478,621
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	1,286	
Change in compensated absences payable		(52,775)	
Change in deferred outflows related to pensions		125,316	
Change in deferred inflows related to pensions		48,234	
Change in net pension asset		(23,252)	98,809
Change in net position of governmental activities (Exhibit B)		\$	<u>1,152,914</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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,494,648	\$ 1,518,783	\$ 1,518,783	\$ (24,135)
Licenses and Permits	9,050	5,050	5,050	4,000
Fines, Forfeitures, and Penalties	56,691	58,260	57,060	(369)
Charges for Current Services	896,496	775,525	775,525	120,971
Other Local Revenues	107,103	136,700	134,300	(27,197)
Fees Received From County Officials	261,412	248,500	248,500	12,912
State of Tennessee	474,894	645,000	615,000	(140,106)
Federal Government	144,385	26,600	26,600	117,785
Other Governments and Citizens Groups	125,123	100,000	100,000	25,123
Total Revenues	\$ 3,569,802	\$ 3,514,418	\$ 3,480,818	\$ 88,984
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 31,023	\$ 31,200	\$ 31,269	\$ 246
County Mayor/Executive	145,939	151,557	148,722	2,783
County Attorney	9,840	12,000	12,000	2,160
Election Commission	104,517	110,083	111,523	7,006
Register of Deeds	81,699	84,352	83,819	2,120
Development	12,595	11,000	12,300	(295)
County Buildings	64,914	60,225	73,424	8,510
<u>Finance</u>				
Property Assessor's Office	117,547	116,828	120,014	2,467
County Trustee's Office	112,126	110,353	113,558	1,432
County Clerk's Office	133,263	136,472	137,805	4,542
<u>Administration of Justice</u>				
Circuit Court	180,781	188,885	194,662	13,881
General Sessions Court	112,183	114,090	114,534	2,351
Chancery Court	85,013	90,096	90,507	5,494
Juvenile Court	57,794	50,913	54,751	(3,043)
Other Administration of Justice	3,667	3,500	3,500	(167)
Courtroom Security	29,977	30,000	30,110	133
<u>Public Safety</u>				
Sheriff's Department	495,870	528,449	547,508	51,638
Jail	698,599	587,927	724,124	25,525
Civil Defense	15,294	20,000	24,800	9,506
<u>Public Health and Welfare</u>				
Local Health Center	58,976	79,387	111,259	52,283
Ambulance/Emergency Medical Services	778,156	693,660	799,861	21,705
Sanitation Management	14,726	33,700	33,700	18,974
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	126,905	119,107	137,616	10,711
Libraries	18,500	21,000	21,000	2,500
Other Social, Cultural, and Recreational	2,409	12,000	12,000	9,591
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	27,532	31,398	31,398	3,866
<u>Other Operations</u>				
Tourism	25,444	30,000	30,000	4,556
Other Economic and Community Development	19,234	7,000	25,800	6,566

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Operations (Cont.)</u>				
Other Charges	\$ 38,684	\$ 36,000	\$ 36,000	\$ (2,684)
Contributions to Other Agencies	4,731	6,000	6,000	1,269
Employee Benefits	38,532	0	47,348	8,816
Total Expenditures	<u>\$ 3,646,470</u>	<u>\$ 3,507,182</u>	<u>\$ 3,920,912</u>	<u>\$ 274,442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (76,668)</u>	<u>\$ 7,236</u>	<u>\$ (440,094)</u>	<u>\$ 363,426</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 47,418	0	0	\$ 47,418
Transfers Out	(2,500)	0	(13,500)	11,000
Total Other Financing Sources	<u>\$ 44,918</u>	<u>\$ 0</u>	<u>\$ (13,500)</u>	<u>\$ 58,418</u>
Net Change in Fund Balance	\$ (31,750)	7,236	(453,594)	\$ 421,844
Fund Balance, July 1, 2016	<u>450,781</u>	<u>418,622</u>	<u>418,622</u>	<u>32,159</u>
Fund Balance, June 30, 2017	<u><u>\$ 419,031</u></u>	<u><u>\$ 425,858</u></u>	<u><u>\$ (34,972)</u></u>	<u><u>\$ 454,003</u></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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 27,575	\$ 25,750	\$ 25,750	\$ 1,825
Other Local Revenues	25,937	29,000	29,000	(3,063)
State of Tennessee	2,277,807	2,472,285	2,472,285	(194,478)
Other Governments and Citizens Groups	20,668	15,000	15,000	5,668
Total Revenues	<u>\$ 2,351,987</u>	<u>\$ 2,542,035</u>	<u>\$ 2,542,035</u>	<u>\$ (190,048)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 216,894	\$ 220,914	\$ 251,255	\$ 34,361
Highway and Bridge Maintenance	1,267,398	1,489,500	1,489,500	222,102
Operation and Maintenance of Equipment	329,193	410,960	466,020	136,827
Other Charges	124,599	148,300	148,300	23,701
Employee Benefits	90,130	259,000	173,599	83,469
Capital Outlay	45,580	272,000	272,000	226,420
<u>Principal on Debt</u>				
Highways and Streets	48,000	48,000	48,000	0
<u>Interest on Debt</u>				
Highways and Streets	470	471	471	1
Total Expenditures	<u>\$ 2,122,264</u>	<u>\$ 2,849,145</u>	<u>\$ 2,849,145</u>	<u>\$ 726,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 229,723</u>	<u>\$ (307,110)</u>	<u>\$ (307,110)</u>	<u>\$ 536,833</u>
Net Change in Fund Balance	\$ 229,723	\$ (307,110)	\$ (307,110)	\$ 536,833
Fund Balance, July 1, 2016	670,133	463,140	463,140	206,993
Fund Balance, June 30, 2017	<u>\$ 899,856</u>	<u>\$ 156,030</u>	<u>\$ 156,030</u>	<u>\$ 743,826</u>

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

Exhibit D

Lake County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
 <u>ASSETS</u>	
Cash	\$ 193,999
Equity in Pooled Cash and Investments	24,711
Due from Other Governments	<u>31,188</u>
Total Assets	<u><u>\$ 249,898</u></u>
 <u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 54,109
Due to Litigants, Heirs, and Others	193,999
Due to Joint Venture	<u>1,790</u>
Total Liabilities	<u><u>\$ 249,898</u></u>

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

LAKE COUNTY, TENNESSEE

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LAKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 financial statements of the Lake County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the omission did not affect the independent auditor's opinion thereon. 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 material to the component units' opinion unit and therefore have been omitted from this report.

The Lake County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the School Department are included in this report as listed in the table of contents. Complete financial statements of the Lake County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Lake County Emergency Communications District
P.O. Box 63
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, 2017.

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 a watershed district, and assets held in custody for two joint ventures. 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 amortized cost using a stable net asset value. 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 .39 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. 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 acquisition 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 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

5. 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. Deferred outflows of resources represent 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. These items are for the deferred charge on refunding and for pension changes in experience and investment earnings, pension changes in proportion of net pension liability (asset), as well as 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. Deferred inflows of resources represent 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 items are from the following sources: current and delinquent property taxes, pension changes in experience, pension

changes in proportion of net pension liability (asset), 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.

6. 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.

7. 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, other postemployment benefits, and pension liabilities, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. 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, 2017, Lake County had \$5,208,000 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.

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 in unassigned fund balance of \$3,358 at June 30, 2017. 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 \$14,600 restitution leaving an outstanding balance of \$21,244.63 due the county at June 30, 2017.

D. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the county commission in the Solid Waste/Sanitation Fund by \$1,423.

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

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
Primary Government:	
General:	
General Government - Development	\$ 295
Administration of Justice - Juvenile Court	3,043
Administration of Justice - Other Administration of Justice	167
Other Operations - Other Charges	2,684
School Department:	
General Purpose School Fund:	
Support Services - Health Services	28
Support Services - Technology	1,562
Operation of Non-Instructional Services - Food Service	17,557
Operation of Non-Instructional Services - Early Childhood Education	2,262

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

E. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the county commission for the General and Drug Control funds resulted in appropriations exceeding estimated available funding by \$34,972 and \$450, respectively.

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, 2017.

B. Capital Assets

Capital assets activity for the year ended June 30, 2017, was as follows:

Primary Government – Governmental Activities

	Balance 7-1-16	Increases	Balance 6-30-17
Capital Assets			
Not Depreciated:			
Land	\$ 2,364,669	\$ 0	\$ 2,364,669
Total Capital Assets			
Not Depreciated	\$ 2,364,669	\$ 0	\$ 2,364,669
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 3,734,245	\$ 0	\$ 3,734,245
Infrastructure	4,042,443	963,933	5,006,376
Other Capital Assets	4,563,711	180,995	4,744,706
Total Capital Assets			
Depreciated	\$ 12,340,399	\$ 1,144,928	\$ 13,485,327
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 2,565,534	\$ 117,812	\$ 2,683,346
Infrastructure	1,016,439	198,015	1,214,454
Other Capital Assets	3,528,648	227,276	3,755,924
Total Accumulated			
Depreciation	\$ 7,110,621	\$ 543,103	\$ 7,653,724
Total Capital Assets			
Depreciated, Net	\$ 5,229,778	\$ 601,825	\$ 5,831,603
Governmental Activities			
Capital Assets, Net	\$ 7,594,447	\$ 601,825	\$ 8,196,272

There were no decreases in capital assets to report during the year ended June 30, 2017. Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 12,652
Finance	1,496
Administration of Justice	2,182
Public Safety	94,338
Public Health and Welfare	154,782
Social, Cultural, and Recreational Services	793
Agriculture and Natural Resources	493
Highway/Public Works	<u>276,367</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 543,103</u>

Discretely Presented Lake County School Department – Governmental Activities:

	Balance 7-1-16	Increases	Balance 6-30-17
Capital Assets			
Not Depreciated:			
Land	\$ 67,365	\$ 0	\$ 67,365
Construction in Progress	0	26,143	<u>26,143</u>
Total Capital Assets			
Not Depreciated	<u>\$ 67,365</u>	<u>\$ 26,143</u>	<u>\$ 93,508</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 10,185,645	\$ 0	\$ 10,185,645
Other Capital Assets	<u>1,518,015</u>	<u>10,300</u>	<u>1,528,315</u>
Total Capital Assets			
Depreciated	<u>\$ 11,703,660</u>	<u>\$ 10,300</u>	<u>\$ 11,713,960</u>
Less Accumulated			
Depreciation For:			
Buildings and Improvements	\$ 5,710,933	\$ 308,026	\$ 6,018,959
Other Capital Assets	<u>1,187,994</u>	<u>69,384</u>	<u>1,257,378</u>
Total Accumulated			
Depreciation	<u>\$ 6,898,927</u>	<u>\$ 377,410</u>	<u>\$ 7,276,337</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 4,804,733</u>	<u>\$ (367,110)</u>	<u>\$ 4,437,623</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 4,872,098</u>	<u>\$ (340,967)</u>	<u>\$ 4,531,131</u>

There were no decreases in capital assets to report during the year ended June 30, 2017. Depreciation expense was charged to functions of the discretely presented Lake County School Department as follows:

Governmental Activities:

Instruction	\$ 274,051
Support Services	98,614
Operation of Non-instructional Services	<u>4,745</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 377,410</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Highway/Public Works	\$ 105
"	Nonmajor governmental	2,037

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. The receivable in the General Fund totaling \$105 was in transit from the Highway/Public Works Fund at June 30, 2017.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2017, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Fund	<u>Purpose</u>
General Fund	\$ 2,500	Operations

Discretely Presented Lake County School Department

Transfer Out	<u>Transfer In</u> General Purpose School Fund	Purpose
Nonmajor governmental fund	\$ 6,321	Indirect Costs

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 Lease

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>	Governmental Activities
Machinery and Equipment	\$ 78,000
Less: Accumulated Depreciation	<u>(17,550)</u>
Total Book Value	<u><u>\$ 60,450</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30</u>	Governmental Funds
2018	\$ 22,359
2019	<u>16,770</u>
Total Minimum Lease Payments	\$ 39,129
Less: Amount Representing Interest	<u>(2,188)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 36,941</u></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 are direct obligations and pledge the full faith and credit of the government. General obligation bonds were issued for original terms of up to 25 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2017, will be retired from the General Debt Service Fund.

General obligation bonds and the capital lease outstanding as of June 30, 2017, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-17
General Obligation Bonds	2 to 3.125 %	6-1-30	\$ 1,165,000	\$ 1,010,000
General Obligation Refunding Bonds	.4 to 4	6-1-37	10,225,000	8,955,000
Capital Lease	7	3-6-19	78,265	36,941

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 445,000	\$ 307,956	\$ 752,956
2019	450,000	299,791	749,791
2020	460,000	291,421	751,421
2021	470,000	279,636	749,636
2022	480,000	267,161	747,161
2023-2027	2,600,000	1,125,970	3,725,970
2028-2032	2,840,000	701,765	3,541,765
2033-2037	2,220,000	212,351	2,432,351
Total	<u>\$ 9,965,000</u>	<u>\$ 3,486,051</u>	<u>\$ 13,451,051</u>

There is \$561,158 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,272, based on the 2010 federal census. Total debt per capita, including bonds (net of unamortized debt premiums and discounts) and the capital lease, totaled \$1,281, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2017, was as follows:

	Bonds	Note	Capital Lease
Balance, July 1, 2016	\$ 10,395,000	\$ 48,000	\$ 56,110
Reductions	(430,000)	(48,000)	(19,169)
Balance, June 30, 2017	<u>\$ 9,965,000</u>	<u>\$ 0</u>	<u>\$ 36,941</u>
Balance Due Within One Year	<u>\$ 445,000</u>	<u>\$ 0</u>	<u>\$ 20,555</u>

	Compensated Absences
Balance, July 1, 2016	\$ 176,206
Additions	91,390
Reductions	<u>(38,615)</u>
Balance, June 30, 2017	<u>\$ 228,981</u>
Balance Due Within One Year	<u>\$ 11,449</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 10,230,922
Add: Unamortized Premium on Debt	40,825
Less: Unamortized Discount on Debt	(10,436)
Less: Balance Due Within One Year	<u>(477,004)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 9,784,307</u></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, 2017, was as follows:

	Compensated Absences	Other Postemployment Benefits	Net Pension Liability - Teacher Legacy Pension Plan
Balance, July 1, 2016	\$ 32,770	\$ 1,071,320	\$ 43,015
Additions	26,215	180,839	1,693,290
Reductions	<u>(21,033)</u>	<u>(70,325)</u>	<u>(1,075,345)</u>
Balance, June 30, 2017	<u>\$ 37,952</u>	<u>\$ 1,181,834</u>	<u>\$ 660,960</u>
Balance Due Within One Year	<u>\$ 1,897</u>	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2017	\$ 1,880,746
Less: Due Within One Year	<u>(1,897)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 1,878,849</u></u>

Compensated absences, other postemployment benefits, and the net pension liability 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, 2017, were \$14,780 and \$14,450, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

G. Short-term Debt

During the year, Lake County borrowed \$150,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund. These loans were retired prior to June 30, 2017, as required by state statutes, and therefore have not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2017, was as follows:

	Balance			Balance
	7-1-16	Issued	Paid	6-30-17
Tax Anticipation Note	\$ 0	\$ 150,000	\$ (150,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

Effective January 1, 2017, Lake County (except for the Highway and School Department) carries commercial insurance for active employee's health insurance. Pre-65 age retirees are not allowed to remain in the program. The Highway Department does not provide health insurance coverage for its employees.

Liability, Property, Casualty, and Workers' Compensation Insurance

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

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

Discretely Presented Lake County School Department

Employee Health Insurance

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.

Liability, Property, Casualty, and Workers' Compensation Insurance

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 77, *Tax Abatement Disclosures*; Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; Statement No. 80, *Blending Requirements for Certain Component Units*; and Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, became effective for the year ended June 30, 2017.

GASB Statement No. 74, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose external financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 43 and No. 57. It also includes requirements

for defined contribution OPEB plans that replace the requirements in Statements No. 25, No. 43, and No. 50. The scope of this statement includes OPEB plans, both defined benefit and defined contribution, administered through trusts meeting the necessary criteria as well as reporting assets accumulated through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 77, establishes reporting requirements for tax abatements. This standard requires the disclosure of information about the nature and magnitude of tax abatement agreements entered into by state and local governments that reduce the government's tax revenues.

GASB Statement No. 78, amends Statement No. 68 to exclude certain pensions provided to employees of state or local governments through a cost-sharing multiple-employer pension plans that are not state or local plans and meet specific other criteria. This statement establishes recognition, measurement, and reporting criteria for these plans.

GASB Statement No. 80, amends the blending requirements of paragraph 53 of Statement No. 14. This standard adds additional blending criterion, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 82 amends Statements No. 67, No. 68, and No. 73. This standard establishes covered payroll as the payroll on which contributions to a pension plan are based in the Required Supplementary Information. In addition, this standard clarifies that employer paid member contributions should be considered plan member contributions for purposes of applying Statement No. 67, and employee contributions for the purposes of applying Statement No. 68. This standard further states that an employer's expense and expenditures for employer paid member contributions should be recognized in the period for which the contribution is assessed and classified in the same manner that the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

C. Contingent Liabilities

The attorneys for the county and the School Department advised that they were not aware of any pending litigation involving Lake County or the discretely presented School Department.

D. Changes in Administration

On August 31, 2016, Joyce Barnes left the Office of Assessor of Property and was succeeded by Jaxon Neil on September 1, 2016. On February 28, 2017, Jo Ann Mills left the Office of County Clerk and was succeeded by Crystal Horner on March 1, 2017.

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 and made their final payment on May 5, 2017. The port authority 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 comprised 47.20 percent and the non-certified employees of the discretely presented School Department comprised 52.80 percent of the

plan based on contribution 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. 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, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	69
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	149
Active Employees	<u>123</u>
Total	<u><u>341</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, 2017, the employer contribution for Lake County was \$152,734 based on a rate of 5.81 percent of covered 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 contributions (ADC) 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, 2016, 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, 2016, 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

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, 2016, 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, 2015	\$ 7,443,180	\$ 7,539,454	\$ (96,274)
Changes for the Year:			
Service Cost	\$ 178,580	\$ 0	\$ 178,580
Interest	559,368	0	559,368
Differences Between Expected and Actual Experience	(199,556)	0	(199,556)
Contributions-Employer	0	169,326	(169,326)
Contributions-Employees	0	143,803	(143,803)
Net Investment Income	0	199,647	(199,647)
Benefit Payments, Including Refunds of Employee Contributions	(327,042)	(327,042)	0
Administrative Expense	0	(8,225)	8,225
Net Changes	\$ 211,350	\$ 177,509	\$ 33,841
Balance, June 30, 2016	\$ 7,654,530	\$ 7,716,963	\$ (62,433)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	47.2%	\$ 3,612,938	\$ 3,642,406	\$ (29,468)
School Department	52.8%	4,041,592	4,074,557	(32,965)
Total		\$ 7,654,530	\$ 7,716,963	\$ (62,433)

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 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:

	1%	Current Discount Rate	1%
	Decrease		Increase
Lake County	6.5%	7.5%	8.5%

Net Pension Liability (Asset)	\$ 801,983	\$ (62,433)	\$ (795,013)
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2017, Lake County recognized pension expense of \$91,422.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, 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	\$ 3,275	\$ 358,431
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	257,630	0
Contributions Subsequent to the Measurement Date of June 30, 2016 (1)	152,734	N/A
Total	<u>\$ 413,639</u>	<u>\$ 358,431</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2016,” 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	\$ 243,298	\$ 169,179
School Department	170,341	189,252
Total	<u>\$ 413,639</u>	<u>\$ 358,431</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
2018	\$ (129,163)
2019	(129,163)
2020	87,803
2021	72,997
2022	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 comprised 47.20 percent and the non-certified employees of the discretely presented School Department comprised 52.80 percent of the plan based on contribution 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 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. Members are eligible to retire with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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 for 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, 2017, to the Teacher Retirement Plan were \$39,475, which is four percent of covered 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 (Assets). At June 30, 2017, the Lake County School Department reported an asset of \$1,079 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, 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 share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Lake County School Department's proportion was .010361 percent. The revised proportion measured at June 30, 2015, was .113512 percent.

Pension Expense. For the year ended June 30, 2017, the Lake County School Department recognized pension expense of \$1,144.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, the Lake County School Department reported deferred outflows of resource and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 105	\$ 124
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	177	0
Changes in Proportion of Net Pension Liability (Asset)	2,893	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	<u>39,475</u>	<u>N/A</u>
Total	<u>\$ 42,650</u>	<u>\$ 124</u>

The Lake County School Department's employer contributions of \$39,475 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2018. 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
2018	\$ 285
2019	285
2020	285
2021	276
2022	239
Thereafter	1,681

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

Actuarial Assumptions. The total pension liability in the June 30, 2016, 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, 2016, 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 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 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%
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Net Pension Liability (Asset)	\$	509	\$	(1,079)	\$	(2,249)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

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 benefit 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 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. 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. 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, 2017, to the Teacher Legacy Pension Plan were \$270,466, which is 9.04 percent of covered 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 Liability (Assets). At June 30, 2017, the Lake County School Department reported a liability of \$660,960 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Lake County School Department's proportion of the net pension liability (asset) was based on the Lake County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Lake County School Department's proportion was .105763 percent. The proportion measured at June 30, 2015, was .105009 percent.

Pension Expense. For the year ended June 30, 2017, the Lake County School Department recognized pension expense of \$72,432.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2017, 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
Differences Between Expected and Actual Experience	\$ 27,816	\$ 800,203
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	737,971	0
Changes in Proportion of Net Pension Liability (Asset)	20,656	41,359
LEA's Contributions Subsequent to the Measurement Date of June 30, 2016	<u>270,466</u>	<u>N/A</u>
Total	<u>\$ 1,056,909</u>	<u>\$ 841,562</u>

The Lake County School Department's employer contributions of \$270,466 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, 2018. 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
2018	\$ (129,138)
2019	(129,138)
2020	224,866
2021	29,291
2022	(51,000)
Thereafter	0

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, 2016, 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, 2016, 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 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 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%
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Net Pension Liability (Asset)	\$ 3,629,444	\$ 660,960	\$ (1,797,999)
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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 <https://www.tn.gov/finance/fa/fa-accounting-financial/fa-accfin-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 \$70,325 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	\$ 181,000
Interest on the NOPEBO	40,175
Adjustment to the ARC	(40,336)
Annual OPEB cost	\$ 180,839
Less: Amount of contribution	(70,325)
Increase/decrease in NOPEBO	\$ 110,514
Net OPEB obligation, 7-1-16	1,071,320
Net OPEB obligation, 6-30-17	<u>\$ 1,181,834</u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-15	Local Education Group	\$ 163,875	37%	\$ 952,641
6-30-16	"	174,856	32	1,071,320
6-30-17	"	180,839	39	1,181,834

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	\$ 1,449,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,449,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 4,945,474
UAAL as a % of covered payroll	29%

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, 2015, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of six percent in fiscal year 2017, and then be reduced by decrements to an ultimate rate of 4.645 percent by fiscal year 2050. 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 35-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

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.

I. Subsequent Event

On August 17, 2017, the county borrowed \$250,000 from the General Debt Service Fund to provide temporary operating funds for the General Fund.

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

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 188,457	\$ 187,866	\$ 178,580
Interest	534,699	529,301	559,368
Differences Between Actual and Expected Experience	(521,913)	6,551	(199,556)
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)
Net Change in Total Pension Liability	\$ (43,977)	\$ 423,683	\$ 211,350
Total Pension Liability, Beginning	7,063,474	7,019,497	7,443,180
Total Pension Liability, Ending (a)	\$ 7,019,497	\$ 7,443,180	\$ 7,654,530
Plan Fiduciary Net Position			
Contributions - Employer	\$ 167,023	\$ 161,991	\$ 169,326
Contributions - Employee	147,505	137,640	143,803
Net Investment Income	1,039,693	225,295	199,647
Benefit Payments, Including Refunds of Employee Contributions	(245,220)	(300,035)	(327,042)
Administrative Expense	(4,721)	(5,254)	(8,225)
Net Change in Plan Fiduciary Net Position	\$ 1,104,280	\$ 219,637	\$ 177,509
Plan Fiduciary Net Position, Beginning	6,215,537	7,319,817	7,539,454
Plan Fiduciary Net Position, Ending (b)	\$ 7,319,817	\$ 7,539,454	\$ 7,716,963
Net Pension Liability (Asset), Ending (a - b)	\$ (300,320)	\$ (96,274)	\$ (62,433)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.28%	101.29%	100.82%
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(10.46)%	3.45%	(2.13)%

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

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

	2014	2015	2016	2017
Actuarially Determined Contribution	\$ 167,023	\$ 161,991	\$ 169,326	\$ 152,734
Less Contributions in Relation to the Actuarially Determined Contribution	(167,023)	(161,991)	(169,326)	(152,734)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 2,869,787	\$ 2,788,136	\$ 2,927,063	\$ 2,628,812
Contributions as a Percentage of Covered Payroll	5.82%	5.81%	5.78%	5.81%

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

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

	2015	2016	2017
Contractually Required Contribution	\$ 9,633	\$ 1,824	\$ 39,475
Less Contributions in Relation to the Contractually Required Contributions	(9,633)	(1,824)	(39,475)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 240,819	\$ 45,591	\$ 986,875
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	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

	2014	2015	2016	2017
Contractually Required Contribution	\$ 382,847	\$ 355,362	\$ 345,132	\$ 270,466
Less Contributions in Relation to the Contractually Required Contribution	(382,847)	(355,362)	(345,132)	(270,466)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833	\$ 2,991,881
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%

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 Retirement Plan of TCRS
Discretely Presented Lake County School Department
For the Fiscal Year Ended June 30 *

	<u>2016</u>	<u>2017</u>
School Department's Proportion of the Net Pension Liability/Asset	0.115904%	0.010361%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (4,663)	\$ (1,079)
Covered Payroll	\$ 240,819	\$ 45,591
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%

* 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 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 *

	2015	2016	2017
School Department's Proportion of the Net Pension Liability/Asset	0.109843%	0.105009%	0.105763%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (17,849)	\$ 43,015	\$ 660,960
Covered Payroll	\$ 4,311,341	\$ 3,930,998	\$ 3,817,833
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.094254%	17.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%

* 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-7

Lake County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Lake County School Department
June 30, 2017

(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	7-1-11	\$ 0	\$ 1,539	\$ 1,539	0 %	\$ 4,808	32 %
"	7-1-13	0	1,257	1,257	0	4,841	26
"	7-1-15	0	1,449	1,449	0	4,945	29

LAKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015, 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	Varies by Year
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 Based on 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, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 819	\$ 819
Equity in Pooled Cash and Investments	16,705	1,231	20,776	0	38,712
Accounts Receivable	0	0	0	1,218	1,218
Property Taxes Receivable	0	71,769	0	0	71,769
Allowance for Uncollectible Property Taxes	0	(492)	0	0	(492)
Total Assets	\$ 16,705	\$ 72,508	\$ 20,776	\$ 2,037	\$ 112,026
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 2,037	\$ 2,037
Due to State of Tennessee	0	762	0	0	762
Accrued Interest Payable	0	419	0	0	419
Capital Leases Payable - Current	0	3,308	0	0	3,308
Health Insurance Payments	0	325	0	0	325
Total Liabilities	\$ 0	\$ 4,814	\$ 0	\$ 2,037	\$ 6,851
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 0	\$ 69,753	\$ 0	\$ 0	\$ 69,753
Deferred Delinquent Property Taxes	0	1,299	0	0	1,299
Total Deferred Inflows of Resources	\$ 0	\$ 71,052	\$ 0	\$ 0	\$ 71,052

(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	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Administration of Justice	\$ 16,705	\$ 0	\$ 0	\$ 0	\$ 16,705
Restricted for Public Safety	0	0	20,776	0	20,776
Unassigned	0	(3,358)	0	0	(3,358)
Total Fund Balances	<u>\$ 16,705</u>	<u>\$ (3,358)</u>	<u>\$ 20,776</u>	<u>\$ 0</u>	<u>\$ 34,123</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 16,705</u>	<u>\$ 72,508</u>	<u>\$ 20,776</u>	<u>\$ 2,037</u>	<u>\$ 112,026</u>

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, 2017

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Drug Control	
<u>Revenues</u>				
Local Taxes	\$ 3,637	\$ 63,711	\$ 0	\$ 67,348
Fines, Forfeitures, and Penalties	0	0	25,486	25,486
Charges for Current Services	0	1,156	0	1,156
Other Local Revenues	0	0	927	927
Other Governments and Citizens Groups	0	33,124	0	33,124
Total Revenues	<u>\$ 3,637</u>	<u>\$ 97,991</u>	<u>\$ 26,413</u>	<u>\$ 128,041</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 9	\$ 0	\$ 0	\$ 9
Public Safety	0	0	16,800	16,800
Public Health and Welfare	0	87,184	0	87,184
Debt Service:				
Principal on Debt	0	19,169	0	19,169
Interest on Debt	0	3,191	0	3,191
Total Expenditures	<u>\$ 9</u>	<u>\$ 109,544</u>	<u>\$ 16,800</u>	<u>\$ 126,353</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 3,628</u>	<u>\$ (11,553)</u>	<u>\$ 9,613</u>	<u>\$ 1,688</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 2,500	\$ 0	\$ 2,500
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 0</u>	<u>\$ 2,500</u>
Net Change in Fund Balances	\$ 3,628	\$ (9,053)	\$ 9,613	\$ 4,188
Fund Balance, July 1, 2016	13,077	5,695	11,163	29,935
Fund Balance, June 30, 2017	<u>\$ 16,705</u>	<u>\$ (3,358)</u>	<u>\$ 20,776</u>	<u>\$ 34,123</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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,637	\$ 4,400	\$ 4,400	\$ (763)
Total Revenues	\$ 3,637	\$ 4,400	\$ 4,400	\$ (763)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 9	\$ 3,000	\$ 3,000	\$ 2,991
Total Expenditures	\$ 9	\$ 3,000	\$ 3,000	\$ 2,991
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,628	\$ 1,400	\$ 1,400	\$ 2,228
Net Change in Fund Balance	\$ 3,628	\$ 1,400	\$ 1,400	\$ 2,228
Fund Balance, July 1, 2016	13,077	8,247	8,247	4,830
Fund Balance, June 30, 2017	\$ 16,705	\$ 9,647	\$ 9,647	\$ 7,058

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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 63,711	\$ 63,064	\$ 63,064	\$ 647
Charges for Current Services	1,156	0	800	356
State of Tennessee	0	800	0	0
Federal Government	0	800	800	(800)
Other Governments and Citizens Groups	33,124	33,124	30,624	2,500
Total Revenues	<u>\$ 97,991</u>	<u>\$ 97,788</u>	<u>\$ 95,288</u>	<u>\$ 2,703</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Incinerator	\$ 65,280	\$ 74,000	\$ 65,625	\$ 345
Other Waste Disposal	21,904	22,000	22,000	96
<u>Principal on Debt</u>				
General Government	19,169	0	19,169	0
<u>Interest on Debt</u>				
General Government	3,191	0	1,327	(1,864)
Total Expenditures	<u>\$ 109,544</u>	<u>\$ 96,000</u>	<u>\$ 108,121</u>	<u>\$ (1,423)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,553)</u>	<u>\$ 1,788</u>	<u>\$ (12,833)</u>	<u>\$ 1,280</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 2,500	\$ 0	\$ 2,500	\$ 0
Total Other Financing Sources	<u>\$ 2,500</u>	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (9,053)	\$ 1,788	\$ (10,333)	\$ 1,280
Fund Balance, July 1, 2016	<u>5,695</u>	<u>33,359</u>	<u>33,359</u>	<u>(27,664)</u>
Fund Balance, June 30, 2017	<u><u>\$ (3,358)</u></u>	<u><u>\$ 35,147</u></u>	<u><u>\$ 23,026</u></u>	<u><u>\$ (26,384)</u></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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,486	\$ 8,111	\$ 8,111	\$ 17,375
Other Local Revenues	927	1,401	5,802	(4,875)
Total Revenues	<u>\$ 26,413</u>	<u>\$ 9,512</u>	<u>\$ 13,913</u>	<u>\$ 12,500</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 16,800	\$ 9,000	\$ 27,863	\$ 11,063
Total Expenditures	<u>\$ 16,800</u>	<u>\$ 9,000</u>	<u>\$ 27,863</u>	<u>\$ 11,063</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,613</u>	<u>\$ 512</u>	<u>\$ (13,950)</u>	<u>\$ 23,563</u>
Net Change in Fund Balance	\$ 9,613	\$ 512	\$ (13,950)	\$ 23,563
Fund Balance, July 1, 2016	<u>11,163</u>	<u>13,500</u>	<u>13,500</u>	<u>(2,337)</u>
Fund Balance, June 30, 2017	<u><u>\$ 20,776</u></u>	<u><u>\$ 14,012</u></u>	<u><u>\$ (450)</u></u>	<u><u>\$ 21,226</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Lake County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 439,324	\$ 435,061	\$ 435,061	\$ 4,263
Other Local Revenues	1,180	62,000	62,000	(60,820)
Other Governments and Citizens Groups	125,000	125,000	125,000	0
Total Revenues	<u>\$ 565,504</u>	<u>\$ 622,061</u>	<u>\$ 622,061</u>	<u>\$ (56,557)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 229,219	\$ 155,000	\$ 229,219	\$ 0
Education	220,000	275,000	220,000	0
<u>Interest on Debt</u>				
General Government	142,871	99,675	142,872	1
Education	172,785	215,981	172,785	0
<u>Other Debt Service</u>				
General Government	5,435	5,677	6,867	1,432
Total Expenditures	<u>\$ 770,310</u>	<u>\$ 751,333</u>	<u>\$ 771,743</u>	<u>\$ 1,433</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (204,806)</u>	<u>\$ (129,272)</u>	<u>\$ (149,682)</u>	<u>\$ (55,124)</u>
Net Change in Fund Balance	<u>\$ (204,806)</u>	<u>\$ (129,272)</u>	<u>\$ (149,682)</u>	<u>\$ (55,124)</u>
Fund Balance, July 1, 2016	<u>765,964</u>	<u>608,306</u>	<u>608,306</u>	<u>157,658</u>
Fund Balance, June 30, 2017	<u><u>\$ 561,158</u></u>	<u><u>\$ 479,034</u></u>	<u><u>\$ 458,624</u></u>	<u><u>\$ 102,534</u></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, 2017

	Agency Funds					
	Cities - Sales Tax	Watershed District	Joint Venture	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 193,999	\$ 0	\$ 193,999
Equity in Pooled Cash and Investments	0	22,921	389	0	1,401	24,711
Due from Other Governments	31,188	0	0	0	0	31,188
Total Assets	<u>\$ 31,188</u>	<u>\$ 22,921</u>	<u>\$ 389</u>	<u>\$ 193,999</u>	<u>\$ 1,401</u>	<u>\$ 249,898</u>
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 31,188	\$ 22,921	\$ 0	\$ 0	\$ 0	\$ 54,109
Due to Litigants, Heirs, and Others	0	0	0	193,999	0	193,999
Due to Joint Venture	0	0	389	0	1,401	1,790
Total Liabilities	<u>\$ 31,188</u>	<u>\$ 22,921</u>	<u>\$ 389</u>	<u>\$ 193,999</u>	<u>\$ 1,401</u>	<u>\$ 249,898</u>

Exhibit H-2

Lake County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 186,077	\$ 186,077	\$ 0
Due from Other Governments	29,918	31,188	29,918	31,188
Total Assets	<u>\$ 29,918</u>	<u>\$ 217,265</u>	<u>\$ 215,995</u>	<u>\$ 31,188</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 29,918	\$ 217,265	\$ 215,995	\$ 31,188
Total Liabilities	<u>\$ 29,918</u>	<u>\$ 217,265</u>	<u>\$ 215,995</u>	<u>\$ 31,188</u>
<u>Watershed District Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 41,814	\$ 5,479	\$ 24,372	\$ 22,921
Total Assets	<u>\$ 41,814</u>	<u>\$ 5,479</u>	<u>\$ 24,372</u>	<u>\$ 22,921</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 41,814	\$ 5,479	\$ 24,372	\$ 22,921
Total Liabilities	<u>\$ 41,814</u>	<u>\$ 5,479</u>	<u>\$ 24,372</u>	<u>\$ 22,921</u>
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 389	\$ 0	\$ 0	\$ 389
Total Assets	<u>\$ 389</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389</u>
<u>Liabilities</u>				
Due to Joint Venture	\$ 389	\$ 0	\$ 0	\$ 389
Total Liabilities	<u>\$ 389</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 389</u>

(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	\$ 223,148	\$ 1,254,967	\$ 1,284,116	\$ 193,999
Total Assets	\$ 223,148	\$ 1,254,967	\$ 1,284,116	\$ 193,999
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 223,148	\$ 1,254,967	\$ 1,284,116	\$ 193,999
Total Liabilities	\$ 223,148	\$ 1,254,967	\$ 1,284,116	\$ 193,999
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Assets	\$ 1,401	\$ 0	\$ 0	\$ 1,401
<u>Liabilities</u>				
Due to Joint Venture	\$ 1,401	\$ 0	\$ 0	\$ 1,401
Total Liabilities	\$ 1,401	\$ 0	\$ 0	\$ 1,401
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 223,148	\$ 1,254,967	\$ 1,284,116	\$ 193,999
Equity in Pooled Cash and Investments	43,604	191,556	210,449	24,711
Due from Other Governments	29,918	31,188	29,918	31,188
Total Assets	\$ 296,670	\$ 1,477,711	\$ 1,524,483	\$ 249,898
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,732	\$ 222,744	\$ 240,367	\$ 54,109
Due to Litigants, Heirs, and Others	223,148	1,254,967	1,284,116	193,999
Due to Joint Venture	1,790	0	0	1,790
Total Liabilities	\$ 296,670	\$ 1,477,711	\$ 1,524,483	\$ 249,898

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, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 4,906,009	\$ 0	\$ 166,198	\$ (4,739,811)
Support Services	2,758,501	0	551,850	(2,206,651)
Operation of Non-instructional Services	1,134,043	58,813	943,089	(132,141)
Total Governmental Activities	\$ 8,798,553	\$ 58,813	\$ 1,661,137	\$ (7,078,603)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 924,015
Local Option Sales Taxes				308,436
Wheel Tax				43,656
Business Tax				3,398
Other Local Taxes				575
Grants and Contributions Not Restricted for Specific Programs				5,685,742
Miscellaneous				9,844
Total General Revenues				\$ 6,975,666
Change in Net Position				\$ (102,937)
Net Position, July 1, 2016				4,782,234
Net Position, June 30, 2017				\$ 4,679,297

Exhibit I-2

Lake County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Lake County School Department
June 30, 2017

	Major Fund	Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,744,188	\$ 5,769	\$ 1,749,957
Accounts Receivable	19,720	0	19,720
Due from Other Governments	116,852	22,962	139,814
Property Taxes Receivable	889,070	0	889,070
Allowance for Uncollectible Property Taxes	(6,914)	0	(6,914)
Total Assets	<u>\$ 2,762,916</u>	<u>\$ 28,731</u>	<u>\$ 2,791,647</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 74,076	\$ 7,735	\$ 81,811
Accrued Payroll	1,167	0	1,167
Payroll Deductions Payable	95,357	0	95,357
Total Liabilities	<u>\$ 170,600</u>	<u>\$ 7,735</u>	<u>\$ 178,335</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 857,406	\$ 0	\$ 857,406
Deferred Delinquent Property Taxes	21,127	0	21,127
Other Deferred/Unavailable Revenue	27,071	0	27,071
Total Deferred Inflows of Resources	<u>\$ 905,604</u>	<u>\$ 0</u>	<u>\$ 905,604</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 996	\$ 996
Assigned:			
Assigned for Education	0	20,000	20,000
Unassigned	1,686,712	0	1,686,712
Total Fund Balances	<u>\$ 1,686,712</u>	<u>\$ 20,996</u>	<u>\$ 1,707,708</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,762,916</u>	<u>\$ 28,731</u>	<u>\$ 2,791,647</u>

Exhibit I-3

Lake County, Tennessee

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

Discretely Presented Lake County School Department

June 30, 2017

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)		\$ 1,707,708
(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: construction in progress	26,143	
Add: buildings and improvements net of accumulated depreciation	4,166,686	
Add: other capital assets net of accumulated depreciation	<u>270,937</u>	4,531,131
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: net pension liability - teacher legacy pension plan	\$ (660,960)	
Less: compensated absences payable	(37,952)	
Less: other postemployment benefits liability	<u>(1,181,834)</u>	(1,880,746)
(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	\$ 1,269,900	
Less: deferred inflows of resources related to pensions	<u>(1,030,938)</u>	238,962
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - agent plan	\$ 32,965	
Add: net pension asset - teacher retirement plan	<u>1,079</u>	34,044
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>48,198</u>
Net position of governmental activities (Exhibit A)		<u>\$ 4,679,297</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, 2017

	Major Fund	Nonmajor Fund	
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,281,341	\$ 0	\$ 1,281,341
Licenses and Permits	540	0	540
Charges for Current Services	58,813	0	58,813
Other Local Revenues	20,669	0	20,669
State of Tennessee	5,923,584	0	5,923,584
Federal Government	605,798	798,632	1,404,430
Other Governments and Citizens Groups	7,500	0	7,500
Total Revenues	<u>\$ 7,898,245</u>	<u>\$ 798,632</u>	<u>\$ 8,696,877</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,048,267	\$ 561,266	\$ 4,609,533
Support Services	2,621,397	231,087	2,852,484
Operation of Non-Instructional Services	1,152,843	0	1,152,843
Capital Outlay	9,383	0	9,383
Debt Service:			
Other Debt Service	125,000	0	125,000
Total Expenditures	<u>\$ 7,956,890</u>	<u>\$ 792,353</u>	<u>\$ 8,749,243</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (58,645)</u>	<u>\$ 6,279</u>	<u>\$ (52,366)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 72,907	\$ 0	\$ 72,907
Transfers In	6,321	0	6,321
Transfers Out	0	(6,321)	(6,321)
Total Other Financing Sources (Uses)	<u>\$ 79,228</u>	<u>\$ (6,321)</u>	<u>\$ 72,907</u>
Net Change in Fund Balances	\$ 20,583	\$ (42)	\$ 20,541
Fund Balance, July 1, 2016	<u>1,666,129</u>	<u>21,038</u>	<u>1,687,167</u>
Fund Balance, June 30, 2017	<u>\$ 1,686,712</u>	<u>\$ 20,996</u>	<u>\$ 1,707,708</u>

Exhibit I-5

Lake County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Lake County School Department
For the Year Ended June 30, 2017

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)		\$	20,541
(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	\$	36,443	
Less: current-year depreciation expense		<u>(377,410)</u>	(340,967)
(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, 2017	\$	48,198	
Less: deferred delinquent property taxes and other deferred June 30, 2016		<u>(49,459)</u>	(1,261)
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	(5,182)	
Change in other postemployment benefits liability		(110,514)	
Change in net pension asset - agent plan		(10,589)	
Change in net pension asset - teacher retirement plan		(3,584)	
Change in net pension liability - teacher legacy pension plan		(617,945)	
Change in deferred outflows related to pensions		817,793	
Change in deferred inflows related to pensions		<u>148,771</u>	<u>218,750</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ (102,937)</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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,281,341	\$ 1,264,963	\$ 1,250,719	\$ 30,622
Licenses and Permits	540	300	490	50
Charges for Current Services	58,813	72,700	72,700	(13,887)
Other Local Revenues	20,669	5,000	30,227	(9,558)
State of Tennessee	5,923,584	5,999,197	6,004,608	(81,024)
Federal Government	605,798	415,806	560,426	45,372
Other Governments and Citizens Groups	7,500	0	0	7,500
Total Revenues	\$ 7,898,245	\$ 7,757,966	\$ 7,919,170	\$ (20,925)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,419,815	\$ 3,294,746	\$ 3,432,385	\$ 12,570
Special Education Program	442,701	444,087	444,087	1,386
Career and Technical Education Program	185,751	188,211	188,211	2,460
<u>Support Services</u>				
Attendance	39,865	41,212	41,212	1,347
Health Services	95,028	99,898	95,000	(28)
Other Student Support	144,117	188,687	191,474	47,357
Regular Instruction Program	183,659	182,905	184,790	1,131
Special Education Program	118,516	107,642	118,642	126
Technology	149,131	317,015	147,569	(1,562)
Other Programs	29,230	0	29,230	0
Board of Education	148,781	123,098	148,805	24
Director of Schools	156,196	160,601	160,600	4,404
Office of the Principal	497,708	494,412	497,738	30
Fiscal Services	71,028	73,040	73,040	2,012
Operation of Plant	620,585	624,546	630,298	9,713
Maintenance of Plant	223,780	135,174	248,277	24,497
Transportation	143,773	144,226	163,115	19,342
<u>Operation of Non-Instructional Services</u>				
Food Service	691,884	458,347	674,327	(17,557)
Community Services	147,910	140,000	150,000	2,090
Early Childhood Education	313,049	310,787	310,787	(2,262)
<u>Capital Outlay</u>				
Regular Capital Outlay	9,383	175,000	50,000	40,617
<u>Other Debt Service</u>				
Education	125,000	0	125,000	0
Total Expenditures	\$ 7,956,890	\$ 7,703,634	\$ 8,104,587	\$ 147,697
Excess (Deficiency) of Revenues Over Expenditures	\$ (58,645)	\$ 54,332	\$ (185,417)	\$ 126,772
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 72,907	0	\$ 72,907	0
Transfers In	6,321	0	0	6,321
Total Other Financing Sources	\$ 79,228	0	\$ 72,907	\$ 6,321
Net Change in Fund Balance	\$ 20,583	\$ 54,332	\$ (112,510)	\$ 133,093
Fund Balance, July 1, 2016	1,666,129	1,300,000	1,300,000	366,129
Fund Balance, June 30, 2017	\$ 1,686,712	\$ 1,354,332	\$ 1,187,490	\$ 499,222

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, 2017

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 798,632	\$ 918,244	\$ 916,597	\$ (117,965)
Total Revenues	\$ 798,632	\$ 918,244	\$ 916,597	\$ (117,965)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 285,204	\$ 293,422	\$ 290,741	\$ 5,537
Special Education Program	227,383	304,847	304,359	76,976
Career and Technical Education Program	48,679	44,539	48,679	0
<u>Support Services</u>				
Other Student Support	6,968	9,500	7,018	50
Regular Instruction Program	211,248	223,017	219,218	7,970
Special Education Program	10,529	37,919	37,919	27,390
Career and Technical Education Program	2,342	4,000	2,342	0
Total Expenditures	\$ 792,353	\$ 917,244	\$ 910,276	\$ 117,923
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,279	\$ 1,000	\$ 6,321	\$ (42)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (6,321)	\$ (1,000)	\$ (6,321)	\$ 0
Total Other Financing Sources	\$ (6,321)	\$ (1,000)	\$ (6,321)	\$ 0
Net Change in Fund Balance	\$ (42)	\$ 0	\$ 0	\$ (42)
Fund Balance, July 1, 2016	21,038	0	0	21,038
Fund Balance, June 30, 2017	\$ 20,996	\$ 0	\$ 0	\$ 20,996

Exhibit I-8

Lake County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Lake County School Department
Fiduciary Fund
June 30, 2017

Other
Trust
Fund

Private
Purpose
Trust

ASSETS

Equity in Pooled Cash and Investments

\$ 333,284

NET POSITION

Held in Trust for College Scholarships for Lake County Students

\$ 333,284

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, 2017

	Other Trust Fund <hr/> Private Purpose Trust <hr/>
<u>ADDITIONS</u>	
<u>Other Local Revenues</u>	
Investment Income	\$ 1,193
Total Additions	<hr/> \$ 1,193 <hr/>
<u>DEDUCTIONS</u>	
<u>Other</u>	
Scholarships	\$ 3,500
Total Deductions	<hr/> \$ 3,500 <hr/>
Change in Net Position	\$ (2,307)
Net Position, July 1, 2016	<hr/> 335,591 <hr/>
Net Position, June 30, 2017	<hr/> \$ 333,284 <hr/>

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, 2017

Description of Indebtedness	Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date	Outstanding 7-1-16	Paid and/or Matured During Period	Outstanding 6-30-17
<u>NOTE PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Highway Department Equipment	\$ 230,000	1.96	%	8-31-11	8-1-16	\$ 48,000	\$ 48,000	\$ 0
Total Note Payable						\$ 48,000	\$ 48,000	\$ 0
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through Solid Waste/Sanitation Fund</u>								
Landscape Loader	78,265	7		4-15-15	3-6-19	\$ 56,110	\$ 19,169	\$ 36,941
Total Capital Lease Payable						\$ 56,110	\$ 19,169	\$ 36,941
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
General Obligation Bonds, Series 2012	1,165,000	2 to 3.125		1-25-12	6-1-30	\$ 1,065,000	\$ 55,000	\$ 1,010,000
General Obligation Refunding Bonds, Series 2012B	7,630,000	.4 to 4		4-12-12	6-1-37	6,785,000	275,000	6,510,000
General Obligation Refunding Bonds, Series 2016	2,595,000	.75 to 3.5		3-24-16	6-1-36	2,545,000	100,000	2,445,000
Total Bonds Payable						\$ 10,395,000	\$ 430,000	\$ 9,965,000

Exhibit J-2

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

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2018	\$ 20,555	\$ 1,804	\$ 22,359
2019	16,386	384	16,770
Total	\$ 36,941	\$ 2,188	\$ 39,129

Year Ending June 30	Bonds		
	Principal	Interest	Total
2018	\$ 445,000	\$ 307,956	\$ 752,956
2019	450,000	299,791	749,791
2020	460,000	291,421	751,421
2021	470,000	279,636	749,636
2022	480,000	267,161	747,161
2023	495,000	254,111	749,111
2024	505,000	240,296	745,296
2025	520,000	225,981	745,981
2026	530,000	210,681	740,681
2027	550,000	194,901	744,901
2028	570,000	177,976	747,976
2029	595,000	160,049	755,049
2030	610,000	140,769	750,769
2031	525,000	120,533	645,533
2032	540,000	102,438	642,438
2033	560,000	83,538	643,538
2034	580,000	62,913	642,913
2035	605,000	41,550	646,550
2036	320,000	18,150	338,150
2037	155,000	6,200	161,200
Total	\$ 9,965,000	\$ 3,486,051	\$ 13,451,051

Exhibit J-3

Lake County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2017

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 2,500
Total Transfers Primary Government			<u>\$ 2,500</u>
<u>DISCRETELY PRESENTED LAKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 6,321
Total Transfers Discretely Presented Lake County School Department			<u>\$ 6,321</u>

Exhibit J-4

Lake County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Lake County School Department
For the Year Ended June 30, 2017

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 68,977	\$ 100,000	Traveler's Casualty and Surety Company of America
Road Superintendent	Section 8-24-102, <i>TCA</i>	77,736 (1)	100,000	"
Director of Schools	State Board of Education and Lake County Board of Education	97,072 (2)	100,000	"
Trustee	Section 8-24-102, <i>TCA</i>	59,721	364,151	"
Assessor of Property:				
Joyce Barnes (7-1-16 through 8-31-16)	Section 8-24-102, <i>TCA</i>	9,954 (3)	50,000	"
Jaxon Neil (9-1-16 through 6-30-17)	Section 8-24-102, <i>TCA</i>	49,767	50,000	"
County Clerk:				
Jo Ann Mills (7-1-16 through 2-28-17)	Section 8-24-102, <i>TCA</i>	39,814	50,000	"
Crystal Horner (3-1-17 through 6-30-17)	Section 8-24-102, <i>TCA</i>	19,907	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	59,721	50,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	59,721	50,000	RLI Insurance Company
Register of Deeds	Section 8-24-102, <i>TCA</i>	59,721	50,000	Traveler's Casualty and Surety Company of America
Sheriff	Section 8-24-102, <i>TCA</i>	65,693 (4)	100,000	"
<u>Blanket Bond:</u>				
County and Highway Employees			400,000	Local Government Property and Casualty Fund
Director of Schools			400,000	Tennessee Risk Management Trust

(1) Includes a \$750 Christmas bonus.

(2) Includes a chief executive officer training supplement of \$2,000, does not include a \$4,800 vehicle allowance.

(3) Does not include \$7,465 paid for 21 weeks of vacation leave. See Finding 2017-007 in Part II of this report.

(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, 2017

	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	\$ 1,137,992	\$ 0	\$ 54,141	\$ 0	\$ 26,661
Trustee's Collections - Prior Year	37,244	0	1,868	0	752
Trustee's Collections - Bankruptcy	27	0	1	0	1
Circuit Clerk/Clerk and Master Collections - Prior Years	1,667	0	40	0	40
Interest and Penalty	5,616	0	296	0	121
Payments in-Lieu-of Taxes - Other	15,914	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	46,155	0	0	0	0
Hotel/Motel Tax	28,769	0	0	0	0
Wheel Tax	152,231	0	7,365	0	0
Litigation Tax - General	10,100	0	0	0	0
Litigation Tax - Special Purpose	653	3,637	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Litigation Tax - Courthouse Security	12,517	0	0	0	0
Business Tax	28,469	0	0	0	0
Mixed Drink Tax	2,512	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	4,474	0	0	0	0
Wholesale Beer Tax	10,168	0	0	0	0
Interstate Telecommunications Tax	140	0	0	0	0
Total Local Taxes	\$ 1,494,648	\$ 3,637	\$ 63,711	\$ 0	\$ 27,575
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 100	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	8,183	0	0	0	0

(Continued)

Exhibit J-5

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	\$ 752	\$ 0	\$ 0	\$ 0	\$ 0
Other Permits	15	0	0	0	0
Total Licenses and Permits	<u>\$ 9,050</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	\$ 6,992	\$ 0	\$ 0	\$ 0	\$ 0
Drug Control Fines	3,657	0	0	0	0
Drug Court Fees	453	0	0	0	0
Jail Fees	658	0	0	0	0
Data Entry Fee - Circuit Court	664	0	0	0	0
Courtroom Security Fee	15	0	0	0	0
<u>Criminal Court</u>					
Drug Control Fines	0	0	0	320	0
<u>General Sessions Court</u>					
Fines	4,323	0	0	0	0
Officers Costs	12,389	0	0	0	0
Drug Control Fines	4,684	0	0	4,000	0
Drug Court Fees	4,942	0	0	0	0
Jail Fees	13,227	0	0	0	0
DUI Treatment Fines	998	0	0	0	0
Data Entry Fee - General Sessions Court	1,806	0	0	0	0
Courtroom Security Fee	4	0	0	0	0
<u>Juvenile Court</u>					
Fines	581	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds				
	General	Law Library	Solid Waste / Sanitation	Drug Control	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Juvenile Court (Cont.)</u>					
Officers Costs	\$ 190	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Juvenile Court	40	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	532	0	0	0	0
Data Entry Fee - Chancery Court	536	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	21,166	0
Total Fines, Forfeitures, and Penalties	<u>\$ 56,691</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,486</u>	<u>\$ 0</u>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Waste Tire Disposal	\$ 0	\$ 0	\$ 1,156	\$ 0	\$ 0
Patient Charges	862,369	0	0	0	0
<u>Fees</u>					
Copy Fees	139	0	0	0	0
Archives and Records Management Fee	2,646	0	0	0	0
Telephone Commissions	28,029	0	0	0	0
Data Processing Fee - Register	1,496	0	0	0	0
Data Processing Fee - Sheriff	838	0	0	0	0
Sexual Offender Registration Fee - Sheriff	910	0	0	0	0
Data Processing Fee - County Clerk	69	0	0	0	0
Total Charges for Current Services	<u>\$ 896,496</u>	<u>\$ 0</u>	<u>\$ 1,156</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-5

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	\$ 12,501	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	66,738	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	625
Commissary Sales	4,045	0	0	0	0
Miscellaneous Refunds	17,609	0	0	0	25,312
<u>Nonrecurring Items</u>					
Sale of Property	1,790	0	0	0	0
Damages Recovered from Individuals	6	0	0	0	0
Contributions and Gifts	0	0	0	927	0
<u>Other Local Revenues</u>					
Other Local Revenues	4,414	0	0	0	0
Total Other Local Revenues	<u>\$ 107,103</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 927</u>	<u>\$ 25,937</u>
<u>Fees Received From County Officials</u>					
<u>Fees In-Lieu-of Salary</u>					
County Clerk	\$ 54,584	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	35,892	0	0	0	0
General Sessions Court Clerk	28,894	0	0	0	0
Clerk and Master	15,733	0	0	0	0
Juvenile Court Clerk	7,785	0	0	0	0
Register	18,081	0	0	0	0
Sheriff	3,176	0	0	0	0
Trustee	97,267	0	0	0	0
Total Fees Received From County Officials	<u>\$ 261,412</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-5

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	\$ 9,500	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	47,136	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	4,800	0	0	0	0
<u>Health and Welfare Grants</u>					
Other Health and Welfare Grants	10,000	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	413,156
State Aid Program	0	0	0	0	539,191
Litter Program	11,200	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	1,842	0	0	0	0
Beer Tax	18,415	0	0	0	0
Alcoholic Beverage Tax	20,887	0	0	0	0
Contracted Prisoner Boarding	329,670	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,319,809
Petroleum Special Tax	0	0	0	0	5,651
Registrar's Salary Supplement	15,164	0	0	0	0
Other State Revenues	6,280	0	0	0	0
Total State of Tennessee	\$ 474,894	\$ 0	\$ 0	\$ 0	\$ 2,277,807
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 18,500	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	12,300	0	0	0	0
Disaster Relief	112,785	0	0	0	0

(Continued)

Exhibit J-5

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	\$ 800	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	<u>\$ 144,385</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,668
Contributions	0	0	33,124	0	0
Contracted Services	91,400	0	0	0	0
<u>Citizens Groups</u>					
Donations	33,723	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 125,123</u>	<u>\$ 0</u>	<u>\$ 33,124</u>	<u>\$ 0</u>	<u>\$ 20,668</u>
Total	<u>\$ 3,569,802</u>	<u>\$ 3,637</u>	<u>\$ 97,991</u>	<u>\$ 26,413</u>	<u>\$ 2,351,987</u>

(Continued)

Exhibit J-5

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

	Debt Service		
	Fund		
	General		
	Debt		
	Service		Total
<hr/>			
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$	43,061	\$ 1,261,855
Trustee's Collections - Prior Year		3,635	43,499
Trustee's Collections - Bankruptcy		4	33
Circuit Clerk/Clerk and Master Collections - Prior Years		119	1,866
Interest and Penalty		597	6,630
Payments in-Lieu-of Taxes - Other		0	15,914
<u>County Local Option Taxes</u>			
Local Option Sales Tax		311,027	357,182
Hotel/Motel Tax		0	28,769
Wheel Tax		74,537	234,133
Litigation Tax - General		0	10,100
Litigation Tax - Special Purpose		0	4,290
Litigation Tax - Jail, Workhouse, or Courthouse		4,646	4,646
Litigation Tax - Courthouse Security		0	12,517
Business Tax		1,698	30,167
Mixed Drink Tax		0	2,512
<u>Statutory Local Taxes</u>			
Bank Excise Tax		0	4,474
Wholesale Beer Tax		0	10,168
Interstate Telecommunications Tax		0	140
Total Local Taxes	\$	439,324	\$ 2,028,895
<hr/>			
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Animal Registration	\$	0	\$ 100
Cable TV Franchise		0	8,183

(Continued)

Exhibit J-5

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

	Debt Service Fund	
	General	
	Debt	
	Service	Total
<hr/>		
<u>Licenses and Permits (Cont.)</u>		
<u>Permits</u>		
Building Permits	\$ 0	\$ 752
Other Permits	0	15
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 9,050</u>
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Officers Costs	\$ 0	\$ 6,992
Drug Control Fines	0	3,657
Drug Court Fees	0	453
Jail Fees	0	658
Data Entry Fee - Circuit Court	0	664
Courtroom Security Fee	0	15
<u>Criminal Court</u>		
Drug Control Fines	0	320
<u>General Sessions Court</u>		
Fines	0	4,323
Officers Costs	0	12,389
Drug Control Fines	0	8,684
Drug Court Fees	0	4,942
Jail Fees	0	13,227
DUI Treatment Fines	0	998
Data Entry Fee - General Sessions Court	0	1,806
Courtroom Security Fee	0	4
<u>Juvenile Court</u>		
Fines	0	581

(Continued)

Exhibit J-5

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

	Debt Service		
	Fund		
	General		
	Debt		
	Service		Total
<hr/>			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court (Cont.)</u>			
Officers Costs	\$	0	\$ 190
Data Entry Fee - Juvenile Court		0	40
<u>Chancery Court</u>			
Officers Costs		0	532
Data Entry Fee - Chancery Court		0	536
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property		0	21,166
Total Fines, Forfeitures, and Penalties	\$	0	\$ 82,177
<hr/>			
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Surcharge - Waste Tire Disposal	\$	0	\$ 1,156
Patient Charges		0	862,369
<u>Fees</u>			
Copy Fees		0	139
Archives and Records Management Fee		0	2,646
Telephone Commissions		0	28,029
Data Processing Fee - Register		0	1,496
Data Processing Fee - Sheriff		0	838
Sexual Offender Registration Fee - Sheriff		0	910
Data Processing Fee - County Clerk		0	69
Total Charges for Current Services	\$	0	\$ 897,652

(Continued)

Exhibit J-5

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

	Debt Service		
	Fund		
	General		
	Debt		
	Service		Total
<hr/>			
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$	0	\$ 12,501
Lease/Rentals		0	66,738
Sale of Materials and Supplies		0	625
Commissary Sales		0	4,045
Miscellaneous Refunds		1,180	44,101
<u>Nonrecurring Items</u>			
Sale of Property		0	1,790
Damages Recovered from Individuals		0	6
Contributions and Gifts		0	927
<u>Other Local Revenues</u>			
Other Local Revenues		0	4,414
Total Other Local Revenues	\$	1,180	\$ 135,147
<hr/>			
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$	0	\$ 54,584
Circuit Court Clerk		0	35,892
General Sessions Court Clerk		0	28,894
Clerk and Master		0	15,733
Juvenile Court Clerk		0	7,785
Register		0	18,081
Sheriff		0	3,176
Trustee		0	97,267
Total Fees Received From County Officials	\$	0	\$ 261,412

(Continued)

Exhibit J-5

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	\$ 9,500	
Aging Programs	0	47,136	
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0	4,800	
<u>Health and Welfare Grants</u>			
Other Health and Welfare Grants	0	10,000	
<u>Public Works Grants</u>			
Bridge Program	0	413,156	
State Aid Program	0	539,191	
Litter Program	0	11,200	
<u>Other State Revenues</u>			
Income Tax	0	1,842	
Beer Tax	0	18,415	
Alcoholic Beverage Tax	0	20,887	
Contracted Prisoner Boarding	0	329,670	
Gasoline and Motor Fuel Tax	0	1,319,809	
Petroleum Special Tax	0	5,651	
Registrar's Salary Supplement	0	15,164	
Other State Revenues	0	6,280	
Total State of Tennessee	\$ 0	\$ 2,752,701	
<u>Federal Government</u>			
<u>Federal Through State</u>			
Community Development	\$ 0	\$ 18,500	
Civil Defense Reimbursement	0	12,300	
Disaster Relief	0	112,785	

(Continued)

Exhibit J-5

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

	Debt Service Fund		
	General		
	Debt		
	Service	Total	
<hr/>			
<u>Federal Government (Cont.)</u>			
<u>Direct Federal Revenue</u>			
Other Direct Federal Revenue	\$ 0	\$ 800	
Total Federal Government	\$ 0	\$ 144,385	
<hr/>			
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Paving and Maintenance	\$ 0	\$ 20,668	
Contributions	125,000	158,124	
Contracted Services	0	91,400	
<u>Citizens Groups</u>			
Donations	0	33,723	
Total Other Governments and Citizens Groups	\$ 125,000	\$ 303,915	
<hr/>			
Total	\$ 565,504	\$ 6,615,334	

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, 2017

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 883,005	\$ 0	\$ 883,005
Trustee's Collections - Prior Year	31,131	0	31,131
Trustee's Collections - Bankruptcy	3,295	0	3,295
Circuit Clerk/Clerk and Master Collections - Prior Years	1,316	0	1,316
Interest and Penalty	4,798	0	4,798
<u>County Local Option Taxes</u>			
Local Option Sales Tax	310,099	0	310,099
Wheel Tax	43,656	0	43,656
Business Tax	3,398	0	3,398
<u>Statutory Local Taxes</u>			
Interstate Telecommunications Tax	643	0	643
Total Local Taxes	<u>\$ 1,281,341</u>	<u>\$ 0</u>	<u>\$ 1,281,341</u>
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 447	\$ 0	\$ 447
<u>Permits</u>			
Other Permits	93	0	93
Total Licenses and Permits	<u>\$ 540</u>	<u>\$ 0</u>	<u>\$ 540</u>
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Receipts from Individual Schools	\$ 58,813	\$ 0	\$ 58,813
Total Charges for Current Services	<u>\$ 58,813</u>	<u>\$ 0</u>	<u>\$ 58,813</u>
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
E-Rate Funding	\$ 2,374	\$ 0	\$ 2,374
Miscellaneous Refunds	7,470	0	7,470
<u>Nonrecurring Items</u>			
Contributions and Gifts	10,825	0	10,825
Total Other Local Revenues	<u>\$ 20,669</u>	<u>\$ 0</u>	<u>\$ 20,669</u>
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
On-behalf Contributions for OPEB	\$ 29,230	\$ 0	\$ 29,230
<u>State Education Funds</u>			
Basic Education Program	5,022,000	0	5,022,000
Early Childhood Education	200,800	0	200,800

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Fund School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>State Education Funds (Cont.)</u>			
School Food Service	\$ 5,052	\$ 0	\$ 5,052
Driver Education	2,677	0	2,677
Other State Education Funds	294,409	0	294,409
Coordinated School Health	95,000	0	95,000
Family Resource Centers	29,611	0	29,611
Career Ladder Program	26,331	0	26,331
<u>Other State Revenues</u>			
State Revenue Sharing - T.V.A.	218,474	0	218,474
Total State of Tennessee	<u>\$ 5,923,584</u>	<u>\$ 0</u>	<u>\$ 5,923,584</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 381,623	\$ 0	\$ 381,623
USDA - Commodities	39,216	0	39,216
Breakfast	175,544	0	175,544
USDA - Other	9,023	0	9,023
Vocational Education - Basic Grants to States	0	56,039	56,039
Title I Grants to Local Education Agencies	0	426,403	426,403
Special Education - Grants to States	0	223,661	223,661
Special Education Preschool Grants	0	14,739	14,739
Rural Education	0	12,937	12,937
Eisenhower Professional Development State Grants	0	47,719	47,719
Other Federal through State	392	17,134	17,526
Total Federal Government	<u>\$ 605,798</u>	<u>\$ 798,632</u>	<u>\$ 1,404,430</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 7,500	\$ 0	\$ 7,500
Total Other Governments and Citizens Groups	<u>\$ 7,500</u>	<u>\$ 0</u>	<u>\$ 7,500</u>
Total	<u>\$ 7,898,245</u>	<u>\$ 798,632</u>	<u>\$ 8,696,877</u>

Exhibit J-7

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2017

General FundGeneral GovernmentCounty Commission

Other Per Diem and Fees	\$	25,864	
Social Security		1,805	
Pensions		279	
Unemployment Compensation		255	
Audit Services		2,820	
Total County Commission			\$ 31,023

County Mayor/Executive

County Official/Administrative Officer	\$	68,977	
Accountants/Bookkeepers		23,490	
Secretary(ies)		20,781	
Longevity Pay		250	
Other Per Diem and Fees		585	
Social Security		8,644	
Pensions		2,519	
Unemployment Compensation		388	
Communication		2,239	
Data Processing Services		9,424	
Postal Charges		1,002	
Printing, Stationery, and Forms		1,033	
Travel		4,189	
Electricity		618	
Natural Gas		226	
Office Supplies		335	
Water and Sewer		139	
Building and Contents Insurance		1,000	
Workers' Compensation Insurance		100	
Total County Mayor/Executive			145,939

County Attorney

County Official/Administrative Officer	\$	4,500	
Legal Services		5,340	
Total County Attorney			9,840

Election Commission

County Official/Administrative Officer	\$	59,721	
Other Salaries and Wages		750	
Election Commission		4,050	
Election Workers		7,810	
Social Security		4,484	
Pensions		3,360	
Communication		2,278	
Data Processing Services		6,624	
Legal Notices, Recording, and Court Costs		1,745	
Maintenance and Repair Services - Equipment		1,571	
Postal Charges		640	
Printing, Stationery, and Forms		6,589	

(Continued)

Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)Election Commission (Cont.)

Travel	\$	1,309	
Natural Gas		922	
Office Supplies		369	
Building and Contents Insurance		2,170	
Workers' Compensation Insurance		125	
Total Election Commission			\$ 104,517

Register of Deeds

County Official/Administrative Officer	\$	59,721	
Deputy(ies)		7,613	
Longevity Pay		450	
Social Security		5,110	
Pensions		3,403	
Unemployment Compensation		106	
Communication		1,128	
Data Processing Services		1,480	
Postal Charges		236	
Printing, Stationery, and Forms		552	
Electricity		432	
Natural Gas		158	
Office Supplies		483	
Water and Sewer		97	
Building and Contents Insurance		700	
Workers' Compensation Insurance		30	
Total Register of Deeds			81,699

Development

Board and Committee Members Fees	\$	4,200	
Other Contracted Services		8,395	
Total Development			12,595

County Buildings

Maintenance and Repair Services - Buildings	\$	27,952	
Maintenance and Repair Services - Equipment		4,980	
Pest Control		3,964	
Custodial Supplies		5,413	
Electricity		8,983	
Natural Gas		3,959	
Water and Sewer		1,438	
Workers' Compensation Insurance		8,225	
Total County Buildings			64,914

FinanceProperty Assessor's Office

County Official/Administrative Officer	\$	59,721	
Secretary(ies)		21,344	
Longevity Pay		1,050	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office (Cont.)

Bonus Payments	\$	7,465	
Other Salaries and Wages		1,707	
Board and Committee Members Fees		430	
Social Security		6,983	
Pensions		4,594	
Unemployment Compensation		613	
Communication		1,081	
Postal Charges		666	
Printing, Stationery, and Forms		160	
Travel		2,770	
Other Contracted Services		6,017	
Electricity		311	
Natural Gas		114	
Office Supplies		1,051	
Water and Sewer		70	
Building and Contents Insurance		691	
Premiums on Corporate Surety Bonds		619	
Workers' Compensation Insurance		90	
Total Property Assessor's Office			\$ 117,547

County Trustee's Office

County Official/Administrative Officer	\$	59,721	
Deputy(ies)		21,344	
Longevity Pay		325	
In-service Training		100	
Social Security		5,939	
Pensions		4,501	
Unemployment Compensation		308	
Communication		1,511	
Data Processing Services		8,527	
Dues and Memberships		827	
Legal Notices, Recording, and Court Costs		72	
Postal Charges		1,881	
Printing, Stationery, and Forms		406	
Rentals		3,552	
Travel		675	
Electricity		331	
Natural Gas		121	
Office Supplies		878	
Water and Sewer		75	
Building and Contents Insurance		967	
Workers' Compensation Insurance		65	
Total County Trustee's Office			112,126

County Clerk's Office

County Official/Administrative Officer	\$	59,721
Deputy(ies)		41,934

(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.)

Longevity Pay	\$	1,000	
Social Security		7,778	
Pensions		5,897	
Unemployment Compensation		595	
Communication		1,904	
Data Processing Services		7,566	
Postal Charges		958	
Printing, Stationery, and Forms		67	
Travel		129	
Electricity		1,936	
Natural Gas		348	
Office Supplies		1,244	
Water and Sewer		725	
Other Supplies and Materials		84	
Building and Contents Insurance		967	
Premiums on Corporate Surety Bonds		310	
Workers' Compensation Insurance		100	
Total County Clerk's Office			\$ 133,263

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	59,721	
Deputy(ies)		59,733	
Longevity Pay		900	
Other Salaries and Wages		1,350	
Jury and Witness Expense		3,849	
Social Security		9,263	
Pensions		7,043	
Unemployment Compensation		472	
Communication		2,145	
Data Processing Services		12,334	
Postal Charges		1,639	
Printing, Stationery, and Forms		177	
Travel		294	
Electricity		3,513	
Natural Gas		1,286	
Office Supplies		4,397	
Water and Sewer		791	
Building and Contents Insurance		5,527	
Workers' Compensation Insurance		1,573	
Other Charges		4,774	
Total Circuit Court			180,781

General Sessions Court

Judge(s)	\$	92,991	
Other Salaries and Wages		2,369	
Social Security		7,043	

(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	\$	5,402	
Communication		1,191	
Postal Charges		261	
Travel		1,301	
Other Contracted Services		299	
Electricity		217	
Natural Gas		79	
Office Supplies		405	
Water and Sewer		49	
Building and Contents Insurance		426	
Workers' Compensation Insurance		150	
Total General Sessions Court			\$ 112,183

Chancery Court

County Official/Administrative Officer	\$	59,721	
Deputy(ies)		7,326	
Social Security		5,129	
Pensions		3,460	
Unemployment Compensation		92	
Communication		1,365	
Data Processing Services		5,015	
Postal Charges		398	
Printing, Stationery, and Forms		963	
Electricity		395	
Natural Gas		144	
Water and Sewer		89	
Building and Contents Insurance		691	
Workers' Compensation Insurance		225	
Total Chancery Court			85,013

Juvenile Court

County Official/Administrative Officer	\$	30,583	
Longevity Pay		600	
Other Salaries and Wages		450	
Social Security		2,397	
Pensions		1,821	
Unemployment Compensation		154	
Communication		1,505	
Postal Charges		185	
Travel		19	
Other Contracted Services		17,380	
Electricity		274	
Natural Gas		100	
Office Supplies		1,652	
Water and Sewer		62	
Building and Contents Insurance		552	
Workers' Compensation Insurance		60	
Total Juvenile Court			57,794

(Continued)

Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Other Administration of Justice

Library Books/Media	\$ 3,667	
Total Other Administration of Justice		\$ 3,667

Courtroom Security

Social Security	\$ 1,825	
Unemployment Compensation	444	
Other Contracted Services	27,708	
Total Courtroom Security		29,977

Public SafetySheriff's Department

County Official/Administrative Officer	\$ 65,693	
Deputy(ies)	254,869	
Salary Supplements	7,200	
Longevity Pay	1,500	
Other Salaries and Wages	750	
In-service Training	1,518	
Social Security	26,115	
Pensions	18,239	
Unemployment Compensation	1,255	
Communication	14,460	
Data Processing Services	4,145	
Maintenance and Repair Services - Vehicles	9,936	
Postal Charges	712	
Printing, Stationery, and Forms	84	
Rentals	935	
Travel	4,319	
Gasoline	21,171	
Natural Gas	8,504	
Office Supplies	4,751	
Uniforms	6,163	
Water and Sewer	4,729	
Other Supplies and Materials	1,776	
Building and Contents Insurance	25,903	
Workers' Compensation Insurance	11,143	
Total Sheriff's Department		495,870

Jail

Dispatchers/Radio Operators	\$ 285,300
Secretary(ies)	32,045
Part-time Personnel	31,148
Longevity Pay	2,450
In-service Training	2,177
Social Security	24,749
Pensions	17,024
Unemployment Compensation	2,832
Maintenance and Repair Services - Buildings	5,079

(Continued)

Exhibit J-7

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

General Fund (Cont.)Public Safety (Cont.)Jail (Cont.)

Maintenance and Repair Services - Equipment	\$	12,134	
Medical and Dental Services		91,921	
Custodial Supplies		16,740	
Electricity		29,964	
Food Supplies		106,220	
Natural Gas		1,260	
Uniforms		1,052	
Water and Sewer		10,773	
Other Supplies and Materials		5,921	
Building and Contents Insurance		11,950	
Workers' Compensation Insurance		7,860	
Total Jail			\$ 698,599

Civil Defense

Other Charges	\$	15,294	
Total Civil Defense			15,294

Public Health and WelfareLocal Health Center

Communication	\$	1,072	
Contracts with Government Agencies		5,023	
Maintenance and Repair Services - Buildings		3,293	
Maintenance and Repair Services - Equipment		6,220	
Other Contracted Services		6,268	
Custodial Supplies		174	
Drugs and Medical Supplies		167	
Electricity		6,633	
Natural Gas		1,040	
Office Supplies		232	
Water and Sewer		1,677	
Building and Contents Insurance		2,966	
Workers' Compensation Insurance		700	
Other Charges		14,165	
Other Capital Outlay		9,346	
Total Local Health Center			58,976

Ambulance/Emergency Medical Services

Supervisor/Director	\$	32,951	
Medical Personnel		439,646	
Secretary(ies)		23,487	
Longevity Pay		550	
Social Security		37,764	
Pensions		10,581	
Unemployment Compensation		3,847	
Ambulance Services		425	
Communication		3,004	
Licenses		1,500	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Public Health and Welfare (Cont.)Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Equipment	\$	1,236	
Maintenance and Repair Services - Vehicles		6,616	
Postal Charges		1,412	
Rentals		1,502	
Travel		1,261	
Other Contracted Services		7,273	
Drugs and Medical Supplies		16,471	
Electricity		5,339	
Gasoline		25,651	
Natural Gas		1,048	
Office Supplies		3,458	
Uniforms		1,050	
Water and Sewer		753	
Other Supplies and Materials		877	
Building and Contents Insurance		5,406	
Workers' Compensation Insurance		26,643	
Other Capital Outlay		118,405	
Total Ambulance/Emergency Medical Services			\$ 778,156

Sanitation Management

Deputy(ies)	\$	8,462	
Education Media Personnel		3,479	
Social Security		647	
Unemployment Compensation		134	
Maintenance and Repair Services - Vehicles		850	
Gasoline		794	
Other Charges		360	
Total Sanitation Management			14,726

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

County Official/Administrative Officer	\$	19,754	
Supervisor/Director		20,487	
Social Security		4,090	
Pensions		2,338	
Unemployment Compensation		509	
Communication		4,815	
Contributions		1,560	
Maintenance and Repair Services - Buildings		436	
Travel		1,962	
Other Contracted Services		25,983	
Electricity		3,737	
Natural Gas		572	
Office Supplies		3,331	
Water and Sewer		2,243	
Other Supplies and Materials		1,765	
Other Charges		33,323	
Total Senior Citizens Assistance			126,905

(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.)Libraries

Contributions	\$ 18,500	
Total Libraries		\$ 18,500

Other Social, Cultural, and Recreational

Other Charges	\$ 2,409	
Total Other Social, Cultural, and Recreational		2,409

Agriculture and Natural ResourcesAgricultural Extension Service

Salary Supplements	\$ 16,492	
Secretary(ies)	7,767	
Communication	2,630	
Maintenance and Repair Services - Office Equipment	150	
Office Supplies	481	
Other Supplies and Materials	12	
Total Agricultural Extension Service		27,532

Other OperationsTourism

Contributions	\$ 25,444	
Total Tourism		25,444

Other Economic and Community Development

Matching Share	\$ 19,234	
Total Other Economic and Community Development		19,234

Other Charges

Trustee's Commission	\$ 38,684	
Total Other Charges		38,684

Contributions to Other Agencies

Contributions	\$ 4,731	
Total Contributions to Other Agencies		4,731

Employee Benefits

Employee and Dependent Insurance	\$ 38,532	
Total Employee Benefits		38,532

Total General Fund \$ 3,646,470

Law Library FundAdministration of JusticeOther Administration of Justice

Trustee's Commission	\$ 9	
Total Other Administration of Justice		\$ 9

Total Law Library Fund 9

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation FundPublic Health and WelfareWaste Incinerator

Foremen	\$	34,046	
Social Security		2,579	
Employee and Dependent Insurance		1,826	
Unemployment Compensation		320	
Bank Charges		75	
Maintenance and Repair Services - Buildings		5	
Maintenance and Repair Services - Equipment		8,400	
Diesel Fuel		2,833	
Electricity		12,834	
Trustee's Commission		1,162	
Workers' Compensation Insurance		1,200	
Total Waste Incinerator			\$ 65,280

Other Waste Disposal

Contracts with Government Agencies	\$	21,904	
Total Other Waste Disposal			21,904

Principal on DebtGeneral Government

Principal on Capital Leases	\$	19,169	
Total General Government			19,169

Interest on DebtGeneral Government

Interest on Capital Leases	\$	3,191	
Total General Government			3,191

Total Solid Waste/Sanitation Fund \$ 109,544

Drug Control FundPublic SafetyDrug Enforcement

Animal Food and Supplies	\$	10,727	
Law Enforcement Supplies		5,833	
Trustee's Commission		240	
Total Drug Enforcement			\$ 16,800

Total Drug Control Fund 16,800

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	77,736	
Accountants/Bookkeepers		49,225	
Secretary(ies)		42,927	
Board and Committee Members Fees		13,800	
Communication		2,705	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Data Processing Services	\$	7,129	
Dues and Memberships		2,929	
Legal Services		4,660	
Maintenance and Repair Services - Buildings		328	
Maintenance and Repair Services - Office Equipment		299	
Postal Charges		200	
Printing, Stationery, and Forms		379	
Travel		1,620	
Drugs and Medical Supplies		181	
Electricity		5,398	
Natural Gas		4,134	
Office Supplies		1,726	
Water and Sewer		1,518	
Total Administration			\$ 216,894

Highway and Bridge Maintenance

Equipment Operators	\$	218,996	
Engineering Services		20,209	
Other Contracted Services		373,710	
Asphalt - Cold Mix		3,166	
Asphalt - Hot Mix		553,893	
Asphalt - Liquid		35,408	
Crushed Stone		42,625	
Pipe - Metal		8,945	
Road Signs		1,044	
Wood Products		10	
Chemicals		9,392	
Total Highway and Bridge Maintenance			1,267,398

Operation and Maintenance of Equipment

Foremen	\$	49,550	
Mechanic(s)		95,959	
Equipment Operators		30,118	
Laundry Service		4,059	
Custodial Supplies		101	
Diesel Fuel		23,312	
Equipment and Machinery Parts		95,595	
Garage Supplies		3,716	
Gasoline		5,847	
Lubricants		7,438	
Tires and Tubes		13,498	
Total Operation and Maintenance of Equipment			329,193

Other Charges

Building and Contents Insurance	\$	5,250	
Liability Insurance		16,901	
Premiums on Corporate Surety Bonds		2,383	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Other Charges (Cont.)

Trustee's Commission	\$	13,854	
Vehicle and Equipment Insurance		23,734	
Workers' Compensation Insurance		48,022	
Other Charges		14,455	
Total Other Charges			\$ 124,599

Employee Benefits

Social Security	\$	43,950	
Pensions		29,780	
Employee and Dependent Insurance		16,136	
Unemployment Compensation		264	
Total Employee Benefits			90,130

Capital Outlay

Communication Equipment	\$	900	
Highway Equipment		38,720	
Other Capital Outlay		5,960	
Total Capital Outlay			45,580

Principal on DebtHighways and Streets

Principal on Notes	\$	48,000	
Total Highways and Streets			48,000

Interest on DebtHighways and Streets

Interest on Notes	\$	470	
Total Highways and Streets			470

Total Highway/Public Works Fund \$ 2,122,264

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Bonds	\$	210,000	
Principal on Notes		19,219	
Total General Government			\$ 229,219

Education

Principal on Bonds	\$	220,000	
Total Education			220,000

Interest on DebtGeneral Government

Interest on Bonds	\$	142,871	
Total General Government			142,871

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Education

Interest on Bonds	\$ 172,785	
Total Education		\$ 172,785

Other Debt Service

General Government

Trustee's Commission	\$ 4,245	
Other Debt Service	1,190	
Total General Government		5,435

Total General Debt Service Fund		\$ 770,310
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Total Governmental Funds - Primary Government		\$ 6,665,397
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Exhibit J-8

Lake County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Lake County School Department
For the Year Ended June 30, 2017

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 2,412,358	
Career Ladder Program	13,000	
Homebound Teachers	882	
Educational Assistants	13,742	
Other Salaries and Wages	2,990	
Non-certified Substitute Teachers	31,782	
Social Security	155,670	
Pensions	180,910	
Life Insurance	3,025	
Medical Insurance	363,448	
Unemployment Compensation	4,293	
Employer Medicare	33,112	
Other Contracted Services	15,042	
Instructional Supplies and Materials	146,197	
Textbooks - Bound	13,481	
Other Supplies and Materials	646	
Regular Instruction Equipment	29,237	
Total Regular Instruction Program		\$ 3,419,815

Special Education Program

Teachers	\$ 261,970	
Career Ladder Program	3,000	
Homebound Teachers	400	
Educational Assistants	41,698	
Non-certified Substitute Teachers	3,484	
Social Security	17,824	
Pensions	24,176	
Medical Insurance	43,091	
Unemployment Compensation	4,700	
Employer Medicare	4,171	
Other Contracted Services	9,055	
Instructional Supplies and Materials	27,738	
Special Education Equipment	1,394	
Total Special Education Program		442,701

Career and Technical Education Program

Teachers	\$ 143,038	
Non-certified Substitute Teachers	1,631	
Social Security	8,259	
Pensions	8,785	
Medical Insurance	15,695	
Unemployment Compensation	70	
Employer Medicare	1,931	
Instructional Supplies and Materials	6,342	
Total Career and Technical Education Program		185,751

(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 ServicesAttendance

Supervisor/Director	\$	30,194	
Career Ladder Program		1,000	
Social Security		1,788	
Pensions		2,822	
Medical Insurance		3,562	
Unemployment Compensation		26	
Employer Medicare		418	
Travel		55	
Total Attendance			\$ 39,865

Health Services

Supervisor/Director	\$	22,850	
Other Salaries and Wages		41,411	
Social Security		3,984	
Pensions		5,092	
Employer Medicare		1,000	
Dues and Memberships		100	
Travel		348	
Instructional Supplies and Materials		100	
Other Supplies and Materials		17,034	
In Service/Staff Development		3,109	
Total Health Services			95,028

Other Student Support

Guidance Personnel	\$	49,383	
School Resource Officer		28,599	
Other Salaries and Wages		29,994	
Social Security		6,302	
Pensions		7,273	
Medical Insurance		7,391	
Unemployment Compensation		55	
Employer Medicare		1,474	
Travel		2,416	
Other Contracted Services		7,154	
In Service/Staff Development		4,076	
Total Other Student Support			144,117

Regular Instruction Program

Supervisor/Director	\$	31,578	
Career Ladder Program		2,800	
Librarians		88,061	
Educational Assistants		13,601	
Social Security		8,018	
Pensions		11,700	
Medical Insurance		10,195	
Unemployment Compensation		78	

(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.)Regular Instruction Program (Cont.)

Employer Medicare	\$	1,901	
Travel		338	
Library Books/Media		10,948	
In Service/Staff Development		3,806	
Other Equipment		635	
Total Regular Instruction Program			\$ 183,659

Special Education Program

Supervisor/Director	\$	32,120	
Bus Drivers		10,737	
Clerical Personnel		15,000	
Social Security		3,543	
Pensions		4,746	
Medical Insurance		1,903	
Unemployment Compensation		55	
Employer Medicare		829	
Other Contracted Services		49,203	
In Service/Staff Development		380	
Total Special Education Program			118,516

Technology

Supervisor/Director	\$	57,116	
Educational Assistants		1,779	
Social Security		3,348	
Pensions		5,267	
Medical Insurance		6,066	
Employer Medicare		783	
Internet Connectivity		66,238	
Other Equipment		8,534	
Total Technology			149,131

Other Programs

On-behalf Payments to OPEB	\$	29,230	
Total Other Programs			29,230

Board of Education

Board and Committee Members Fees	\$	5,150	
Social Security		319	
Pensions		166	
Employer Medicare		75	
Dues and Memberships		5,775	
Legal Services		7,021	
Travel		4,500	
Other Contracted Services		2,000	
Boiler Insurance		2,278	
Liability Insurance		19,222	

(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.)Board of Education (Cont.)

Trustee's Commission	\$	39,301	
Workers' Compensation Insurance		56,210	
Other Charges		6,764	
Total Board of Education			\$ 148,781

Director of Schools

County Official/Administrative Officer	\$	95,072	
Career Ladder Program		2,000	
Secretary(ies)		20,406	
Social Security		7,568	
Pensions		10,287	
Medical Insurance		3,236	
Unemployment Compensation		55	
Employer Medicare		1,770	
Other Fringe Benefits		4,800	
Communication		2,299	
Dues and Memberships		1,397	
Postal Charges		2,879	
Travel		2,605	
Other Contracted Services		350	
Office Supplies		1,472	
Total Director of Schools			156,196

Office of the Principal

Principals	\$	201,253	
Career Ladder Program		1,000	
Accountants/Bookkeepers		38,437	
Assistant Principals		105,678	
Secretary(ies)		35,185	
Social Security		22,653	
Pensions		32,114	
Medical Insurance		34,881	
Unemployment Compensation		183	
Employer Medicare		5,298	
Communication		15,191	
Maintenance and Repair Services - Equipment		682	
Travel		4,782	
Office Supplies		239	
Other Charges		132	
Total Office of the Principal			497,708

Fiscal Services

Accountants/Bookkeepers	\$	41,005	
Clerical Personnel		4,637	
Social Security		2,551	
Pensions		2,652	

(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.)Fiscal Services (Cont.)

Medical Insurance	\$	9,629	
Unemployment Compensation		55	
Employer Medicare		597	
Data Processing Services		1,191	
Travel		70	
Other Contracted Services		8,100	
Data Processing Supplies		292	
In Service/Staff Development		249	
Total Fiscal Services			\$ 71,028

Operation of Plant

Supervisor/Director	\$	15,198	
Custodial Personnel		147,989	
Social Security		9,042	
Pensions		8,777	
Medical Insurance		4,490	
Unemployment Compensation		93	
Employer Medicare		2,335	
Other Contracted Services		7,352	
Custodial Supplies		34,975	
Electricity		204,610	
Natural Gas		95,456	
Water and Sewer		48,762	
Building and Contents Insurance		41,506	
Total Operation of Plant			620,585

Maintenance of Plant

Supervisor/Director	\$	33,985	
Other Salaries and Wages		33,985	
Social Security		4,198	
Pensions		3,949	
Unemployment Compensation		55	
Employer Medicare		982	
Maintenance and Repair Services - Buildings		104,511	
Maintenance and Repair Services - Equipment		32,719	
Other Supplies and Materials		9,396	
Total Maintenance of Plant			223,780

Transportation

Supervisor/Director	\$	15,270	
Bus Drivers		58,001	
Social Security		3,393	
Pensions		4,937	
Unemployment Compensation		100	
Employer Medicare		1,015	
Maintenance and Repair Services - Vehicles		8,067	

(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.)Transportation (Cont.)

Diesel Fuel	\$	33,052	
Gasoline		4,179	
Tires and Tubes		1,090	
Vehicle Parts		4,369	
Transportation Equipment		10,300	
Total Transportation			\$ 143,773

Operation of Non-Instructional ServicesFood Service

Supervisor/Director	\$	36,050	
Social Security		2,115	
Pensions		2,094	
Medical Insurance		26,213	
Unemployment Compensation		28	
Employer Medicare		495	
Maintenance and Repair Services - Equipment		1,622	
Payments to Schools - Breakfast		175,544	
Payments to Schools - Lunch		381,623	
Payments to Schools - Other		13,694	
Travel		1,744	
Other Contracted Services		6,678	
USDA - Commodities		39,216	
Other Charges		3,989	
Regular Instruction Equipment		779	
Total Food Service			691,884

Community Services

Supervisor/Director	\$	42,435	
Teachers		34,284	
Clerical Personnel		13,496	
Educational Assistants		2,950	
Other Salaries and Wages		2,420	
Social Security		5,631	
Pensions		6,918	
Employer Medicare		1,317	
Other Contracted Services		15,019	
Food Supplies		488	
Instructional Supplies and Materials		15,039	
Other Supplies and Materials		800	
In Service/Staff Development		2,857	
Other Charges		4,256	
Total Community Services			147,910

Early Childhood Education

County Official/Administrative Officer	\$	24,090	
Supervisor/Director		8,030	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)Operation of Non-Instructional Services (Cont.)Early Childhood Education (Cont.)

Teachers	\$	129,170	
Career Ladder Program		2,000	
Educational Assistants		52,661	
Non-certified Substitute Teachers		5,945	
Social Security		12,785	
Pensions		17,821	
Medical Insurance		28,382	
Unemployment Compensation		500	
Employer Medicare		3,001	
Travel		1,728	
Food Supplies		4,831	
Instructional Supplies and Materials		19,616	
In Service/Staff Development		232	
Other Equipment		2,257	
Total Early Childhood Education			\$ 313,049

Capital OutlayRegular Capital Outlay

Building Improvements	\$	8,560	
Other Capital Outlay		823	
Total Regular Capital Outlay			9,383

Other Debt ServiceEducation

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

Total General Purpose School Fund \$ 7,956,890

School Federal Projects FundInstructionRegular Instruction Program

Supervisor/Director	\$	3,316	
Teachers		200,941	
Other Salaries and Wages		720	
Non-certified Substitute Teachers		1,604	
Social Security		11,264	
Pensions		17,456	
Medical Insurance		23,420	
Employer Medicare		2,644	
Instructional Supplies and Materials		6,263	
Other Charges		948	
Regular Instruction Equipment		16,628	
Total Regular Instruction Program			\$ 285,204

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)Instruction (Cont.)Special Education Program

Teachers	\$	42,399	
Educational Assistants		112,824	
Non-certified Substitute Teachers		802	
Social Security		9,228	
Pensions		10,378	
Medical Insurance		13,489	
Employer Medicare		2,161	
Instructional Supplies and Materials		21,147	
Other Supplies and Materials		5,909	
Special Education Equipment		9,046	
Total Special Education Program			\$ 227,383

Career and Technical Education Program

Instructional Supplies and Materials	\$	7,039	
Vocational Instruction Equipment		41,640	
Total Career and Technical Education Program			48,679

Support ServicesOther Student Support

Travel	\$	724	
Other Supplies and Materials		1,950	
In Service/Staff Development		3,794	
Other Charges		500	
Total Other Student Support			6,968

Regular Instruction Program

Supervisor/Director	\$	31,614	
Clerical Personnel		15,000	
Other Salaries and Wages		98,949	
Social Security		8,664	
Pensions		12,674	
Medical Insurance		6,269	
Employer Medicare		2,026	
Maintenance and Repair Services - Equipment		3,000	
Other Contracted Services		2,208	
Other Supplies and Materials		4,074	
In Service/Staff Development		24,021	
Other Equipment		2,749	
Total Regular Instruction Program			211,248

Special Education Program

Other Contracted Services	\$	764	
In Service/Staff Development		9,765	
Total Special Education Program			10,529

(Continued)

Exhibit J-8

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

<u>School Federal Projects Fund (Cont.)</u>			
<u>Support Services (Cont.)</u>			
<u>Career and Technical Education Program</u>			
In Service/Staff Development	\$	2,342	
Total Career and Technical Education Program			\$ 2,342
Total School Federal Projects Fund			\$ 792,353
Total Governmental Funds - Lake County School Department			\$ 8,749,243

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, 2017

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 186,077
Total Cash Receipts	<u>\$ 186,077</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 184,216
Trustee's Commission	<u>1,861</u>
Total Cash Disbursements	<u>\$ 186,077</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2016	<u>0</u>
Cash Balance, June 30, 2017	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

**Independent 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 *Government Auditing Standards***

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, 2017, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements, and have issued our report thereon dated February 21, 2018.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiency

described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2017-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2017-002(E), 2017-003, 2017-005(B,C), 2017-006, and 2017-010.

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: 2017-002(A-D), 2017-004, 2017-005(A), 2017-007, 2017-008, and 2017-009.

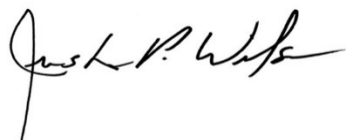
Lake County's Responses to Findings

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

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

February 21, 2018

JPW/yu



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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.

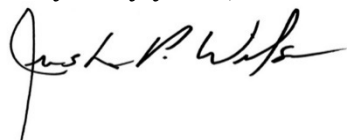
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise Lake County's basic financial statements. We issued our report thereon dated February 21, 2018, 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 the Uniform Guidance 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

February 21, 2018

JPW/yu

Lake County, Tennessee, and the Lake County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2017

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: (3)			
School Breakfast Program	10.553	N/A	\$ 175,544
National School Lunch Program	10.555	N/A	390,646 (5)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	39,216 (5)
Total U.S. Department of Agriculture			<u>\$ 605,406</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	(4)	\$ 18,500
Total U.S. Department of Housing and Urban Development			<u>\$ 18,500</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 9,500
Total U.S. Department of Justice			<u>\$ 9,500</u>
U.S. Department of Labor:			
Passed-through Dyersburg State Community College:			
WIA Youth Activities	17.259	(4)	\$ 392
Total U.S. Department of Labor			<u>\$ 392</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 426,429
Special Education Cluster: (3)			
Special Education - Grants to States	84.027	N/A	223,666
Special Education - Preschool Grants	84.173	N/A	14,739
Career and Technical Education - Basic Grants to States	84.048	N/A	56,039
Twenty-first Century Community Learning Centers	84.287	N/A	147,718
Rural Education	84.358	N/A	12,949
Improving Teacher Quality State Grants	84.367	N/A	47,719
Total U.S. Department of Education			<u>\$ 929,259</u>
U.S. Department of Health and Human Services:			
Passed-through Northwest Tennessee Development District:			
Special Programs for the Aging - Title III, Part B - Grants for			
Supportive Services and Senior Centers	93.044	(4)	\$ 47,136
Passed-through State Department of Health:			
Affordable Care Act (ACA) Abstinence Education Program	93.235	(4)	52,942
Passed-through State Department of Education:			
Child Care and Development Block Grant	93.575	(4)	22,134
Total U.S. Department of Health and Human Services			<u>\$ 122,212</u>

(Continued)

Lake County, Tennessee, and the Lake County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(4)	\$ 112,785
Emergency Management Performance Grants	97.042	(4)	12,300
Total U.S. Department of Homeland Security			<u>\$ 125,085</u>
Total Federal Awards			<u>\$ 1,810,354</u>
		Contract Number	
<u>State Grants:</u>			
Local Health Center - State Department of Health	N/A	(4)	\$ 10,000
Litter Program - State Department of Transportation	N/A	(4)	11,200
Early Childhood Education - State Department of Education	N/A	(4)	200,800
Connect Tennessee - State Department of Education	N/A	(4)	2,128
Safe Schools - State Department of Education	N/A	(4)	5,300
Coordinated School Health - State Department of Education	N/A	(4)	95,000
Family Resource Centers - State Department of Education	N/A	(4)	<u>29,611</u>
Total State Grants			<u>\$ 354,039</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) Lake County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
(3) Child Nutrition Cluster total \$605,406; Special Education Cluster total \$238,405.
(4) Information not available.
(5) Total for CFDA No. 10.555 is \$429,862.

Lake County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2017

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Lake County, Tennessee, for the year ended June 30, 2017.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF COUNTY MAYOR</u>					
2016	160	2016-001	The General Fund Required Material Audit Adjustments for Proper Financial Statement Presentation	N/A	Not Corrected - See Explanation on Corrective Action Plan
2016	161	2016-002	The Office had Deficiencies in Budget Operations	N/A	Not Corrected - See Explanation on Corrective Action Plan
2016	162	2016-003	General Fund Payroll Liability Accounts were not Reconciled Monthly	N/A	Not Corrected - See Explanation on Corrective Action Plan
2016	163	2016-004	General Ledger Cash Account was not Properly Reconciled with County Trustee Reports	N/A	Not Corrected - See Explanation on Corrective Action Plan
2016	163	2016-005	The Office had Deficiencies in Purchasing Procedures	N/A	Corrected
<u>OFFICES OF DIRECTOR OF SCHOOLS AND SHERIFF</u>					
2016	164	2016-006	The Director of Schools and Sheriff had not Formally Documented Internal Controls	N/A	Corrected
<u>OFFICE OF SHERIFF</u>					
2016	165	2016-007	The Office had Accounting Deficiencies	N/A	Corrected
2016	166	2016-008	The Office did not Deposit some Funds within Three Days of Collection	N/A	Corrected
2016	166	2016-009	The Commissary Software did not Generate Sequential Receipt Numbers	N/A	Corrected
2016	167	2016-010	The Office did not Implement Adequate Controls to Protect its Information Resources	N/A	Corrected
<u>OFFICES OF DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE</u>					
2016	167	2016-011	Duties were not Segregated Adequately	N/A	Not Corrected - See Explanation on Corrective Action Plan

Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

LAKE COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Lake County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **YES**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **YES**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - * CFDA Numbers: 84.027 and 84.173 Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants
 - * CFDA Number 84.287 Twenty-first Century Community Learning Centers
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **NO**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF COUNTY MAYOR

FINDING 2017-001

THE GENERAL AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

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

At June 30, 2017, certain general ledger account balances in the General and General Debt Service funds were not materially correct, and audit adjustments totaling \$574,211 and \$38,587, respectively, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Lake County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-002

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

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

Our examination revealed numerous deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the county commission, which resulted in unauthorized expenditures. In addition, the deficiencies are the result of a lack of management oversight, management's failure to correct the finding noted in the prior-year audit report, and management's failure to implement their corrective action plan.

- A. Expenditures exceeded total appropriations approved by the county commission in the Solid Waste/Sanitation Fund by \$1,423.
- B. Expenditures exceeded appropriations approved by the county commission in four of 32 major appropriation categories (the legal level of control) of the General Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General Government - Development	\$ 295
Administration of Justice - Juvenile Court	3,043
Administration of Justice - Other Administration of Justice	167
Other Operations - Other Charges	2,684

- C. Salaries exceeded appropriations in nine of 64 salary line-items of the General Fund by amounts ranging from \$100 to \$1,349. 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 appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.
- D. The budget and subsequent amendments approved by the county commission for the General and Drug Control funds resulted in appropriations exceeding estimated available funding by \$34,972 and \$450, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- E. Budget amendments for the General, Solid Waste/Sanitation, and General Debt Service funds were approved by the county commission at the March and June 2017 meetings that were not posted to the accounting records. Some of the amendments made at the June 2017 meeting appeared to be duplicate items from March 2017 that officials did not realize had already been approved due to the lack of accurate budgetary statements. We have made audit adjustments to include all budget amendments approved by the county

commission in the financial statements of this report. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits.

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.”

RECOMMENDATION

Expenditures should be held within appropriations approved by the county commission. Appropriations that exceed estimated available funding should not be submitted to the county commission, and the county commission should not approve such appropriations. All budget amendments approved by the county commission should be properly posted to the accounting records.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-003

THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF PAYROLL DEDUCTIONS AND PAYROLL LIABILITY ACCOUNTS

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

Our examination revealed the following deficiencies related to payroll deductions and the maintenance of payroll liability accounts. These deficiencies are the result of a lack of management oversight, management’s failure to correct the finding noted in the prior-year audit report, and management’s failure to implement their corrective action plan.

- A. General ledger payroll liability accounts for the General and Solid Waste/Sanitation funds were not reconciled monthly with payroll records and payments. As a result, unidentified balances accumulated in all payroll liability accounts. These unidentified balances in these payroll liability accounts are not material to the financial statements. Sound business practices dictate that these reconciliations be performed monthly. It could not be determined when the office had last attempted to reconcile these accounts. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected.
- B. Payments made by the county totaling \$121,796 and \$1,412 from the General and Solid Waste/Sanitation funds, respectively, for the remittance of retirement contributions and federal income and social security taxes had not

been posted to the payroll liability and cash accounts for May and June 2017. Audit adjustments were made to properly recognize these payments in the financial statements and adjust these liability accounts.

- C. Numerous employees had payroll deductions for various voluntary insurance plans as well as for garnishments and other items. Auditors attempted to reconcile withholding account balances to the amounts withheld from employees' payroll and paid to vendors. It was noted that several employees had amounts withheld from their paychecks that differed from the amounts remitted to vendors on their behalf. Auditors attempted to verify the employees' authorization for the withholdings; however, the County Mayor's Office does not maintain any employee records that document the amounts or support the authorization for these withholdings. As a result, the composition of the balances in these accounts could not be readily determined or adjusted by auditors. The unidentified balances remaining in these employee withholding accounts are not material to the financial statements.

RECOMMENDATION

Payroll liability accounts should be reconciled monthly with payroll reports and payments. All transactions should be accurately posted to the accounts, and any errors discovered should be corrected promptly. Management should ensure that the correct amounts are withheld and remitted from the employees' payroll. Employee records should be maintained that document all payroll amounts and include the appropriate authorizations for any payroll deductions.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-004

GENERAL LEDGER CASH ACCOUNTS WERE NOT PROPERLY RECONCILED WITH COUNTY TRUSTEE REPORTS

(Noncompliance Under *Government Auditing Standards*)

General ledger cash accounts in the General, Solid Waste/Sanitation, General Debt Service, and Watershed District funds failed to reconcile with county trustee's reports by \$141,599, \$1,444, \$84, and \$611, respectively, at June 30, 2017. The office had not attempted to reconcile the cash accounts since at least April 2017, and several transactions for payroll liability payments had not been posted in May and June 2017 as noted in Finding 2017-003(B) above. In addition, numerous other errors had been made and were not discovered and corrected. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with county trustee's reports monthly. Failure to reconcile general ledger cash accounts with county trustee's reports increases the risks that errors may occur and not be detected. This deficiency is the result of a lack of management oversight,

management's failure to correct the finding noted in the prior-year audit report and, management's failure to implement their corrective action plan.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-005

ACCOUNTING RECORDS WERE NOT CLOSED ON A TIMELY BASIS, AND RECEIVABLES AND PAYABLES WERE NOT RECORDED

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

The following deficiencies were noted in the preparation and closing of accounting records for the Office of County Mayor. These deficiencies can be attributed to a lack of management oversight and the failure of management to take proper responsibility for the accounting records.

- A. Accounting records for the year ended June 30, 2017, were not closed and available for audit until October 16, 2017. Section 9-2-102, *Tennessee Code Annotated*, requires officials to close their official accounting records and to have those records available for audit no later than two months after the end of the fiscal year; therefore, these records should have been closed by August 31, 2017. Consequently, accounting records were not available on a timely basis for audit or for officials and the county commission to use as a tool for financial decisions.
- B. Accounts receivables and payables were not recorded in the accounting records of the General, Solid Waste/Sanitation, Drug Control, and General Debt Service funds at June 30, 2017. Sound business practices dictate that all receivables and payables should be determined and posted to the accounting records prior to closing the records at year-end. Additional audit procedures were performed to properly determine receivables and payables at June 30, 2017. We presented audit adjustments to management that they approved and posted to properly present receivables and payables in the financial statements in this report.
- C. Monthly accounting records have not been closed on a timely basis after June 30, 2017. As of January 2018, accounting records have not been closed since

September 2017. The failure to maintain accounting records on a current basis diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary and accounting control.

RECOMMENDATION

The office should close its accounting records and have those records available for audit by August 31st each year as required by state statute. Receivables and payables should be properly determined and recorded in the accounting records during year-end closing. The office should always maintain accounting records on a current basis and have financial statements available each month.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-006

THE SOLID WASTE/SANITATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2017

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

The Solid Waste/Sanitation Fund had a deficit in unassigned fund balance of \$3,358 at June 30, 2017. This deficit occurred primarily due to payables of \$3,727 for a capital lease at June 30, 2017, that were not recorded in the financial statements as well as the failure to reconcile cash balances and post all transactions to the accounting records.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the errors and deficiencies noted.

FINDING 2017-007

THE COUNTY COMMISSION VIOLATED THE COUNTY'S LEAVE POLICY

(Noncompliance Under *Government Auditing Standards*)

On August 31, 2016, a former employee was paid \$7,465 for 21 weeks of unused vacation leave. The leave policy for Lake County states, "Vacation time may not be accumulated and

carried forward to the next year. Days not used in the current year will be lost.” When auditors brought this matter to the attention of the county mayor, the county commission then approved a motion on December 18, 2017, to approve the leave payment, which was in violation of the county’s policy. The deficiency is the result of management’s failure to follow its own policy.

RECOMMENDATION

The county commission should not approve leave payments in violation of the county’s leave policy.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

I agree with the finding and have made every effort to correct the deficiency noted.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2017-008

WAGES WERE NOT SUBJECTED TO RETIREMENT WITHHOLDINGS AND WERE NOT REPORTED TO THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

(Material Noncompliance Under *Government Auditing Standards*)

The Highway Department did not subject certain wages to retirement withholdings and did not report the wages to the Tennessee Consolidated Retirement System (TCRS) for department employees as required by Section 8-37-502(a), *Tennessee Code Annotated*, for the payrolls from February 14, 2014, through December 31, 2016, totaling \$384,010. This deficiency was the result of the Highway Department ceasing to provide employee health insurance and giving each employee an additional \$941.20 per month compensation. These amounts were reflected on the employees’ federal Forms W-2 as income. As a result of this deficiency, employees have not received the proper retirement credit, and the county could face possible penalties for not subjecting all wages to retirement withholdings and not remitting the deductions and required employer match to TCRS. We have reported this finding to TCRS.

RECOMMENDATION

All wages should be subjected to retirement withholdings and employer match and reported and remitted to TCRS. The office should contact TCRS to find out what steps should be taken to correct this error.

MANAGEMENT’S RESPONSE – ROAD SUPERINTENDENT

We concur with this finding. Effective January 1, 2017, we had already began reporting all wages to TCRS. We are in the process of contacting TCRS to determine how to correct the prior unreported compensation.

OFFICE OF SHERIFF

FINDING 2017-009

THE SHERIFF DID NOT OBTAIN A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES

(Noncompliance Under *Government Auditing Standards*)

The sheriff had prepared a letter of agreement authorizing the number of Sheriff's Department deputies and their salaries; however, the agreement was never signed or dated by the sheriff and county mayor. Section 8-20-101, *Tennessee Code Annotated*, requires the sheriff to enter into a letter of agreement with the county mayor concerning the number and the salaries of deputies or to file suit in Circuit Court. This noncompliance is the result of the sheriff and county mayor not reaching a formal agreement on the salaries of deputies.

RECOMMENDATION

The sheriff should obtain a letter of agreement with the county mayor or petition Circuit Court for the number and salaries of deputies as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

We agree with the finding.

OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, SHERIFF, AND THE AMBULANCE SERVICE

FINDING 2017-010

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, Director of Schools, 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. Sound business practices dictate that management is responsible for designing internal controls 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 and the failure to implement their corrective action plan.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

I agree with the finding and will be making every effort to correct the deficiencies noted.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We will segregate duties to the fullest extent possible using the secretary, the bookkeepers, and supervisors in the office to decrease the chance of unauthorized transactions.

MANAGEMENT'S RESPONSE – SHERIFF

We agree with the finding.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2017.

Lake County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2017

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

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OFFICE OF COUNTY MAYOR

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OFFICE OF ROAD SUPERINTENDENT

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OFFICE OF SHERIFF

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OFFICES OF COUNTY MAYOR, DIRECTOR OF SCHOOLS, AND SHERIFF

2017-010	Duties were not Segregated Adequately	176, 179-180
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TELEPHONE
731/253-7382

DENNY JOHNSON

County Mayor, Lake County
Box 1 • Court House
229 Church Street
Tiptonville, Tennessee 38079



Corrective Action - Financial Statement Findings

OFFICE OF COUNTY MAYOR

FINDING 2017-001

THE GENERAL AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

Response and Corrective Action Plan Prepared by:
Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:
Same as above

Anticipated Completion Date of Corrective Action:
June 30, 2018

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Management has hired a replacement bookkeeper. The old bookkeeper was trying to look after a dying parent. She got behind in April of 2017 and ultimately out of control. She was replaced in August of 2017 when it was discovered that year-end closeouts and monthly reconciliation was not current.

Planned Corrective Action:
We are working with CTAS to help with getting accounting current and proper training so that general ledgers are closed out monthly.

FINDING 2017-002

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:
Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:
Same as above

Anticipated Completion Date of Corrective Action:
June 30, 2018

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

When budget amendments were necessary, management took amendments to the county commission for approval. Bookkeeper failed to log amendments for approval after county commission approval.

Planned Corrective Action:

Bookkeeper's absence from the office due to her dying mother caused a total lack of accountability. When it was discovered by management, bookkeeper was replaced and we are now working with CTAS to train new bookkeeper on proper posting to accounting records.

FINDING 2017-003**THE OFFICE HAD DEFICIENCIES IN THE
ADMINISTRATION OF PAYROLL DEDUCTIONS AND
LIABILITY ACCOUNTS****Response and Corrective Action Plan Prepared by:**

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

Lake County had 16 different liability accounts for payroll deductions. Bookkeeper inherited liability accounts that were out of balance from previous administration.

Planned Corrective Action:

Management has eliminated all liability accounts except TCRS employee accounts.

941 federal taxes were made properly and timely but not logged to financial statements. Lack of responsibility by bookkeeper caused this situation. Bookkeeper has been replaced and new bookkeeper is being trained to make sure 941 tax payments are logged correctly posted timely.

FINDING 2017-004

GENERAL LEDGER CASH ACCOUNTS WERE NOT PROPERLY RECONCILED WITH COUNTY TRUSTEE REPORTS

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

With the bookkeeper's repeated absence and the secretary/accounts payable leaving for other employment, the new secretary/accounts payable was not trained to assist in this duty.

Planned Corrective Action:

General Ledger "cash accounts" are reconciled monthly and new bookkeeper is working with CTAS consultant and Trustee's office to ensure this is done monthly.

FINDING 2017-005

ACCOUNTING RECORDS WERE NOT CLOSED ON A TIMELY BASIS AND RECEIVABLES AND PAYABLES WERE NOT RECORDED

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

Not Applicable

Planned Corrective Action:

Accounting records are being caught up and maintained monthly. Again, old bookkeeper got behind due caring for her dying mother. She lost control and was unable to catch up once she got behind. The new bookkeeper is working with CTAS consultant to make sure monthly closeout is done timely. The bookkeeper's loss of control made it difficult to develop the 2017-2018 budget.

FINDING 2017-006

**THE SOLID WASTE/SANITATION FUND HAD A
DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE
30, 2017**

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

Not Applicable

Planned Corrective Action:

Bookkeeper made "2" payouts on a Capital Lease for front-end loader. Payments were not posted to financial statements. The new bookkeeper has been instructed to post expenditures timely and to close out financial statements monthly.

FINDING 2017-007

**THE COUNTY COMMISSION VIOLATED THE
COUNTY'S LEAVE POLICY**

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

Not Applicable

Planned Corrective Action:

County Commissioners approved payout for unused vacation time. After approval, we standardized policy county wide so as this matter should not happen again.

Response and Corrective Action Plan Prepared by:

Denny Johnson, County Mayor

Jack Mauldin, Ambulance Service Director

Person Responsible for Implementing the Corrective Action:

Same as above

Anticipated Completion Date of Corrective Action:

June 30, 2018

Repeat Finding:

Yes

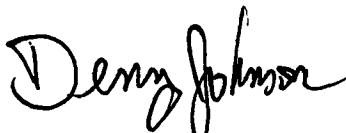
Reason Corrective Action was Not Taken in the Prior Year:

Bookkeepers did not fully understand their duties.

Planned Corrective Action:

County Mayor's office has hired new bookkeeper and we are working diligently to separate duties to make sure this finding does not happen again in the County Mayor's Office. The ambulance service is a small organization with limited resources and funding. We will continue to do our best with segregation of duties.

Sincerely,

A handwritten signature in black ink that reads "Denny Johnson". The signature is written in a cursive, flowing style.

Denny Johnson
Lake County Mayor

*Lake County Highway Department
129 Headden Drive
Ridgely, TN 38080*

*Phone 731-264-5641
Phone 731-264-5822
Fax 731-264-9003*

Corrective Action Plan

FINDING: WAGES WERE NOT SUBJECTED TO RETIREMENT WITHHOLDINGS AND WERE NOT REPORTED TO THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Response and Corrective Action Plan Prepared by:
William T. Cantrell, Superintendent

Person Responsible for Implementing the Corrective Action:
Donna Moore, Bookkeeper

Anticipated Completion Date of Corrective Action:
Jan 31, 2018

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
In the future, we will submit all wages to TCRS and we are in the process of contacting TCRS to determine how to correct the prior years error.

Signature:

William Cantrell



Bryan Avery
Sheriff Lake County

109 South Court St.
Tiptonville, Tennessee 38079
731-253-7791 Phone
731-253-6315 Fax

Corrective Action Plan

FINDING: THE SHERIFF DID NOT OBTAIN A LETTER OF AGREEMENT OR COURT DECREE TO AUTHORIZE DEPUTY HIRES

Response and Corrective Action Plan Prepared by:
Bryan Avery, Sheriff

Person Responsible for Implementing the Corrective Action:
Neina Ceaser, Bookkeeper

Anticipated Completion Date of Corrective Action:
12/14/17

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
We have always done our letters of agreement and turned them over to the County Mayor's Office. In the future we will make sure we keep copies of the signed agreement with the initial date signed.

Signature: Bryan K. Avery



Bryan Avery
Sheriff Lake County

109 South Court St.
Tiptonville, Tennessee 38079
731-253-7791 Phone
731-253-6315 Fax

Corrective Action Plan

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:
Bryan Avery, Sheriff


Person Responsible for Implementing the Corrective Action:
Neina Ceaser, Bookkeeper

Anticipated Completion Date of Corrective Action:
12/14/17

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We actually thought we had segregated our duties and did not realize we had not.
Our office is really small and we are operating with limited staff.

Planned Corrective Action:
We will continue to segregate duties to the best of our ability and put more employees in place. We have a limited staff but will make sure we get someone in place.

Signature: 

BOARD OF EDUCATION

Deborah Cox, Chairperson
Warren Douglas, Vice Chairperson
Judy Fraley
Carolyn Hayes
Debra Holliman
Dianne Homra
Michael Parker
Patricia Parks
Jason Stanley

Lake County School

Sherry Darnell
Director of Schools
819 McBride St.
Tiptonville, TN 38079
Phone 731/253-6601

STAFF

Mandy Norris
Supervisor of Instruction/Federal Projects
Suzanne Mathis
Technology Director
Bret Johnson
Supervisor of Attendance/Safe Schools
Glenda Whitson
School Food Service Supervisor
Nikki Springer
Supervisor of Special Education/Pre-K Program
Howard Todd
Supervisor of Transportation/Facilities Management

Corrective Action Plan

FINDING:

DUTIES WERE NOT SEGREGATED ADEQUATELY
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Response and Corrective Action Plan Prepared by:
Sherry Darnell, Director of Schools

Person Responsible for Implementing the Corrective Action:
Sherry Darnell, Director of Schools

Anticipated Completion Date of Corrective Action:
Date: 02/15/2018

Repeat Finding:
Yes

Planned Corrective Action:
The duties are segregated according to the number of employees that we have in our office. A purchase requisition is sent to the supervisor, the supervisor approves the order and then a purchase order is generated and that purchase order is signed by the superintendent. The supervisor places the order and upon arrival the order is checked in by the secretary and/or supervisor. Once the bookkeeper has received verification the order is complete and is invoiced, the bookkeeper then processes the check, stamps the check, and the superintendent peruses every check written.

Signature: _____

Sherry Darnell

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.